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Con Edison 1971 Annual Report

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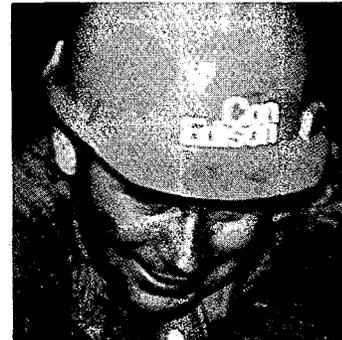
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COVER—Tugboats move new barge-mounted gas turbine units into place at Gowanus Bay.



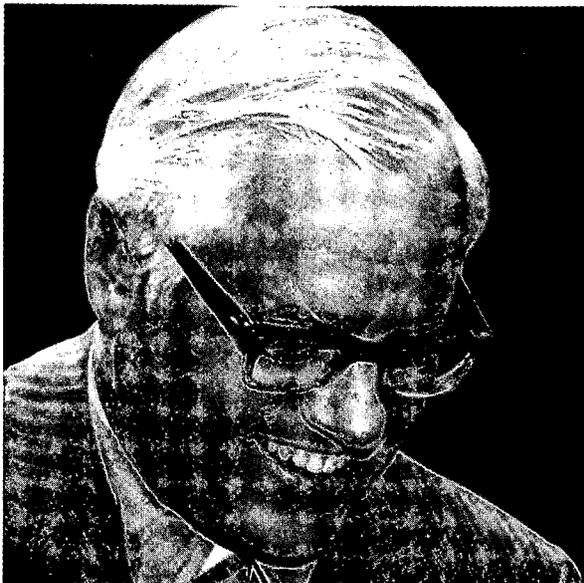


Highlights of 1971

	Year Ended December 31st	
	1971	1970
Revenues	\$1,314 million	\$1,128 million
Net income for common stock	\$160.4 million*	\$ 94.2 million
Earnings per common share before extraordinary item	\$ 2.35	\$ 2.30
Earnings per common share after extraordinary item	\$ 3.52	\$ 2.30
Dividends per common share	\$ 1.80	\$ 1.80
Average common shares outstanding	45.6 million	40.9 million
Book value per common share	\$31.44	\$30.85
Revenues and sales volume	(in millions)	(in millions)
Electric -33.0 Billion kwh (up 1.8 %)	\$1,117	\$ 952
Gas -71.0 Billion cu. ft. (up 3.1%)	124	117
Steam -37.7 Billion pounds (up 2.1%)	69	56
Other	4	3
Taxes, other than Federal income		
Local	\$ 234	\$ 209
State	54	42
Federal	10	9
Total	<u>\$ 298</u>	<u>\$ 260</u>
Utility plant, less accumulated depreciation	\$4,425 million	\$4,107 million
Construction expenditures	\$ 430 million	\$ 401 million
Employees	22,580	23,726

*Includes extraordinary item, net of related taxes, of \$53.4 million equivalent to \$1.17 per common share.

TO THE STOCKHOLDERS



Louis H. Roddis Jr., President

Net income available for Common Stock in 1971 was \$107.0 million, before an extraordinary item of \$53.4 million representing Federal income tax refunds for prior years. This compares to \$94.2 million in 1970. Taking into account an average 4.7 million more shares outstanding by reason of Common Stock issues in 1971, earnings per share without the extraordinary item were \$2.35 compared with \$2.30 in 1970. With the extraordinary item, earnings were \$3.52 per share.

The growth in earnings resulted partly from growth in sales of electricity, gas and steam, but mainly from substantial increases in electric, gas and steam rates to compensate for higher costs. Also contributing to better earnings were operating economies.

System performance was stronger as we set a new peak demand record and on ten summer days surpassed the previous demand record set in 1969.

We brought on line 624,000 kw of new gas turbine generating capacity, and there was progress on other new power projects under construction which, in total, will add 4.3 million kw of generating capacity in the next 4 years if present schedules can be met.

We began a scheduled program to replace cast iron mains in our gas system, and other-

wise to modernize it. We also began a major expansion of our steam generating capacity to meet new demands and to allow retirement of obsolete boilers.

Rate Increases

Cost increases and the impact of our expansion program required us to seek rate increases for all three forms of energy that we sell.

In June we were granted an interim electric rate increase of about \$52 million plus about \$3 million of associated revenue taxes. We also received about \$4 million to cover increases in the state revenue tax rate. We had requested an interim electric increase of about \$96 million, and a permanent increase of about \$143 million. A Public Service Commission decision on the permanent increase was expected in March 1972.

Effective November 23, we were allowed to put into force a \$14.5 million gas rate increase, plus applicable revenue taxes. It was our first general gas rate increase in 13 years, in which period we had two decreases in gas rates.

Also on November 23 we were permitted to resume the practice of rate adjustments under the fuel clause in our service tariffs. Such adjustments had been frozen during the 90-day wage-price freeze, August 15-November 13, 1971. The importance of the fuel clause is underscored when one considers that the fuel adjustment for a typical residential bill for 300 kwh increased from 4 cents in March 1970 to 73 cents in December, 1971. This dramatic increase represents largely the additional cost to consumers of reducing the sulfur content of power plant fuel to improve the quality of New York's air.

On November 8, 1971, we applied for a 2 percent steam rate increase totalling \$1.3 million, and as we went to press were awaiting a decision from the PSC.

Until increases in productivity equal or exceed cost increases, it is predictable that the prices of electricity, gas and steam will continue to rise. Technologically, the production and transportation of these forms of energy have been on a productivity plateau for the past five or more years. In this same period,

expenditures for environmental protection, which do not increase and may even decrease productivity, have been rising sharply. So, also, have wage rates, interest rates and almost all other costs of providing energy.

Protecting The Environment

Our programs to protect the environment were intensified, most notably by switching from low sulfur to very-low-sulfur oil and by converting all but one of our remaining coal-burning units to oil. The last coal-burning unit, Arthur Kill No. 3, was scheduled for conversion in early spring, 1972. At year's end we were burning fuel with an average sulfur content of .57 percent compared to .69 percent a year earlier, and had reduced our stack emissions of sulfur dioxide by 8.6% and of particulates by 22.6%.

R&D

The electric utility industry came to grips in 1971 with the research and development needed to supply growing electric demand in ways compatible with the environment. A 17-member R&D Goals Task Force representing all segments of the industry analyzed the types of R&D projects, and their cost, needed over the next 30 years.

Their conclusion: top priority should be given to processes for controlling stack gas emissions; coal gasification; more economical underground transmission; breeder and fusion reactors, and new concepts to increase power plant efficiency, lessen the waste heat problem and, in some cases, to permit distributed generation.

The Task Force recommended that about \$1.2 billion per year, on the average, should be committed. This is double what is being spent now by utilities, manufacturers and the government for electric R&D. Our research director served on the Task Force.

The next question is how to raise the necessary funds. Several proposals are under consideration. They involve rate increases or taxation or a combination thereof.

In 1972 we will spend \$7 million on R&D. The major portion of these funds will be ap-



Charles F. Luce, Chairman of the Board

plied toward construction of a pilot plant on Staten Island to test a new method for reducing sulfur dioxide stack emissions. In addition, they will support longterm cooperative national efforts to develop a liquid metal fast breeder reactor, fuel cells, magnetohydrodynamics (MHD) super-conducting cables and other advances in the technology of generating and transporting electric energy.

Conclusion

To earn a fair return for our shareholders, to meet growing power needs in environmentally acceptable ways, to discharge our social responsibilities, to be efficient and imaginative—these remain goals that guide your management. We are determined to make further progress toward these goals with each passing year.

A handwritten signature in cursive script, reading "Charles F. Luce".

Charles F. Luce
Chairman of the Board

A handwritten signature in cursive script, reading "Louis H. Roddis, Jr.".

Louis H. Roddis, Jr.
President



Operations

Nobody would have dared predict in January that our system performance during the summer of 1971 would be the best in recent years.

Our biggest machine, Ravenswood No. 3, and Indian Point Nuclear Unit No. 1 both were out of service for major repairs, with uncertain return dates. And we were racing against time to install 624,000 kilowatts of barge-mounted gas turbines by early July.

Everything came together in the nick of time, thanks to great efforts by company maintenance and construction forces.

Ravenswood No. 3—Big Allis—came back in June. Our crews had worked 10 months around the clock to rebuild the damaged stator. She came back strong. On September 18 she set an all-time 24-hour generating record of 19.3 million kwh.

Indian Point No. 1 came back February 8, 1971 after 8½ months for repairs to the primary cooling system.

All 624,000 kw of new barge-mounted gas turbines were operating by July.

As a result, and with the help of our Save A Watt campaign, only 6 times during the summer were we forced into general system voltage reductions totalling 10¼ hours. The summer before we had had 15 voltage reductions totalling 96¾ hours.

Yet, on 10 separate occasions during summer 1971 we surpassed the old one-hour peak record of 7,266,000 kw set in 1969. Our new record of 7,719,000 kw came on July 1.

The Save A Watt program helped hold the peak down by nearly 200,000 kw.

Working around the clock for 10 months, our crews restored Big Allis to service in time to meet summer peak demand and help give us the best system performance in recent years.

Sales

In 1971, we discontinued promoting the sale of electricity and gas and converted our former Sales Department into essentially a service department. Personnel formerly in sales activities were transferred to other work as vacancies occurred.

Concurrently we began a pioneering program urging customers to "Save A Watt"—to use the electricity they need for pleasant and healthful living, but not to waste any form of energy. The earth's resources are limited. Waste of any resource, including energy, is unfair to future generations and often causes unnecessary environmental damage.

The "Save A Watt" program held 1971 summer peak loads to about 200,000 kw less than we think they otherwise would have been. Our research indicates that 6000 large commercial customers, who year-around use about half the electricity we sell, saved more than 100 million kwh during the summer months.

Despite "Save A Watt," inexorable growth in demand for energy produced new records in 1971 sales of electricity, gas and steam. Residential usage of electricity increased by 1.3% over 1970 (4.8% after adjustment to reflect 1970 change to monthly billing); total usage increased by 1.8% (2.9% after adjustment). People's demand for energy remains great, even when they do not waste. For example, half the dwelling units in our service territory have no air conditioning, and market saturation for many other electric appliances is low especially among the economically disadvantaged.

In our service territory 32,500 new dwelling units were started in 1971, more than in any of the past five years. About 26 million square feet of new office and business space was started, slightly less than in recent years.

New Power Supply

The key to adequate power reserves in 1972 is Indian Point Nuclear Unit No. 2.

As we went to press, we were bending every effort to bring this now-completed 873,000 kw nuclear addition in service by July to help meet summer peak demands.

It depends first on the timely issuance of an operating license. Second, it depends on the successful completion of start-up testing.

Licensing hearings began in December, 1970, dealing essentially with radiological safety matters. In July, 1971, when these hearings were nearly completed, the "Calvert Cliffs" court decision was announced. That decision required the AEC to hold, in addition to radiological hearings, extensive environmental hearings before issuing an operating license—even in cases such as Indian Point No. 2 where construction was virtually completed and the appropriate state agency had certified its compliance with water quality standards.

The radiological safety aspects of the AEC hearing were substantially completed January 12, 1972. The environmental presentation began October 5, 1971. As we went to press we were hoping soon for a license permitting low power testing up to 50 percent of full power. Progress toward such a license has been advanced materially by the cooperation in recent months of two of the principal intervenors—the Environmental Defense Fund and the Hudson River Fisherman's Association—in expediting hearing schedules.

Meanwhile, a fire November 4 in an auxiliary building damaged motor controls essential to operation of Indian Point No. 2. Repairs commenced immediately and were scheduled to be completed by March 1, 1972, at a cost of nearly \$5 million. We are covered



Aerial view of barge-mounted gas turbines at Gowanus Bay. On top of 624,000 kw installed in 1971, another 348,000 kw of barge-mounted gas turbines will come on line in 1972.

by insurance for most of the cost of repairs. The fire slowed testing somewhat, but not enough to prevent the plant from being in service by summer if our operating license comes through in time.

Other 1972 Additions

We also are installing 348,000 kw of additional gas turbines to be mounted

on barges. They are scheduled for July, and will complement the 624,000 kw of barge-mounted turbines added in 1971 and 1.2 million kw of land-based gas turbines completed in 1970 and early 1971.

Also scheduled to be in service by summer is the first of two 600,000 kw oil-fired units we are building jointly with Orange & Rockland Utilities, Inc., at Bowline Point on the Hudson River across from and 4 miles below Indian Point. Our ownership share will be 400,000 kw, and in 1972 we will purchase a substantial part of O&R's share of Bowline power.

These additions, combined with some firm purchased power, will enable us to retire about 325,000 kw of old, less efficient (more costly and more polluting) equipment in 1972. If our plans go forward on schedule, we will have retired more than 1.5 million kw of older equipment between 1971 and 1975.

Scheduled to be on line in the fall of 1972—but not in time to help with summer peak demand—is the first of two 600,000 kw oil-fired units we are building with Central Hudson and Niagara Mohawk near Newburgh, 50 miles up the Hudson River from New York City. This is the Roseton plant. Our initial share will be 240,000 kw.

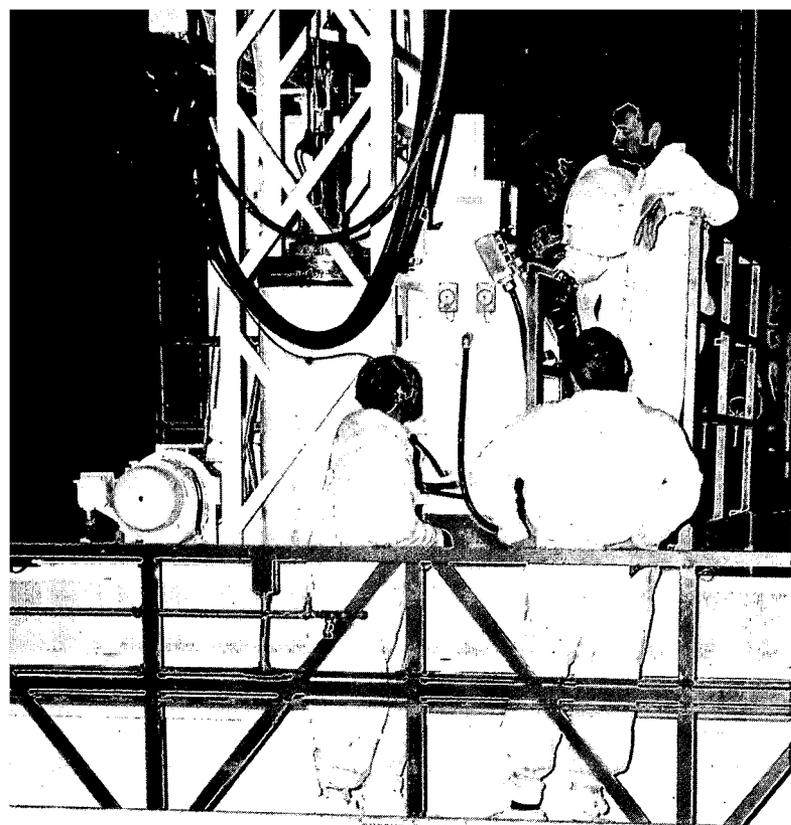
Prospects for 1975

Our near-term goal is to complete by 1975 a five-year construction program that will give us one of the most modern electric systems in America.

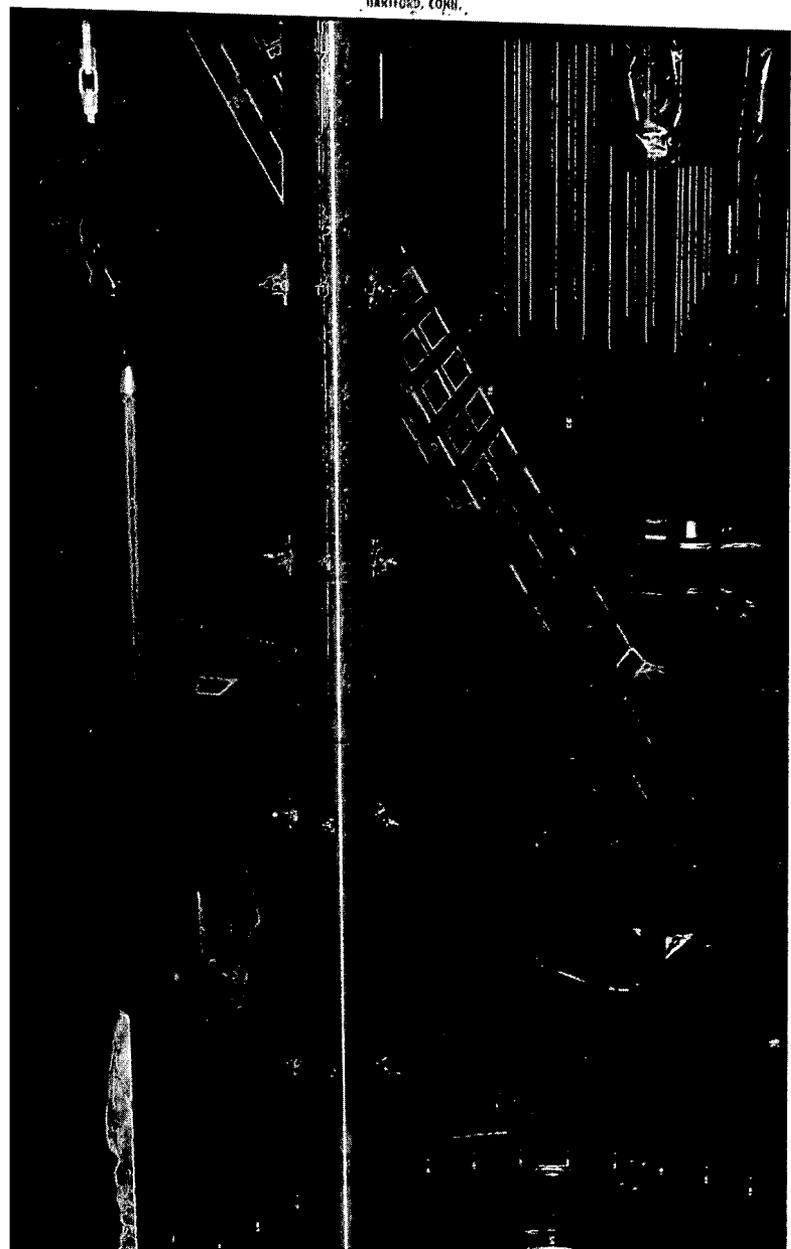
- The second 600,000 kw Roseton unit is on schedule for summer 1973. Our share is 240,000 kw.
- Indian Point Nuclear Unit No. 3,

Field Engineer Vernon Perry and Construction Vice President Warren B. Coburn discuss progress on Indian Point Nuclear Unit No. 2. Containment building in background.





DWIGHT BOOTE INC.
HARTFORD, CONN.



with 965,000 kw, originally scheduled for 1971, has slipped to November, 1974.

- Astoria No. 6, an oil-fired 800,000 kw unit, is on schedule for summer 1974, but possible delay of construction permits for intake and discharge structures beyond March, 1972, could jeopardize this schedule.

- The second 600,000 kw Bowline unit is on schedule for spring of 1975. Our share will be 400,000 kw.

As for major interconnections, our 345-kv tie with the PJM System went into service in February, 1972. The under-the-Hudson cable crossing portion of our 345-kv tie with Public Service Gas & Electric (N.J.) will be completed in early 1972, as scheduled. The overhead portions on the west side of the Hudson in New Jersey and New York have been delayed pending decisions on design by the regulatory commissions of the two states, and now are expected to be completed 7-8 months after certification. Meanwhile, a routing dispute decided by the New York State Public Service Commission in late January, 1972, will delay completion of our 345-kv Southern Tier tie with upstate utilities from 1972 to late 1973 at the earliest.

Beyond 1975

A possible site on the grounds of Sing Sing Prison in Ossining for an oil-fired plant and the Cornwall Pumped Storage Project figure prominently in our new 20-year advance program.

The plan calls for 700,000 kw of additional peaking capacity in 1976, about 1.5 million kw of longterm firm purchases of power from Canada

Nuclear technicians test manipulator crane at Indian Point Nuclear Unit No. 2 prior to fuel loading. Unit 2 is key to adequate power reserves during summer 1972.



and the Power Authority of the State of New York beginning in 1977 (500,000 kw or more of which could be made available to us earlier depending on allocations of power from other PASNY facilities), two 600,000 kw oil-fired units at Ossining or elsewhere on the lower Hudson River in 1979-80, the 2 million kw Cornwall project in 1981-82, Nuclear 4 in 1983 and Nuclear 5 in 1985, each of 1.1 million kw capacity. Beyond that are a combination of base load and peaking units.

We cannot now say with certainty where Nuclear 4 and 5 will be located. For the future, we are considering as one possibility barge-mounted nuclear units anchored in the ocean a few miles off shore.

The plan takes into account lead time requirements and decision points. For example, the timing of Ossining and Cornwall could be reversed, depending on necessary siting approvals for Ossining and court action on Cornwall.

We have received encouraging indications of local support for the Ossin-

While we await completion of new facilities, our maintenance shops and personnel carry heavy load keeping older plants in service. This scene is at Van Nest shops.

ing site. But we have just begun the formal process of gaining necessary approvals.

A favorable court decision in late October encourages us as regards the long-stymied Cornwall project. The U.S. Second Circuit Court of Appeals upheld by a 2-1 vote the new license granted us by the FPC in 1970 to build this 2-million kw peaking project. Opponents had until February 24, 1972, to petition the U.S. Supreme Court for review. They filed action in the state courts to challenge a water quality certificate issued by the State for the project. So the final court test has not been passed. The project would take about 6 years to construct, and scheduling it for 1981-82 allows ample time for any remaining court action to be resolved. Rapid resolution of further court action would enable Cornwall to be built earlier.

Gas Operations

We operate the 5th largest gas distribution system in the United States in terms of number of customers.

It is also one of the oldest, with a substantial amount of very old mains that must be replaced.

To speed improvements, to bring gas problems to the top of the decision-making process, and to separate gas operations, more completely from electric operations—as a gas system of this size deserves—we have taken a number of steps.

In 1972 we will spend \$12.9 million to replace and rebuild old mains, double the 1971 capital budget for this purpose.

All gas activities including the central functions of gas purchasing, dispatching and engineering have been brought under a single line authority, the Executive Vice President for Division Operations.

Separate gas operations have been established in three of our four Divisions which serve gas customers (The Bronx, Queens and Manhattan). In the fourth gas Division, Westchester County, geographical considerations dictated a slightly different plan with five gas districts. Each Division has a General Manager responsible only for gas, reporting directly to the Division Vice President.

Supply and Demand

The market for gas continues strong in our gas territory, having grown by more than 50 percent in the past 10 years.

Our gas supply situation is one of

Very old mains on our gas system must be replaced, and we have doubled the 1971 capital budget for this purpose. We also have separated gas functions from electric operations.





the best among gas distributors in the Northeastern United States. But in 1971, for the first time, we began to encounter supply problems. Our largest supplier, Transco, in November announced curtailment of all its customers, including Con Edison, by an average 10 percent. Smaller suppliers also curtailed gas deliveries by lesser amounts. The New York State Public Service Commission in October 1971 ordered all utilities in the state to take steps to hold down the consumption of natural gas. This did not require a substantial change in our policy or direction, inasmuch as we had ceased all sales promotion in January, 1971.

We expect to be able to arrange our gas supplies sufficiently to continue to meet peak demands of our firm gas customers. For one thing, the supplier curtailments contain a certain amount of flexibility with provisions for meeting emergency conditions. We also have a small but valuable gas storage

Project Engineer Frank Gannon and Construction Vice President Warren B. Coburn inspect progress on new liquefied natural gas facility at Astoria scheduled for completion in spring 1973.

capability to draw upon. And if necessary we can raise the cut-off point at which our temperature-controlled interruptible gas customers automatically switch to other fuel.

Meanwhile, we have under construction at Astoria a 1-billion-cubic foot storage facility for liquefied natural gas (LNG). At year's end the tank foundation was completed, the side walls were going up and it was on schedule for completion in late spring 1973. It includes equipment to liquefy off-peak pipeline gas for storage and to revaporize liquefied gas as needed to meet customer demand. We also are actively negotiating for a much larger supply of imported LNG for which the potential supplier is presently building a terminal on Staten Island.

Steam Operations

Over 2,500 major buildings in Manhattan, including nearly all of those built in the past 10 years, are heated and cooled by Con Edison steam.

Although our steam system is limited to Manhattan south of 96th Street, it is the largest steam system in the world. And it has shown tremendous growth; 1971 revenues of \$69 million were \$13 million above 1970.

The system began in 1882, about the time Thomas Edison was installing the first electric distribution lines in Manhattan. It had 2,500 feet of mains. Today it has 439,000 feet of mains and 110,000 feet of steam services.

The steam comes from two sources: boilers used solely to produce steam, or as a by-product of generating electricity with gas or oil. We believe use of gas to produce steam for heating and cooling is one of the highest uses of gas.

Extensive use of steam in recent years for commercial air conditioning has reduced demand on our electric system during summer peaks. Use of by-product steam for the steam system decreases the capacity of electric generating units somewhat. The use

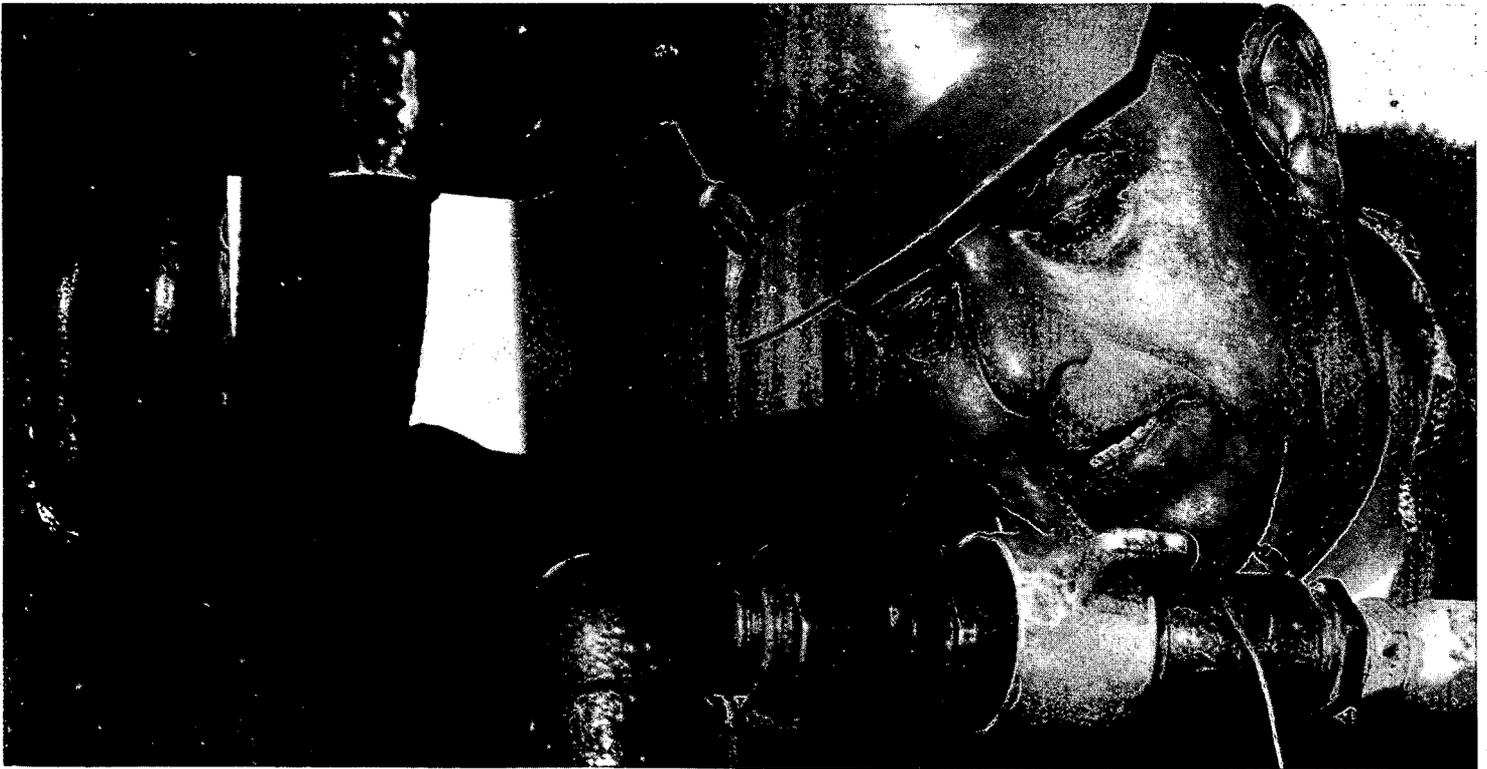
of steam for air conditioning in 1971 was equivalent to an electric demand of over 500,000 kw. Use of steam for air conditioning has grown from 27,500 tons of cooling capacity in 1950 to 680,000 tons in 1971.

Completion in December, 1971, of the water treatment plant at our Waterside Station in midtown Manhattan gave us 1 million pounds per hour of additional steam sendout capability. This brought us a long way towards our 1975 goal of increasing our steam capacity by 3 million pounds to a grand total of 16 million pounds.

Also in 1971, at the W. 59th Street Station, we replaced old boilers rated at 360,000 pounds with new boilers rated at 385,000 pounds. These new boilers are more efficient, which means not only less fuel per pound of steam, but fewer stack emissions.

In addition, work is continuing at the E. 60th Street Station, on a schedule that will add 765,000 pounds of sent-out capacity by late 1972.

Con Edison steam is used to heat and cool over 2,500 major buildings in Manhattan. We replaced old boilers and added substantially to steam capability in 1971.





Customer Service

We are taking major steps to improve customer service.

A new computerized Customer Service System (CSS) is scheduled for operation in 1972, following 2½ years of preparation. The new system will replace a first-generation computer system installed in 1958 and now outmoded. To make the conversion, more than 500,000 machine instructions had to be prepared.

The new system is designed to permit faster response to customer inquiries by simplifying and increasing the account data available to employees who deal with customers.

Among other advances, it will permit updating of customer records on a daily basis instead of every 21 days as before.

The new system features 600 computer-connected terminals in our Division and Central offices. When a customer telephones about his ac-

count, our telephone representative need only use his display terminal to request the information ordinarily needed to handle the problem, and it flashes on a television screen in front of him.

To realize the full potential of the new equipment, we are training approximately 1,250 Customer Service employees and 200 first-level supervisors in the use of the new system.

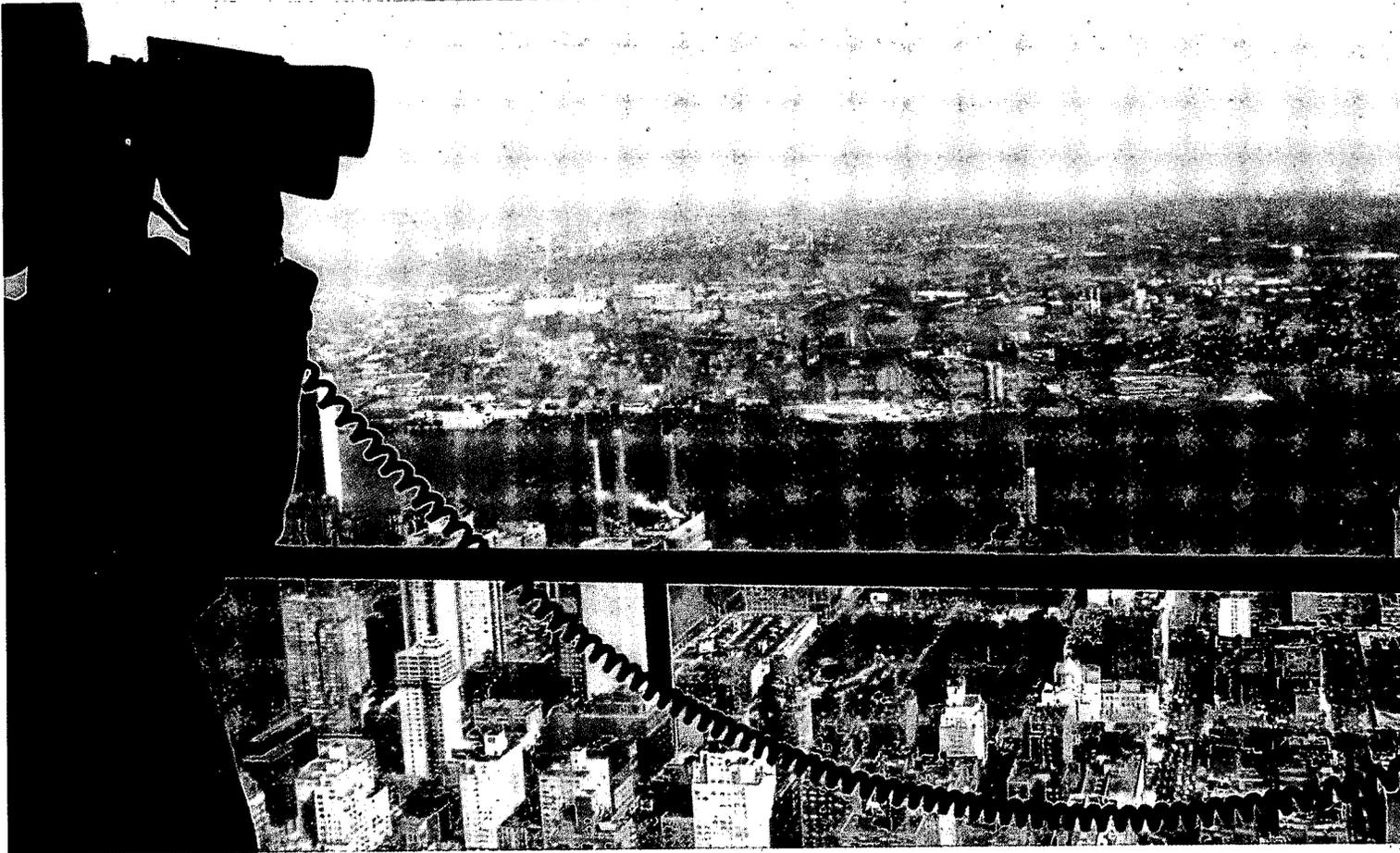
In recent years we have increased manpower at our telephone service centers, and we are continuing to improve telephone equipment and incoming trunk capability.

All of this, together, should enable us to provide "one-stop" service for our customers in most cases.

New computerized Customer Service System is scheduled for operation in 1972. Here customer representative feeds new data into customer account which is shown on video screen.



Environment



How much is Con Edison spending to meet its obligation to protect the environment?

The answer depends on what are included as environmental costs.

We think it proper to include the extra costs of putting transmission and distribution lines underground, and the extra costs of low sulfur fuel, as well as other costs directly related to improving the environment, such as those associated with meeting federal, state and local laws and regulations.

On this basis, we will be spending approximately \$140 million for environmental protection in 1972.

To put distribution lines underground will cost about \$60 million more in 1972 than building them overhead.

Look-out atop Empire State Building maintains a smoke watch as part of our efforts to control air pollution. To date we have spent about \$170 million for air pollution control.

It will cost at least that much more every year for the foreseeable future. At present, we have about \$1.4 billion invested in underground transmission and distribution lines.

We will have to pay about \$45 million more for very low sulfur fuel in 1972 than we would if we used 1 percent sulfur oil purchased at present market prices. The differential for premium fuel will increase in future years. (In 1967 we switched from 2.7% to 1% sulfur oil and from 2% to 1% sulfur coal. Between 1967 and 1970

these premium fuels cost an estimated \$53 million more.)

For projects directly related to complying with air and water regulations, and for land management on right of way and other environmental protection, we have budgeted approximately \$35 million in 1972.

Two large items in this category for 1972 include \$14 million for redesign of Astoria No. 6 boilers to reduce NO_x emissions, and \$2.5 million toward a \$4 million pilot plant to test a new process for reducing SO_2 emissions. Another \$5.8 million is earmarked to complete conversion of Arthur Kill No. 3 from coal to oil.

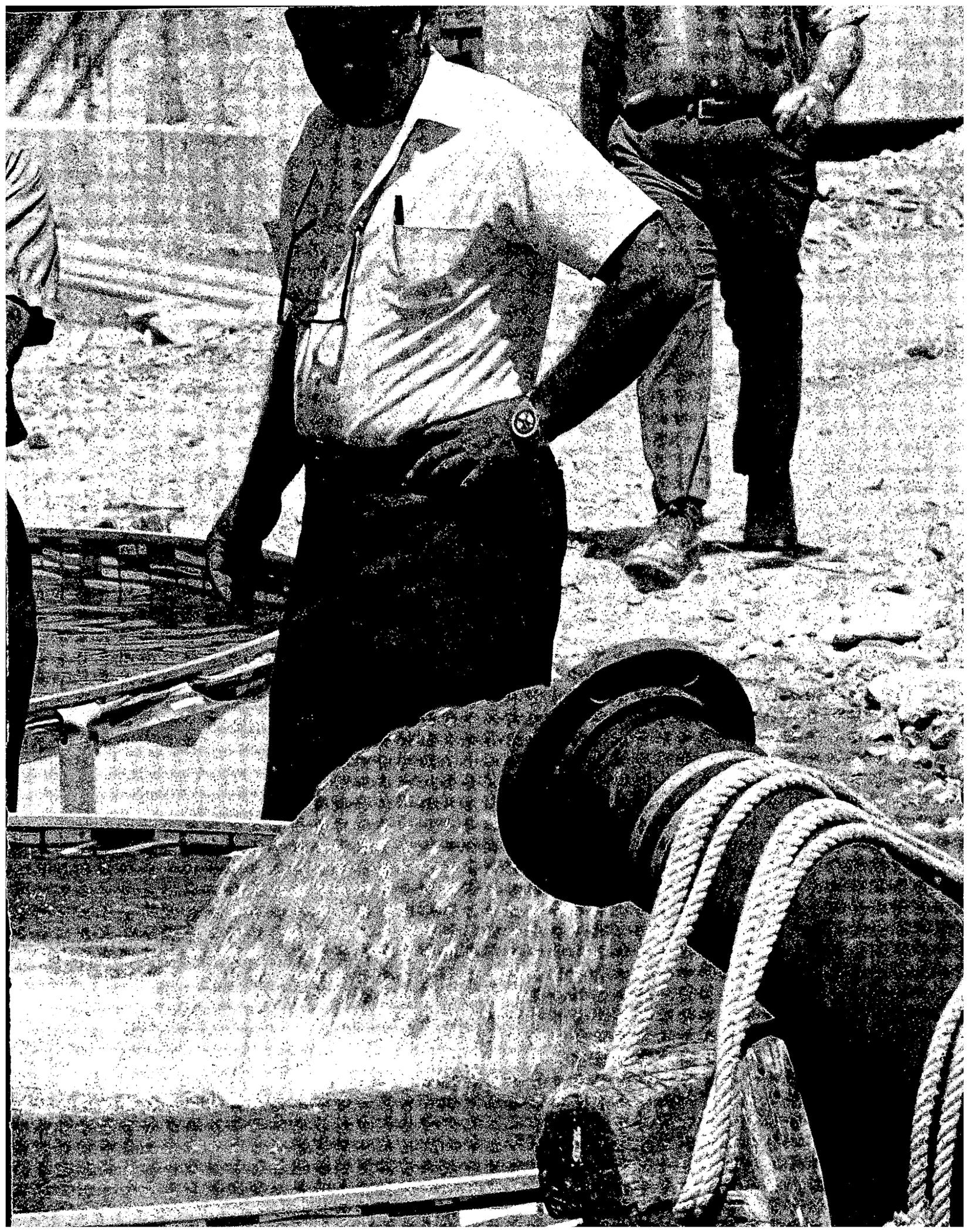
Over past years, we have invested \$170 million in air pollution control.

Not included in the foregoing environmental costs are any costs associated with nuclear projects, and none of the costs representing loss of generating capacity in the power plants we have converted from coal to oil. Burning oil, they can generate about 180,000 kw less in total than on coal, the equivalent of one average sized generating unit. At today's average cost of \$300 per kw of installed capacity, that adds up to \$54 million. Annualized over the 35-year average life of a generating station, that's \$9.6 million per year.

We recognize our obligation to spend the sums necessary to reduce the impact of our operations on the environment. These figures dramatize how large these sums can be. It is important that the public understand the costs of achieving environmental protection, and that they also understand the need for rates that will enable us to continue meeting these costs.

Studies of fish and thermal effects of cooling water discharges are an important part of our total environmental effort which, in 1972 alone, will cost about \$140 million.





Urban Involvement

Making it easier for minority small businessmen to do business with us makes social sense, and it is good business for us, too.

To the extent our community thrives and prospers, and to the extent all members of the community share that growth, the climate in which we do business will be better.

So among other kinds of community involvement, we have established a mi-



Above, this community ambulance service is operated by off-duty Con Edison personnel. Below, a mechanic performs vehicle maintenance under our minority-vendor program.

nority vendor program to increase the number of contracts going to Black and Hispanic business firms.

Where practicable, requirements are being tailored to the capabilities of minority vendors, thus permitting them to compete for business otherwise out of their reach. And where there is adequate competition among minority vendors for a given procurement, certain contracts have been "set aside" for bidding only among firms at least 50 percent minority-owned.

In 1971 we awarded contracts to minority vendors totalling \$600,000.

At right, Con Edison Public Affairs Vice President Robert Lehrman and President Louis H. Roddis Jr. are surrounded by youngsters during Con Edison-Yankee baseball outing.

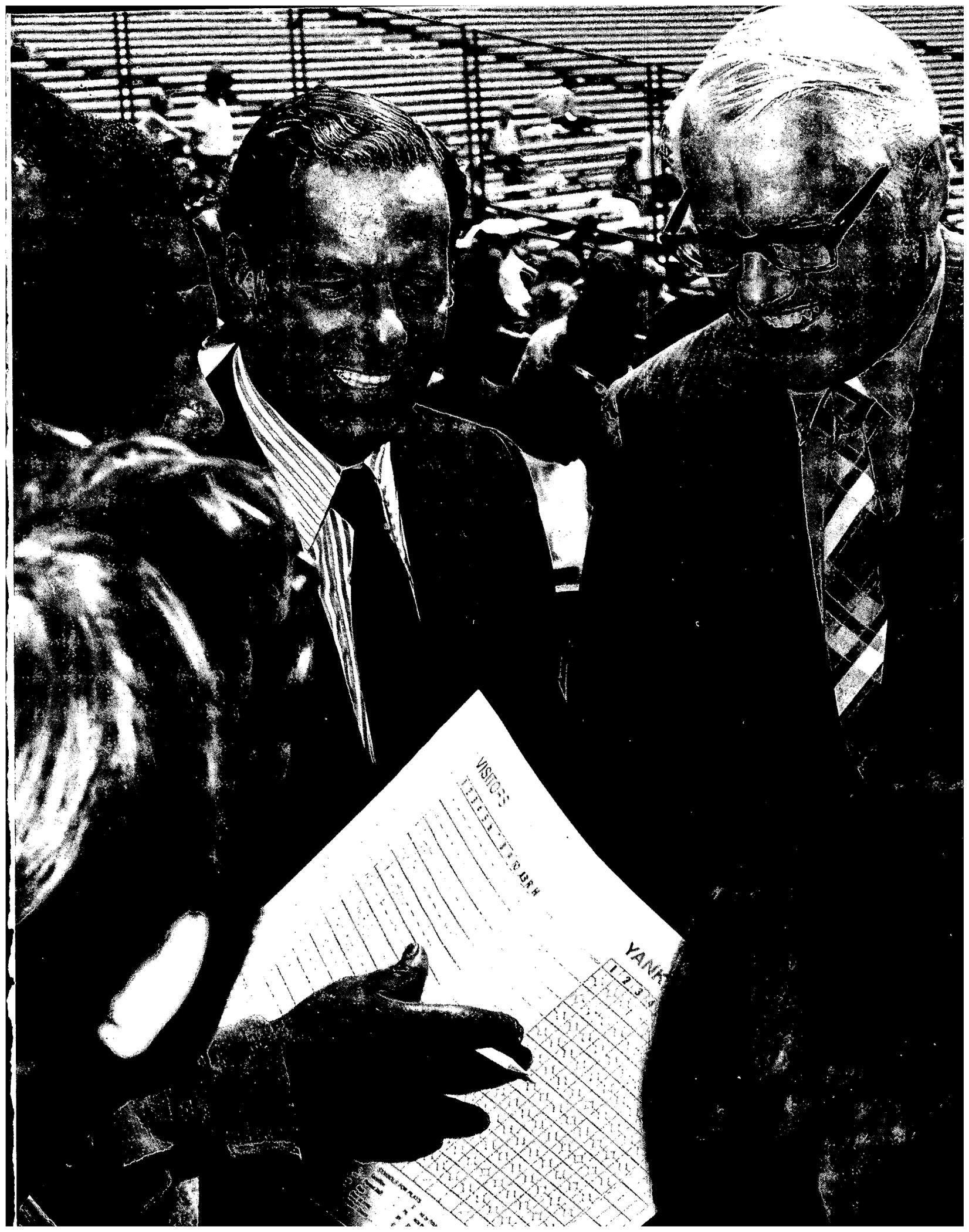
Meanwhile, we continue to hire heavily among minority job applicants, and to provide special training for the unemployed and underemployed. We find that those coming into the work force after special training are effective new employees. Minority employees now total over 17 percent of our work force.

Sickle cell anemia has been identified as a major health problem in the Black community. We have made a company van available to Cumberland Hospital in Brooklyn as a mobile sickle cell anemia testing laboratory. It has also served as a mobile lab to test children for lead poisoning.

We will continue in 1972 for the fifth consecutive year our baseball program in cooperation with the New York Yankees. We distribute tickets provided by the Yankees for 200,000 youngsters per year to attend games free.

Our employees serve their communities in a hundred ways, from Boy Scout leadership to blood donations to neighborhood clean-ups to running a volunteer ambulance service. Hundreds of Con Edison wives also find time to help in schools, hospitals, youth work and other ways to make life better in our community.





FINANCIAL REVIEW

Net income for Common Stock in 1971 was \$107.0 million before extraordinary item of \$53.4 million representing Federal income tax refunds for prior years. This compares with \$94.2 million in 1970. Exclusive of this extraordinary item, earnings per share in 1971 were \$2.35 compared to \$2.30 in 1970 on 4.7 million fewer shares. Earnings per share in 1971 with the extraordinary item were \$3.52.

Although wages, property taxes, fuel costs and maintenance expenditures continued to rise, earnings were maintained principally through rate increases.

Federal Income Tax Refunds

In October, 1971, the Company received Federal Income Tax refunds of \$30.2 million and interest thereon of \$12.5 million in settlement of claims based on the use of "guideline lives" depreciation for the years 1962-1965, inclusive. Refunds for 1966-1968 totalling \$18.3 million plus interest estimated at \$5 million have been agreed to by the Company and IRS and are awaiting final approval. These refunds net of Federal taxes on interest applicable to prior years constitute the extraordinary item referred to above and explained in detail in Note C of Notes to Financial Statements.

Rates

On March 31, 1971, the Company filed with the Public Service Commission proposed increases in electric rates which would produce \$142.8 mil-

lion of additional annual revenue. We requested the Commission to permit temporary rates, subject to refund, which would produce additional revenues of \$95.8 million. Temporary rates were made effective June 15, 1971, totalling \$52 million annually plus associated revenue taxes. The decision concerning the full rate increase was still pending at press time.

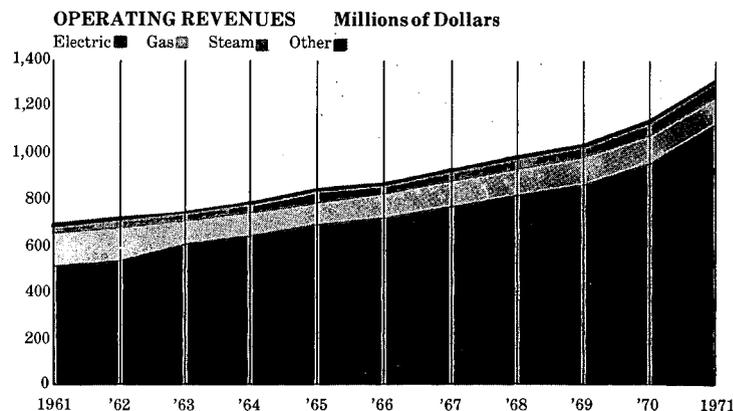
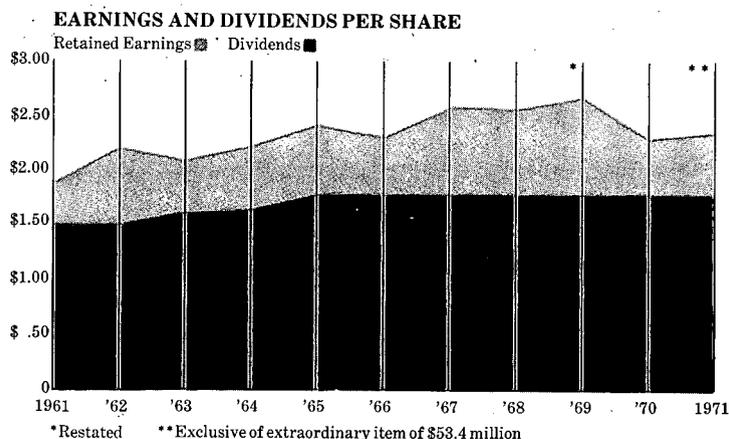
On November 23, 1971, the Commission authorized the Company to put into effect the \$14.5 million gas rate increase which it had approved on August 11, 1971, but which had been suspended in the interim due to the Wage-Price freeze. On November 8, 1971, the Company filed for a 2% steam rate increase for its 2500 major steam service customers.

Dividends

The quarterly dividend rate remained at \$.45 per common share. Subject to review by the Internal Revenue Service, dividends on Common Stock together with those on Preference and Preferred Stock are for 1971 being considered for tax purposes as return of capital and, as such, are 100% non-taxable as ordinary income.

Financing

The Company's construction program during 1971 required expenditures of \$492.0 million, including \$62.4 million for leased gas turbines. To finance this program, and to repay bank loans outstanding at the end of 1970, we effected several major financings during the year.



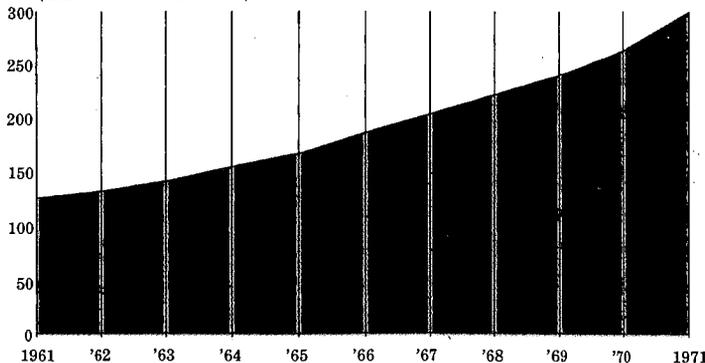
In February, 1971, we offered to Common Stockholders on a one for 12 basis approximately 3,536,000 additional common shares at \$24.70. In September, 1971, we issued First Mortgage Bonds of \$150 million (series JJ) at 7.90% and in November, 1971, we sold an additional 4 million common shares at \$25.375 per share through a direct market offering.

During the year we continued to negotiate leasing arrangements as a successful method of tapping new sources of capital for the financing of new generating equipment. In February, 1971, we concluded negotiations on a \$20 million lease with Union Bank, California, for 11 gas turbine units; in May, 1971, we negotiated a \$52 million lease with First Pennsylvania Trust for 32 additional units, which were mounted on four barges for maximum flexibility in location and use on the system.

At printing deadline we were negotiating a further lease for 16 more units which will be mounted on two barges. The gas turbine units represented in these leases total some \$125 million and 1,160,000 kw of electric generating capacity.

In 1971 we renewed our one-year credit lines with a group of commercial banks for loans up to \$100 million against 90-day notes at prime rates. No short-term borrowings against these lines were effected during the year, however commercial paper notes were issued twice during the year for short periods of time.

TOTAL TAXES Millions of Dollars
(Other Than Federal Income)



Balance Sheet

Consolidated Edison Company of New York, Inc.

ASSETS	Dec. 31, 1971	Dec. 31, 1970
Utility plant, at original cost		
Electric	\$4,874,522,834	\$4,537,810,369
Gas	298,468,706	278,498,808
Steam	137,840,366	120,827,349
General	150,383,409	138,672,950
Total	5,461,215,315	5,075,809,476
Less—Accumulated depreciation	1,053,810,771	985,015,991
Net utility plant	4,407,404,544	4,090,793,485
Nuclear fuel assemblies, less accumulated amortization of \$1,626,750 and \$1,366,029	17,432,804	16,004,327
	4,424,837,348	4,106,797,812
Investments, special deposits and other physical property, at cost or less ...	16,681,071	14,742,164
Current assets		
Cash	10,873,703	16,409,215
Temporary cash investments, at cost, which approximates market	100,956,622	—
Accounts receivable, less allowance of \$4,382,000 and \$3,312,000 for uncollectible accounts	196,606,910	188,575,888
Federal income tax recoverable including interest thereon (Note C)	25,421,000	17,500,000
Materials and supplies, including construction materials, at average cost ...	72,891,236	68,058,793
Prepayments and other current assets	9,142,492	8,321,792
	415,891,963	298,865,688
Deferred charges		
Nuclear research and development costs being amortized through 1977	4,128,787	4,846,837
Net unrecovered costs of plant retirements being amortized through 1975 (Note A)	3,793,065	1,857,649
Unamortized debt expense	14,564,881	11,724,087
Other deferred charges	8,267,115	10,084,071
	30,753,848	28,512,644
	<u>\$4,888,164,230</u>	<u>\$4,448,918,308</u>
LIABILITIES		
Capitalization		
Long term debt (Note H)	\$2,408,132,072	\$2,256,639,500
Capital stock and retained earnings (Note G)		
Capital stock		
Preferred stock	676,146,210	676,281,210
Common stock	1,062,949,633	872,185,197
Capital stock expense	(23,127,439)	(17,423,185)
Retained earnings	533,537,752	454,363,650
	2,249,506,156	1,985,406,872
Total capitalization	4,657,638,228	4,242,046,372
Federal income tax deferred (Note C)	17,053,627	12,803,627
Current liabilities		
Accounts payable	73,686,181	67,248,737
Accrued taxes	17,533,982	16,304,426
Accrued interest, wages and other current liabilities	66,642,669	55,878,677
Customers' deposits	33,335,677	31,689,540
Dividends payable	9,553,843	9,025,568
	200,752,352	180,146,948
Deferred credits		
Unamortized debt premium	2,785,454	3,008,218
Other deferred credits	7,076,665	8,043,313
	9,862,119	11,051,531
Reserve for injuries and damages	2,857,904	2,869,830
Commitments and contingent liabilities (Note E)		
	<u>\$4,888,164,230</u>	<u>\$4,448,918,308</u>

Income Statement

Consolidated Edison Company of New York, Inc.

	1971	1970
Operating revenues		
Electric	\$1,117,572,943	\$ 951,962,810
Gas	123,645,579	117,779,012
Steam	69,059,026	55,780,971
Other	3,584,754	2,956,818
	<u>1,313,862,302</u>	<u>1,128,479,611</u>
Operating revenue deductions		
Operations	596,323,339	484,132,646
Maintenance	106,716,289	104,622,621
Depreciation (Note A)	107,354,676	100,728,686
Taxes, other than Federal income	281,150,460	246,791,546
Federal income tax (Note C)	(3,082,000)	(17,500,000)
Federal income tax deferred (Note C)	(3,085,000)	(900,000)
	<u>1,085,377,764</u>	<u>917,875,499</u>
Operating income	228,484,538	210,604,112
Allowance for funds used during construction	31,663,017	23,453,850
Other income	4,350,811	551,852
Total	<u>264,498,366</u>	<u>234,609,814</u>
Interest charges and income deductions		
Interest on long term debt and other interest	118,643,510	105,523,003
Miscellaneous deductions	671,025	659,559
	<u>119,314,535</u>	<u>106,182,562</u>
Income before extraordinary item (Note B)	145,183,831	128,427,252
Extraordinary item, net of deferred Federal income tax (\$6,730,000) and other related taxes of (\$909,796) (Note B)	53,395,807	—
Net income	198,579,638	128,427,252
Preferred stock dividend requirements	38,217,977	34,240,704
Net income for common stock	<u>\$ 160,361,661</u>	<u>\$ 94,186,548</u>
Earnings per common share, based on weighted average number of shares outstanding during each year (45,560,508 and 40,864,710) :		
Income before extraordinary item	\$2.35	\$2.30
Extraordinary item	1.17	—
Net income	<u>\$3.52</u>	<u>\$2.30</u>
Earnings per common share assuming full conversion of outstanding preference stock:		
Income before extraordinary item	\$2.32	\$2.29
Extraordinary item	1.11	—
Net income	<u>\$3.43</u>	<u>\$2.29</u>



Retained Earnings Statement

Consolidated Edison Company of New York, Inc.

	1971	1970
Balance, January 1	\$ 454,363,650	\$ 433,957,782
Net income for the year	<u>198,579,638</u>	<u>128,427,252</u>
	<u>652,943,288</u>	<u>562,385,034</u>
Deduct:		
Dividends on capital stock:		
Cumulative preferred		
\$5 per share	9,576,595	9,576,595
Series A, 5¾%	3,450,000	3,450,000
Series B, 5¼%	3,937,500	3,937,500
Series C, 4.65%	2,790,004	2,790,004
Series D, 4.65%	3,487,502	3,487,502
Series E, 5¾%	2,875,004	2,875,004
Series F, 6.20%	2,480,000	2,480,000
Series G, 8.30%	4,150,006	507,200
Cumulative preference, Convertible Series B, 6%	5,470,691	5,481,453
Common, \$1.80 per share	<u>81,188,234</u>	<u>73,436,126</u>
	<u>119,405,536</u>	<u>108,021,384</u>
Balance, December 31 (Note G)	<u>\$ 533,537,752</u>	<u>\$ 454,363,650</u>

Statement of Changes in Financial Position (000 omitted)

	Year Ended December 31,									
	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Financial Resources Were Provided By:										
Internal Sources										
Income before extraordinary item	\$145,184	\$128,427	\$135,089	\$128,519	\$122,917	\$110,307	\$111,777	\$100,957	\$ 94,017	\$ 90,636
Items not requiring an outlay of working capital:										
Depreciation	107,355	100,729	95,915	92,459	89,792	88,259	83,561	76,835	75,033	68,832
Deferred Federal income tax (Note C)	(3,085)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(914)	(925)
Net proceeds from sale of property	734	—	1,504	9,159	4,060	10,057	5,104	770	102	61
Total from internal sources, exclusive of extraordinary item	250,188	228,256	231,608	229,237	215,869	207,723	199,542	177,662	168,238	158,604
Extraordinary item—net of deferred Federal income tax and other related taxes (Note B)	53,396	—	—	—	—	—	—	—	—	—
Total from internal sources	<u>303,584</u>	<u>228,256</u>	<u>231,608</u>	<u>229,237</u>	<u>215,869</u>	<u>207,723</u>	<u>199,542</u>	<u>177,662</u>	<u>168,238</u>	<u>158,604</u>
External Sources										
Sale of bonds	150,000	275,000	82,400	63,748	102,065	46,785	100,000	125,000	150,000	235,000
Sale of preferred and preference stock	—	50,000	—	102,543	41,420	39,180	75,000	59,871	—	94,645
Sale of common stock	188,843	73,434	46,618	—	—	—	—	—	107,449	—
Net increase in short term debt ..	—	—	67,500	—	22,000	5,000	—	52,000	—	—
Total external sources	<u>338,843</u>	<u>398,434</u>	<u>196,518</u>	<u>166,291</u>	<u>165,485</u>	<u>90,965</u>	<u>175,000</u>	<u>236,871</u>	<u>257,449</u>	<u>329,645</u>
Total financial resources provided	<u>\$642,427</u>	<u>\$626,690</u>	<u>\$428,126</u>	<u>\$395,528</u>	<u>\$381,354</u>	<u>\$298,688</u>	<u>\$374,542</u>	<u>\$414,533</u>	<u>\$425,687</u>	<u>\$488,249</u>
Financial Resources Were Used For:										
Construction expenditures	\$429,613	\$400,555	\$304,953	\$246,257	\$255,890	\$197,764	\$235,493	\$333,792	\$236,287	\$328,578
Dividends	119,406	108,021	102,065	100,461	94,050	91,427	88,987	79,274	76,088	68,318
Redemption of bonds	—	—	—	—	24,331	—	—	—	102,827	75,000
Net decrease in short term debt ..	—	67,500	—	37,000	—	—	47,000	—	15,000	—
Increase (decrease) in other assets and liabilities	(3,013)	18,071	11,554	6,487	15,477	(11,816)	(8,795)	(2,070)	3,313	1,046
Increase (decrease) in working capital (excluding short term debt)	96,421	32,543	9,554	5,323	(8,394)	21,313	11,857	3,537	(7,828)	15,307
Total financial resources used	<u>\$642,427</u>	<u>\$626,690</u>	<u>\$428,126</u>	<u>\$395,528</u>	<u>\$381,354</u>	<u>\$298,688</u>	<u>\$374,542</u>	<u>\$414,533</u>	<u>\$425,687</u>	<u>\$488,249</u>

Notes to Financial Statements

Consolidated Edison Company of New York, Inc.

Note A—Depreciation:

Provisions for depreciation of utility plant are made in accordance with annual rates for depreciation consistent with the average service lives and net salvage approved by the New York Public Service Commission. For the years 1971 and 1970 such provisions were equivalent to approximately 2.3 per cent of related depreciable utility plant.

Depreciation charges included a provision for amortization of net unrecovered costs of extraordinary retirements of certain plant facilities of \$960,000 for the year 1971. There were no such provisions during the year 1970.

Note B—Accounting changes:

As a result of the New York Public Service Commission decision in 1970 approving increases in the Company's electric rates, the Company adopted minimum "guideline lives" for tax depreciation beginning January 1, 1969. Net income for 1969 was restated in 1970 to reflect the reduction in Federal income tax and increase in net income resulting from the use of such minimum "guideline lives" tax depreciation in filing the tax return for the year 1969.

The Company claimed additional tax depreciation from utilization of minimum "guideline lives" for the years 1962 through 1968, as described in Note C. As required by regulatory authorities, the Company changed its method of accounting in 1971 to reflect such refunds and claims, other than the amount relating to gas operations, in its income statement as an extraordinary item. Accordingly, the major portion of these refunds, claims and interest earned through December 31, 1970, net of deferred Federal income tax and other related taxes, aggregating \$53,396,000 or \$1.17 per share, is shown as an extraordinary item in the income statement for 1971. Moreover, in accordance with an order of the New York Public Service Commission, the remaining portion of such refunds in the amount of \$2,420,000, relating to gas operations, was deferred in the Company's accounts to be amortized equally to income over a four year period beginning January 1, 1971.

Pursuant to permission by the New York Public Service Commission, the Company changed its billing procedure in 1970 for residential and small commercial customers of electric and gas services from bi-monthly to monthly billing. The effect of this change was to increase operating revenues for 1970 by \$16,300,000 and net income for the year by approximately \$7,900,000, or \$.19 per share.

Note C—Federal income tax:

Net operating loss in 1971

For the year 1971, the Company had a "net operating loss" for income tax purposes which has been carried back and applied against taxable income for the year 1969 to the extent available. The Company has no remaining taxable income from prior years available to offset any "net operating losses" for tax purposes which may be generated in future years. The total tax reduction credited to operations in 1971 amounted to \$3,082,000, of which, \$2,100,000 represents the tax recoverable resulting from the 1971 "net operating loss" carryback to 1969 and \$1,032,000 represents the

release of accrued Federal income taxes no longer required. These reductions are offset by a provision for a minimum income tax payment of \$50,000. In 1970, the Company had a "net operating loss" for income tax purposes which was carried back and applied against taxable income for the year 1967. The tax reduction credited to operations in 1970 amounted to \$17,500,000.

Prior year tax refunds

The Company claimed additional tax depreciation for all years beginning with 1962, the year in which the guideline depreciation procedure was adopted by the Internal Revenue Service. The resulting Federal income tax refund claims from utilizing minimum "guideline lives" tax depreciation for the years 1962 through 1968, and the resultant effects thereof on investment tax credits aggregated \$48,500,000. The interest related to such refunds amounted to \$17,500,000 through December 31, 1971. A refund of Federal income taxes for the years 1962 through 1965 was received in 1971 aggregating \$30,200,000, together with related interest of \$12,500,000. The balance, which represents refund claims based on "guideline lives" depreciation for the years 1966 through 1968 aggregating \$18,300,000, and interest thereon of \$5,000,000 through December 31, 1971, has been approved for refund by the District Director of Internal Revenue Service and the claims are currently being prepared for submission to the Joint Congressional Committee on Internal Revenue Taxation.

Investment tax credits

The Company has a cumulative carry-forward investment tax credit and job development credit available for use after 1971 of approximately \$32,700,000. The expiration dates for the Company's utilization of these tax credits are \$3,300,000 in 1974, \$6,200,000 in 1975, \$2,300,000 in 1976, \$5,600,000 in 1977, \$4,200,000 in 1978, \$6,200,000 in 1979, \$2,500,000 in 1980 and \$2,400,000 in 1981.

New class life system of depreciation

In computing depreciation for Federal income tax purposes in 1971 the Company used an accelerated method and the new class life system of depreciation prescribed in the Revenue Act of 1971. In addition to other benefits, this new system provides that depreciation on 1971 and subsequent property additions may be computed using lives as much as 20% shorter than formerly allowed. Accordingly, the Company used the shortest life permitted for each asset class in computing tax depreciation for assets placed in service during 1971, and the same lives as were previously in effect for assets in service prior to 1971.

In computing depreciation for tax purposes in 1970, the Company used the same accelerated method and the minimum "guideline lives" rates as then prescribed by the Internal Revenue Service.

The Revenue Act of 1971 also provided in connection with the class life system that the cost of removal on retirement of assets placed in service after 1970 should be treated as an expense deductible in the year incurred rather than as a reduction of accumulated depreciation. In keeping with this practice, the Company requested and received permission from the Internal Revenue Service to deduct for tax purposes the cost of

removal associated with all plant retired from service after December 31, 1970 regardless of the date the plant was placed in service.

Upon consideration of the impact of the Revenue Act of 1971, the New York Public Service Commission adopted amendments to its Uniform Systems of Accounts to provide for the deferral of income tax reductions relating to the use of the new class life depreciation system. In accordance with such revised accounting rules, the Company deferred the tax reductions from utilization of the new class life depreciation system in 1971. Such deferred taxes have been applied against the interest earned on prior year tax refunds reported as an extraordinary item in the income statement for 1971. Of the total Federal income taxes deferred amounting to \$6,730,000, \$3,750,000 represents the tax benefit of removal costs which is being amortized over five years starting in 1971. The remainder of the deferral represents the tax effect of the additional depreciation and other class life system deductions.

Provision for deferred Federal income tax

The credit for Federal income tax deferred shown under "Operating revenue deductions" in the income statement for 1971 results principally from the amortization of: (1) taxes deferred in prior years under accelerated amortization necessity certificates, (2) the tax benefit of removal costs deducted for tax purposes in 1971 and (3) the portion of the minimum "guideline lives" tax refund for prior years relating to gas operations mentioned in Note B.

General

Tax deductions resulting from accelerated depreciation deductions and investment tax credits, other than tax benefits under accelerated amortization necessity certificates deferred in prior years and the deferral of certain tax benefits from the use of the new class life system of depreciation prescribed in the Revenue Act of 1971 as explained above, are accounted for as current reductions in Federal income tax provisions. Similarly, no provision for deferred Federal income taxes has been made for other differences (principally interest, pensions and taxes charged to construction) between income for financial statement and income for Federal income tax purposes. This method of accounting for Federal income taxes is in accordance with the general policy adopted by the New York Public Service Commission for accounting and rate-making purposes.

Note D—Pension plans:

The pension plan for retirement for age was amended in 1969 to provide for Company contributions determined on an annual basis as a percentage of straight time payroll, but not less than the minimum amount necessary to maintain the continued qualified status of the plan under the applicable requirements of the Internal Revenue Code.

The Company's contributions to the pension plan trust for 1971 and 1970, based upon a percentage of straight time payroll which provides for current costs and amortization of unfunded prior service costs over 40 years from December 31, 1966, amounted to \$32,247,012 and \$24,808,185 respectively. These amounts represent benefits paid in each year to retired employees and additions to the pension plan trust of \$6,387,470 for the year 1971 and \$2,547,960 for the

year 1970.

The pension plan trust assets, consisting principally of investments stated at estimated market value, amounted to \$187,000,000 at December 31, 1971 and \$151,000,000 at December 31, 1970, which amounts are in excess of cost.

The employees' security plan is an unfunded plan under which the Company makes payments to employees retired for disability or reasons other than age and in certain cases to widows of former employees. The amounts paid totaled \$8,657,734 and \$7,822,942 for the years 1971 and 1970 respectively.

The Company reserves the right to amend or terminate the pension plan for retirement for age and the employees' security plan as provided therein.

Costs of the plans as disbursed are reflected in the financial statements in accordance with the policy of the New York Public Service Commission for accounting and rate-making purposes. Approximately twenty-four percent of these costs are charged to construction.

The actuarial value of benefits accruing to participants under the amended pension plan for retirement for age who have attained the minimum age and service requirements as of December 31, 1969, the latest date available, exceeded the market value of the assets of the pension fund as of that date by approximately \$186,000,000. The actuarial value of benefits accruing to current recipients under the unfunded security plan as of the same date was approximately \$53,000,000.

Note E—Commitments and contingent liabilities:

The Company has entered into three 25-year leases for certain gas turbine generating units costing approximately \$91,200,000, of which 80% or \$73,000,000 was paid by lessors from the proceeds of notes sold to institutional investors. The aggregate rentals will be \$7,785,000 for each of the first 10 years and \$9,752,000 for each of the remaining 15 years. The Company has guaranteed \$15,700,000 of these notes and interest thereon at 9¼% per annum.

In addition there are several legal actions pending against the Company. A purported class action against the Company seeking injunctive relief and \$4 billion for damages suffered as a result of air pollution from the Company's generating plants was dismissed in October 1970 by the Supreme Court of the State of New York. The dismissal of this suit has been appealed to the Appellate Division, First Department, of the New York Supreme Court. Counsel of the Company is of the opinion that the injunctive relief requested will not be granted and that this is not a proper class action under the reported decisions as to New York law. The Attorney General of the State of New York also commenced an action in 1970 against the Company alleging that Indian Point No. 1 is damaging the ecology of the Hudson River. The complaint seeks damages in the amount of \$5 million and an injunction against the operation of this plant in such a manner as to damage the river. It is not possible for the Company to predict whether this proceeding will result in any substantial financial liability to the Company.

Note F—Electric rate case:

The New York Public Service Commission approved temporary increases in electric rates which were made effective on June 15, 1971 and which were designed to increase annual revenues by \$52,000,000 plus related

revenue taxes. This temporary increase was made subject to refund with interest in the event that the Commission determines at the conclusion of the hearing that the Company is not entitled to part or all of such increase. This rate proceeding has not been completed and the Commission has not issued a final decision. In the opinion of Company management, based upon the

record in this proceeding, no refund should be required. With respect to the extraordinary item of \$53,396,000 referred to in Note B, the New York State Public Service Commission reserved its right in any rate proceeding to make a determination with respect to this matter that it deems appropriate in the light of the circumstances then present.

Note G—Capital stock:

Preferred Stock	Shares	Shares Outstanding		Capital Stock	
	Authorized Dec. 31, 1971	Dec. 31, 1971	Dec. 31, 1970	Dec. 31, 1971	Dec. 31, 1970
\$5 Cumulative Preferred Stock without par value ¹ (a)	1,915,319	1,915,319	1,915,319	\$ 174,999,927	\$174,999,927
Cumulative Preferred Stock (b) (\$100 par value)	5,000,000				
5¾ % Series A ²		600,000	600,000	60,000,000	60,000,000
5¼ % Series B ²		750,000	750,000	75,000,000	75,000,000
4.65% Series C ¹		600,000	600,000	60,000,000	60,000,000
4.65% Series D ²		750,000	750,000	75,000,000	75,000,000
5¾ % Series E ²		500,000	500,000	50,000,000	50,000,000
6.20% Series F ²		400,000	400,000	40,000,000	40,000,000
8.30% Series G ²		500,000	500,000	50,000,000	50,000,000
Cumulative Preference Stock (\$100 par value)				584,999,927	584,999,927
6% Convertible Series B ¹ (c) (d)	2,250,000	911,463	912,813	91,146,283	91,281,283
Total Preferred Stock				<u>\$ 676,146,210</u>	<u>\$676,281,210</u>
Common Stock (\$10 par value) ³ (c) (d) (e)	55,000,000	50,040,509	42,432,975	<u>\$1,062,949,633</u>	<u>\$872,185,197</u>
Capital Stock Expense (f)				<u>(\$ 23,127,439)</u>	<u>(\$ 17,423,185)</u>

- (a) The Board of Trustees of the Company has by resolution determined that an amount equal to the excess of the \$100 per share involuntary liquidating value over the stated value of the outstanding \$5 Cumulative Preferred Stock will not be applied to the payment of dividends. The amount of such excess is \$16,531,973. The \$5 Cumulative Preferred Stock is redeemable at \$105 per share.
- (b) The Cumulative Preferred Stock is redeemable at \$107 per share prior to February 1, 1972 and February 1, 1973 for Series A and Series B, respectively, at \$103.50 per share prior to August 1, 1974 and August 1, 1975 for Series C and Series D, respectively, at \$108 per share prior to August 1, 1976 for Series E, at \$110 per share prior to August 1, 1977 for Series F, and at \$110 per share prior to November 1, 1980 for Series G. After such dates these shares are redeemable at declining prices. Shares of the Series E, F and G Stock may not be redeemed prior to August 1, 1973, August 1, 1977 and November 1, 1977, respectively, from the proceeds of sale of an equal or prior security having an interest or dividend cost less than the dividend rate of the applicable Series.
- (c) Each share of the Preference Stock is convertible into 3.09 shares of Common Stock. Of the shares of Common Stock authorized but unissued, 2,816,480 shares were reserved at December 31, 1971 for conversion of Preference Stock 6% Convertible Series B. During 1971, 1,350 shares of Preference Stock were converted into 4,072 shares of Common Stock. The Preference Stock is redeemable at the Company's option on or before April 30, 1972 at \$102 per share and at declining prices thereafter.
- (d) After deduction of 19 shares (\$1,917) of Cumulative Preference Stock and 5,982 shares (\$197,406) of Common stock acquired by the Company in 1969 and held in treasury at December 31, 1971.
- (e) The Company entered into an agreement with Deep Water Terminals, Inc. ("Deep Water") pursuant to which the Company purchased substantially all the assets of Deep Water and assumed certain liabilities of Deep Water, not to exceed \$1,618,751, in exchange for up to 78,576 shares of the Company's Common Stock at an assigned value of \$26.5416 per share. The Company issued and delivered 67,295 shares of its Common Stock in 1971.
- (f) The increase in Capital Stock Expense of \$5,704,254 in 1971 is attributable principally to expenses incurred in connection with the authorization, issuance and sale of Common Stock in 1971.

¹Listed on the New York Stock Exchange. ²Not listed. ³Listed on the New York, Midwest, Pacific Coast and the Amsterdam, Holland, Stock Exchanges; unlisted trading on the Boston, Detroit and Philadelphia-Baltimore-Washington Stock Exchanges.

Note H—Long term debt:

Consolidated Edison Company of New York, Inc.

(including merged former subsidiary companies and other indebtedness assumed) :

First and Refunding Mortgage Bonds :

	Dec. 31, 1971
2¾ % Series C, due June 1, 1972 (a)	\$ 60,000,000
3 % Series D, due November 1, 1972 (a)	30,000,000
2⅝ % Series B, due April 1, 1977	100,000,000
3 % Series E, due January 1, 1979	50,000,000
3 % Series F, due February 1, 1981	60,000,000
3¼ % Series G, due May 1, 1981	40,000,000
2¾ % Series A, due March 1, 1982	100,000,000
3⅜ % Series H, due March 1, 1982	50,000,000
3½ % Series I, due February 1, 1983	40,000,000
3⅜ % Series J, due January 1, 1984	35,000,000
3⅜ % Series K, due December 1, 1985	70,000,000
3⅝ % Series L, due May 1, 1986	30,000,000
4¼ % Series M, due October 1, 1986	40,000,000
5 % Series N, due October 1, 1987	60,000,000
4 % Series O, due June 1, 1988	50,000,000
4¾ % Series R, due June 1, 1990	50,000,000
5 % Series S, due December 1, 1990	75,000,000
4¾ % Series T, due June 1, 1991	50,000,000
4⅝ % Series U, due November 1, 1991	60,000,000
4⅜ % Series V, due June 1, 1992	100,000,000
4⅜ % Series W, due October 1, 1992	75,000,000
4⅜ % Series X, due December 1, 1992 (not listed)	60,000,000
4.40 % Series Y, due June 1, 1993 (not listed)	75,000,000
4⅝ % Series AA, due December 1, 1993	75,000,000
4.60 % Series BB, due October 15, 1994 (not listed)	125,000,000
5 % Series CC, due January 1, 1996 (not listed)	100,000,000
5.90 % Series DD, due December 15, 1996 (not listed)	75,000,000
6¼ % Series EE, due August 1, 1997 (not listed)	80,000,000
6.85 % Series FF, due October 1, 1998 (not listed)	60,000,000
7.90 % Series GG, due April 1, 1999 (not listed)	80,000,000
8.90 % Series HH, due January 15, 2000 (not listed)	125,000,000
9⅜ % Series II, due September 15, 2000	150,000,000
7.90 % Series JJ, due September 1, 2001 (b)	150,000,000
	2,380,000,000

The Edison Electric Illuminating Company of New York, First Consolidated Mortgage Gold Bonds, 5%, due July 1, 1995 (non-callable)	1,437,000
Kings County Electric Light and Power Company, Purchase Money, 6% 99 Years Gold Bonds, due October 1, 1997 (non-callable)	1,452,500
Staten Island Edison Corporation, First Mortgage Bonds, 2⅞ % Series, due May 1, 1979 (not listed)	2,750,000
Westchester Lighting Company, General Mortgage Bonds, 3% Series, due May 1, 1979	12,000,000
The Yonkers Electric Light and Power Company, 2⅝ % Debentures due July 1, 1976	9,000,000
Total long term debt-bonds	2,406,639,500

Mortgage Note:

Deep Water Terminals, Inc. 8% Mortgage Note due March 1, 1981 (not listed) (b) (Note G)	1,492,572
Total	\$2,408,132,072

The above issues are listed on the New York Stock Exchange unless otherwise indicated.

(a) Total long term debt maturing in 1972 is \$90,000,000 which will be refunded.

(b) In 1971, the Company issued Series JJ bonds, 7.90% due September 1, 2001 and assumed indebtedness in connection with the acquisition of Deep Water Terminals, Inc.

Opinion of Independent Accountants

PRICE WATERHOUSE & CO.

60 Broad Street
New York 10004

To the Board of Trustees and Stockholders of
Consolidated Edison Company of New York, Inc.

We have examined the balance sheets of Consolidated Edison Company of New York, Inc. at December 31, 1971 and 1970, the related statements of income and retained earnings and the statements of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by regulatory authorities, the Company changed its method of accounting in 1971 for Federal income tax refunds and claims relating to prior years resulting from adoption of minimum "guideline lives" tax depreciation. Accordingly, the amounts of tax refunds and claims for the years 1962 through 1968, exclusive of certain refunds relating to gas operations, and interest earned through December 31, 1970, net of deferred Federal income tax and other related

taxes, have been reported as an extraordinary item in the Company's income statement for 1971. In 1970 the Federal income tax refund for the year 1969 attributable to minimum "guideline lives" tax depreciation was reported as a retroactive reduction of Federal income tax in the applicable prior year. The Company also changed its billing procedure in 1970 for residential and small commercial customers of electric and gas services from bi-monthly to monthly billing. Information including the effects of these accounting changes on net income for 1971 and 1970 is included in Note B to the financial statements.

In our opinion, the accompanying financial statements examined by us present fairly the financial position of Consolidated Edison Company of New York, Inc. at December 31, 1971 and 1970 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied, except for the accounting changes which we approve referred to in the preceding paragraph.

February 14, 1972 *Pricewaterhouse + Co.*

Statistics

Sales and revenues—1971

Electric	Kilowatthours	% Increase or (decrease) from 1970	Revenues	% Increase from 1970
Residential*	8,314,445,959	1.3	\$ 348,263,173	9.6
Commercial-Industrial*	17,948,820,820	1.8	620,884,050	22.8
Railroads and railways	2,790,928,964	(1.8)	52,381,835	12.0
Public authorities	3,444,525,499	6.4	92,843,638	18.5
Other electric utilities	498,486,220	4.8	3,200,247	.6
Total	32,997,207,462	1.8	\$1,117,572,943	17.4

Residential—Sales directly to residential customers and to religious institutions.

Commercial-industrial—Sales directly to all types of general customers, also to customers who include residential or commercial tenant-use in the rent and to customers who resell energy to commercial and industrial tenants.

Railroads and railways—Sales to the three electrified railroads running into New York, the New York City

Transit Authority, the Staten Island Rapid Transit and Port Authority Trans-Hudson Corporation.

Public authorities—Sales to municipal and other governmental authorities, including public street and highway lighting.

Other electric utilities—Principally delivery over tie lines inter-connecting with other New York State utilities.

Gas	Cubic Feet	% Increase from 1970	Revenues	% Increase from 1970
Residential*	41,229,094,900	3.3	\$ 77,488,892	5.5
General*	24,169,548,700	1.5	41,519,708	3.3
Interruptible—Large volume	3,050,128,000	3.5	1,362,049	4.2
Public authorities	2,559,308,800	15.0	3,274,930	15.4
Total	71,008,080,400	3.1	\$123,645,579	5.0

Residential—Sales directly to residential customers and to religious institutions, including sales for heating.

General—Sales to general-use customers for use in their operations including heating.

Interruptible—Large volume—Sales to certain general-use customers who use large quantities of gas on an interruptible basis.

Public authorities—Sales to municipal and other governmental authorities.

*Year 1970 includes additional billings resulting from changes to monthly billing for residential and small commercial customers. (See Page 30)

	Thousands of Pounds	% Increase or (decrease) from 1970	Revenues	% Increase from 1970
Steam				
General	1,715,706	(1.3)	\$ 4,716,830	12.6
Annual power	28,093,046	2.9	50,110,604	26.9
Apartment house	6,136,706	.5	11,391,802	18.7
Public authorities	1,767,701	(.8)	2,839,790	13.5
Total	37,713,159	2.1	\$69,059,026	23.8

General—Sales to all customers with low load-factor use.

Annual power—Sales for power, or power and heat use.

Apartment house—Sales to apartment houses and hotels.

Public authorities—Sales to municipal and other governmental authorities.

Operating Revenues (000 omitted)

	Electric	Gas	Steam	Other	Total
1971	\$1,117,573	\$123,645	\$69,059	\$3,585	\$1,313,862
1970*	951,963	117,779	55,781	2,957	1,128,480
1969	862,123	110,065	52,038	2,472	1,026,698
1968	823,488	105,264	49,617	2,561	980,930
1967	778,006	104,392	44,596	2,582	929,576
1966	721,695	105,271	39,245	2,328	868,539
1965	693,591	104,291	38,425	2,786	839,093
1964	645,045	103,550	36,934	2,811	788,340
1963	605,189	104,982	35,259	2,701	748,131
1962	583,667	103,618	34,178	2,802	724,265
1961	561,922	100,313	33,464	2,690	698,389

Sales (000 omitted)

				Meters		
	Electric	Gas	Steam	Electric	Gas	Steam
	Kilowatthours	Cubic Feet	Thousands of Pounds	Number at December 31		
1971	32,997,207	71,008,080	37,713	3,056,374	1,290,665	4,664
1970*	32,399,483	68,891,652	36,939	3,054,453	1,291,857	4,616
1969	30,295,662	61,588,317	34,662	3,052,875	1,296,589	4,559
1968	28,747,929	57,742,868	32,703	3,050,396	1,301,552	4,535
1967	27,539,517	56,742,468	30,276	3,047,579	1,306,964	4,490
1966	26,657,594	53,300,573	27,601	3,055,141	1,319,132	4,485
1965	25,258,255	51,894,458	26,642	3,042,138	1,320,427	4,455
1964	23,847,676	50,281,888	25,710	3,025,282	1,322,937	4,431
1963	22,185,558	49,234,821	23,964	2,994,773	1,322,574	4,334
1962	20,833,861	47,810,171	22,141	2,949,389	1,321,169	4,190
1961	20,204,268	46,049,037	21,690	2,922,732	1,325,140	4,086

Population served, 1971—8,700,000

Service area—660 square miles

*Includes additional billings resulting from changes to monthly billing for residential and small commercial customers.

Electric	\$14,856,000—336,276,000 kWhrs
Gas	1,442,000—450,373,000 cubic feet

Electric System

	Generating Capacity December 31 Kilowatts	Capability At Time Of System Summer Peak-Kilowatts			System Summer Peak* Date	System Kilowatts	Heat Rate Btu per Kwhr	Residential	
		Net Generating Capacity	Net Firm Purchases	Total Capacity Resources				Kwhr per Customer	Revenue per Kwhr
1971	9,504,000	8,528,000	800,000	9,328,000	July 1	7,719,000**	12,405	3,355	4.2¢
1970	9,420,000	8,957,000	520,000	9,477,000	Aug. 28	7,041,000**	12,238	3,180	3.9
1969	8,296,000	8,143,000	260,000	8,403,000	July 17	7,266,000**	11,757	2,950	3.9
1968	7,722,000	7,497,000	523,000	8,020,000	July 17	6,960,000	11,570	2,736	4.0
1967	7,588,000	7,512,000	20,000	7,532,000	July 24	6,147,000	11,535	2,522	4.0
1966	7,567,000	7,477,000	250,000	7,727,000	July 13	6,154,000	11,560	2,439	3.8
1965	7,595,000	7,527,000	260,000	7,787,000	June 23	5,710,000	11,751	2,277	3.9
1964	6,607,000	6,544,000	260,000	6,804,000	July 1	5,505,000	11,505	2,161	3.8
1963	6,663,000	6,605,000	260,000	6,865,000	July 29	5,105,000	11,372	2,050	3.9
1962	5,885,000	5,637,000	260,000	5,897,000	June 19	4,852,000	12,149	1,939	4.0
1961	5,301,000	5,197,000	78,000	5,275,000	Sept. 13	4,744,000	12,378	1,937	4.0

*One hour net maximum load distributed locally.

**1969, 1970 and 1971 peaks reduced approximately 90,000 kw, 70,000 kw and 200,000 kw respectively by voltage reduction and customer appeals to conserve electricity.

Taxes (000 omitted)

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Taxes, other than Federal income											
Local	\$234,035	\$209,595	\$189,892	\$177,405	\$167,655	\$152,957	\$136,999	\$128,394	\$116,020	\$106,799	\$102,498
State	53,797	41,805	38,296	34,587	26,498	25,367	23,841	21,505	20,798	20,173	20,337
Federal	9,820	9,088	8,841	8,132	7,281	6,784	4,772	4,832	5,011	4,580	4,057
	<u>\$297,652</u>	<u>\$260,488</u>	<u>\$237,029</u>	<u>\$220,124</u>	<u>\$201,434</u>	<u>\$185,108</u>	<u>\$165,612</u>	<u>\$154,731</u>	<u>\$141,829</u>	<u>\$131,552</u>	<u>\$126,892</u>
Charged to:											
Operating taxes	\$281,150	\$246,792	\$226,465	\$211,314	\$193,591	\$178,712	\$160,102	\$151,676	\$139,187	\$129,292	\$123,364
Operations— principally production expenses . . .	6,806	4,732	3,615	3,414	2,911	2,701	2,961	3,055	2,642	2,260	2,280
Other accounts— principally construction	9,696	8,964	6,949	5,396	4,932	3,695	2,549	—	—	—	1,248
	<u>\$297,652</u>	<u>\$260,488</u>	<u>\$237,029</u>	<u>\$220,124</u>	<u>\$201,434</u>	<u>\$185,108</u>	<u>\$165,612</u>	<u>\$154,731</u>	<u>\$141,829</u>	<u>\$131,552</u>	<u>\$126,892</u>
Federal Income Tax											
Charged to:											
Operations . . .	\$ (3,082)	\$(17,500)	\$ 7,200	\$ 22,200	\$ 16,300	\$ 14,100	\$ 17,700	\$ 20,200	\$ 23,400	\$ 29,800	\$ 36,600
Other accounts	—	—	—	(1,230)	(5,640)	340	1,850	(2,810)	(2,940)	(1,055)	880
	<u>\$ (3,082)</u>	<u>\$(17,500)</u>	<u>\$ 7,200</u>	<u>\$ 20,970</u>	<u>\$ 10,660</u>	<u>\$ 14,440</u>	<u>\$ 19,550</u>	<u>\$ 17,390</u>	<u>\$ 20,460</u>	<u>\$ 28,745</u>	<u>\$ 37,480</u>



Employees

	Payroll (000 omitted)			Employees	
	Operating	Construction (and other accounts)	Total	Average Pay of Weekly Employees	Number at December 31
1971	\$195,265	\$76,073	\$271,338	\$203.50	22,580
1970	189,069	69,000	258,069	191.68	23,726
1969	172,413	64,315	236,728	178.90	23,428
1968	166,385	53,305	219,690	157.31	24,272
1967	162,742	49,612	212,354	153.09	25,056
1966	155,213	45,454	200,667	149.64	24,203
1965	149,651	50,598	200,249	146.95	23,863
1964	147,025	46,885	193,910	139.72	24,417
1963	143,302	45,736	189,038	134.92	24,621
1962	141,410	44,561	185,971	133.81	24,962
1961	137,620	43,321	180,941	131.15	24,545

Payroll figures include overtime and premium payments but do not include pension payments.

Stockholder Statistics

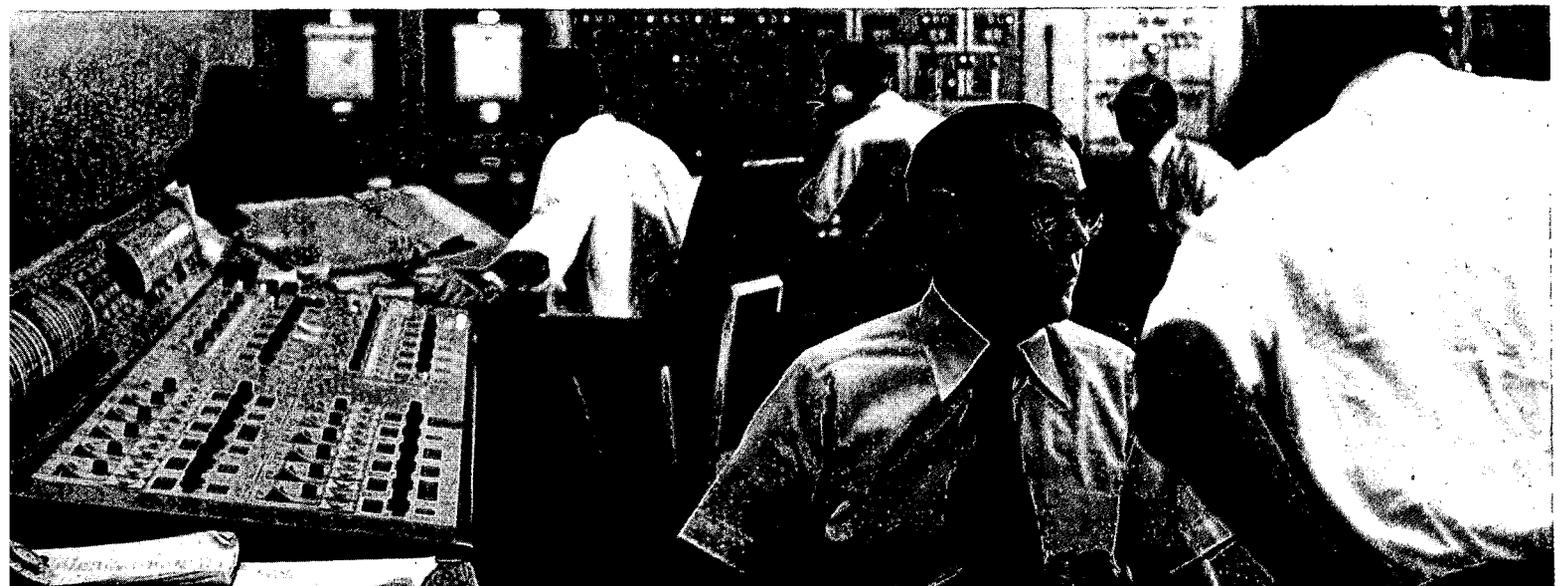
	Number of Stockholders December 31			Shares December 31		Common Stock Record	
	Preferred Stock	Common Stock	Total	Preferred	Common***	Earnings per Share***	Dividends per Share***
1971	66,510	263,844	330,354	6,926,782	50,040,509	\$2.35†	\$1.80
1970	64,405	251,424	315,829	6,928,132	42,432,975	2.30	1.80
1969	64,458	234,689	299,147	6,430,692	39,161,774	2.68††	1.80
1968	65,929	227,889	293,818	6,435,131	37,290,409	2.57	1.80
1967	25,413	229,156	254,569	5,515,319*	37,257,292	2.58	1.80
1966	25,389	225,572	250,961	5,115,319*	37,257,292	2.31	1.80
1965	24,313	199,635	223,948	4,615,319	37,257,292	2.42	1.80
1964	24,115	178,458	202,573	3,865,319	37,257,292	2.21	1.65
1963	61,642**	173,435	235,077	4,178,349**	34,977,952	2.09	1.6125
1962	67,993**	170,032	238,025	4,209,833**	32,188,088	2.20	1.50
1961	24,991	169,497	194,488	3,265,319	32,178,038	1.89	1.50

*Including Capital Stock Subscribed. **Including Preference Stock called Sept. 11, 1964.

***Restated to reflect two-for-one stock split effective Feb. 5, 1965.

†\$3.52 after Extraordinary Item.

††Restated.



Annual Meeting:

The Annual Meeting of Stockholders will be held on Monday, May 15, 1972, at 1:30 P.M. in the Grand Ballroom of the Commodore Hotel, 129 East 42nd Street, New York, N.Y. Proxies for this meeting will be requested from stockholders entitled to vote at the meeting when notice of this meeting, proxy statement, and form of proxy are mailed on or about April 7th.

Common Stock:

Listed on the New York, Midwest, Pacific Coast, and the Amsterdam, Holland Stock Exchanges; unlisted trading on the Boston, Detroit, and Philadelphia-Baltimore-Washington Stock Exchanges.

Transfer Agent—Office of the Company, 4 Irving Place, New York, N.Y. 10003; Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60604; Bank of America National Trust and Savings Association, 300 Montgomery Street, San Francisco, California 94120.

Registrars—First National City Bank, 111 Wall Street, New York, N.Y. 10015; The First National Bank of Chicago, 38 South Dearborn Street, Chicago, Illinois 60603; Crocker-Citizens National Bank, 1 Montgomery Street, San Francisco, California 94104.

Trustees

E. Virgil Conway
Chairman and President
The Seamen's Bank for Savings

John Doar
President, Bedford-Stuyvesant Development & Services Corp.

Fredrick M. Eaton
Partner
Shearman & Sterling

Mrs. Andrew Heiskell
Director of Special Activities
The New York Times

Grayson L. Kirk
President Emeritus
Columbia University

Hobart D. Lewis
President and Editor in Chief
The Reader's Digest Assoc., Inc.

Charles F. Luce
Chairman of the Board

Milton C. Mumford
Director and former
Chairman of the Board
Lever Brothers Company

Richard S. Perkins
Trustee and Corporate Director
New York, N.Y.

William S. Renchard
Chairman of the Board
Chemical Bank and
Chemical New York Corporation

Louis H. Roddis, Jr.
President

Ralph A. Weller
President, Otis Elevator Company

Lawrence A. Wien
Senior Partner
Wien, Lane & Malkin

Franklin H. Williams
President, Phelps-Stokes Fund



New Trustee, Mrs. Andrew Heiskell, tours Indian Point Nuclear Complex

Management (As of February 1, 1972)

Chairman of the Board
Charles F. Luce

President
Louis H. Roddis, Jr.

Executive Assistant to the Chairman
John T. Conway

Special Assistant to the Chairman
Russell W. Holt

Executive Vice Presidents
Bernard E. Gallagher
Walter R. Grant
William W. Lapsley
William E. Wall
Harry G. Woodbury

Vice President & General Counsel
Joseph D. Block

Vice President & Treasurer
James G. Stark

General Auditor
William O. Morris, Jr.

Secretary
Walter A. Morris, Jr.

Controller
Parker C. Peterman

Vice Presidents
Arthur N. Anderson
Arthur J. Bazeley
John F. Burgess
William J. Cahill, Jr.
William E. Caldwell, Jr.
John V. Cleary, Jr.
Warren B. Coburn
Morris Dantzker
George J. Delaney
Edward J. Doyle, Jr.
Thomas A. Griffin, Jr.
Arthur Hauspurg
Joseph T. Hydok
Robert O. Lehrman
Robert J. Marcus
Bertram D. Moll
Carl L. Newman
Bertram Schwartz
Melvin G. Schwartz
Robert B. Stevens
Frederick W. Sullivan
John V. Thornton

Senior Assistant Treasurer
John F. Dembeck

Assistant Secretaries
Clifford G. Sommer, Jr.
Charles W. Wexler, Jr.

Assistant Vice Presidents
Richard W. Clement
John F. English
Richard H. Freyberg
S. Charles Franco, M.D.
John F. Rey
Aaron S. Sadove
Murray Selman
William B. Warner
Peter Zarakas

Senior Officers Who Left the Company during 1971
Emanuel Toder
Vice President
Retired December 1, 1971

Walter B. Fisk
Vice President
Retired August 1, 1971

Alexander C. Husband
Vice President
Resigned April 15, 1971

Max M. Ulrich
Vice President
Resigned March 31, 1971