

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)
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)
CONSOLIDATED EDISON COMPANY)
OF NEW YORK, INC.)
)
(Indian Point Station, Unit No.3))

Docket No. 50-286

Statement of

John F. Cioffi, Assistant Controller
Consolidated Edison Company of New York, Inc.

Dated: March 10, 1975

I am an Assistant Controller of Consolidated Edison Company of New York, Inc. (Con Edison) and am familiar with its financial affairs.

I have reviewed the Report of Foster Associates, Inc. dated December 14, 1974 (the Report) annexed to Supplement No. 1 to the Safety Evaluation Report by the Directorate of Licensing of the U.S. Atomic Energy Commission (now Nuclear Regulatory Commission) submitted in the above proceeding. This testimony is intended to supplement the information contained in the Report.

Since the Report, the financial affairs of Con Edison have proceeded in a manner consistent with the summary and conclusions stated therein. The sale of Astoria Generating Station Unit No. 6 was consummated on December 13, 1974 with a total purchase price of \$228,000,000, including some \$8 million of accruals not then paid by the Company. This purchase price is slightly in excess of the amount indicated on page 9 of the Report. Of that amount Con Edison has already received payment of \$210,000,000, and anticipates collection of the bulk of the remainder in early 1975.

Earnings continued to improve as was anticipated on page 20 of the Report. Net income for common stock for the fourth quarter of 1974 was 50 cents per share, before an extraordinary charge, as compared to 21 cents per share for the fourth quarter of 1973, as restated. After reflecting the extraordinary charge, net income for common stock for the fourth quarter of 1974 was 18 cents per share. Annexed hereto as Exhibit A is a public information release dated January 28, 1975 on financial matters, to which are annexed income statements for the three month and twelve month periods ended December 31, 1974 and 1973, and discussion of those earnings.

On January 28, 1975 Con Edison declared a dividend of 30 cents per share on its common stock payable March 15, 1975 to stockholders of record as of February 12, 1975. The recent history of dividends is as follows:

<u>Month of Declaration</u>	<u>Dividend Per Share</u>
January 1974	45 cents
April 1974	0
July 1974	20 cents
October 1974	20 cents
January 1975	30 cents

Since completion of the Report, nothing has occurred concerning the financial condition of Con Edison which would alter the conclusions stated therein.

January 28, 1975

FOR IMMEDIATE RELEASE

Consolidated Edison Company of New York, Inc. today (TUESDAY, JANUARY 28, 1975) issued its preliminary 1974 Income Statement and declared a dividend of 30¢ a share on its common stock payable March 15, 1975 to stockholders of record as of February 12, 1975.

Charles F. Luce, Chairman of the Board, stated: "The company made a strong comeback from the low point in April 1974 when the second quarter common dividend had to be omitted. We ended the year with a substantial improvement in earnings, but there are major uncertainties still facing the company and the utility industry. Our dividend policy, therefore, will be subject to continuing review as we move through the year."

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Earnings

The Company reported net income for common stock in 1974, subject to final audit, of \$164,643,270 or \$2.68 per share on an average of 61,548,077 shares outstanding, before reflecting an extraordinary charge and the prior period effect of an accounting change. This compares with \$2.34 per share on an average of 58,561,954 shares in 1973 similarly adjusted to exclude the prior period effect of a change in accounting for fuel costs.

After the extraordinary charge and the prior period effect of the accounting change, net income for common stock in 1974 was \$150,209,914 or \$2.44 per share.

Interest coverage at December 31, 1974, as computed under the provisions of Company's Mortgage Trust Indenture, was 2.50 times, compared to 1.83 at December 31, 1973 proformed for the annual interest on the series "00" bonds issued in March 1974. Under the formula prescribed by the Securities and Exchange Commission coverage of annualized fixed charges at December 31, 1974 was 2.18 times compared to 1.81 times at December 31, 1973 as proformed.

The Company also reported net income for common stock for the quarter ended December 31, 1974 of \$30,690,001, or \$.50 per share, before the extraordinary charge, as compared to \$12,972,643, or \$.21 per share for the fourth quarter of 1973, as restated. After reflecting the extraordinary charge, net income for common stock for the fourth quarter of 1974 was \$11,136,001, or \$.18 per share.

Net income for the fourth quarter of 1973 has been restated to give effect to an accounting change for electric fuel costs made effective in 1973. In the first quarter of 1974 the Company adopted an accounting change with the approval of the New York Public Service Commission for

deferral of recoverable steam fuel costs, similar to the change in 1973 for recoverable electric fuel costs. The electric and steam accounting changes involve the deferral of that portion of fuel costs which is recoverable from customers to the subsequent periods when fuel adjustment billings related to such costs are rendered. The effect of the steam accounting change on net income for prior periods was reported as \$5,120,644, or \$.08 per share.

The extraordinary charge of \$19,554,000 consists of a reduction in earnings of \$9,454,000, or \$.15 per share, representing unrecovered book cost on the sale of Astoria 6, an oil-fired generating unit, to the State Power Authority, and a further reduction in earnings of \$10,100,000, or \$.17 per share, representing a provision for deferred federal income tax attributable to this sale. For federal income tax purposes, there was a net gain on this sale, of \$27.9 million, after the deduction of the unrecovered book cost, which at the appropriate tax rates produces a federal income tax charge of \$10,100,000. The gain for tax purposes is the result of the deduction as current expenses in the tax return for each year during the plant's construction of various overheads which were capitalized on the Company's books. The Company utilized certain of its available net operating tax loss carryforwards from earlier years to offset this taxable income and therefore had no actual tax liability for the year. However, provision was made for the equivalent amount of deferred taxes on this sale, as required under generally accepted accounting principles.

Operating revenues for the year 1974 increased by \$703.2 million over the year 1973, principally attributable to increased fuel rider billings, reflecting the escalated prices of oil. For the year, electric sales in kilowatthours decreased 6.0% from 1973; gas sales decreased 0.2%;

and steam sales decreased 9.7%. Adjusted for weather and anticipated growth, electric, gas and steam sendout reductions for the year 1974 reflect energy conservation of 9.8 percent; 5.2 percent; and 12.7 percent, respectively.

Pro Forma Earnings

Applying the steam accounting change retroactively to the year 1973 would increase earnings per share from \$2.34 to \$2.44. For the quarter ending December 31, 1973, earnings per share would increase from \$.21 to \$.30 when the steam accounting change is applied retroactively.

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Note: Income Statements are attached.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

TENTATIVE

INCOME STATEMENT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
Operating revenues:		
Sales of electricity	\$ 2,096,877,222	\$ 1,483,362,013
Sales of gas	169,825,051	152,716,414
Sales of steam	162,720,193	95,730,565
Other operating revenues	10,048,895	4,430,137
	<u>2,439,471,361</u>	<u>1,736,239,129</u>
Operating revenue deductions:		
Fuel and purchased power	928,191,421	477,862,251
Other operations	378,270,477	331,766,732
Maintenance	170,451,731	161,594,756
Depreciation	144,407,904	124,041,612
Taxes, other than Federal income	424,531,959	360,403,394
Federal income tax	100,000	(744,000)
Federal income tax deferred	30,720,000	(3,643,000)
	<u>2,076,673,492</u>	<u>1,451,281,745</u>
Operating income	362,797,869	284,957,384
Allowance for funds used during construction	45,398,885	47,769,775
Other income	1,401,119	5,367,314
	<u>409,597,873</u>	<u>338,094,473</u>
Total		
Interest charges and income deductions:		
Interest on long-term debt and other interest	194,620,687	155,133,062
Miscellaneous deductions	6,039,095	1,398,403
	<u>200,659,782</u>	<u>156,531,465</u>
Income before extraordinary item and accounting changes	208,938,091	181,563,008
Extraordinary item - Sale of plant	(19,554,000)	-
Cumulative effect on prior periods of changes in accounting for fuel costs: Steam to December 31, 1973		
Electric to December 31, 1972	5,120,644	-
	<u>26,143,746</u>	<u>26,143,746</u>
Net income	194,504,735	207,706,754
Preferred stock dividend requirement	44,294,821	44,298,215
Net income for common stock	<u>\$ 150,209,914</u>	<u>\$ 163,408,539</u>
Common shares outstanding - weighted average	61,548,077	58,561,954
Earnings per share:		
Income before extraordinary item and accounting changes, after preferred dividend (\$164,643,270 and \$137,264,793)	\$ 2.68	\$ 2.34
Extraordinary item - Sale of plant	(.32)	-
Cumulative effect on prior years of changes in accounting for fuel costs: Steam to December 31, 1973		
Electric to December 31, 1972	.08	-
	<u>-.45</u>	<u>-.45</u>
Net income for common stock	<u>\$ 2.44</u>	<u>\$ 2.79</u>
Pro forma, assuming effect of change in accounting for steam fuel costs is applied retroactively		
Net income for common stock		
Before extraordinary item (\$164,643,270 and \$142,669,038)	\$ 2.68	\$ 2.44
After extraordinary item (\$145,089,270 and \$142,669,038)	\$ 2.36	\$ 2.44
Sales of electricity - Kwhs	32,648,897,045	34,732,636,100
Sales of gas - Cubic feet	72,758,378,000	72,888,359,900
Sales of steam - Pounds	35,085,934,000	38,860,562,000

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

INCOME STATEMENT

FOR THE THREE MONTHS ENDED DECEMBER 31, 1974 AND 1973

	1974	1973*
Operating revenues:		
Sales of electricity	\$ 536,182,666	\$ 383,456,259
Sales of gas	47,317,893	38,708,766
Sales of steam	41,184,893	23,462,984
Other operating revenues	3,450,970	1,320,904
	<u>628,136,422</u>	<u>446,948,913</u>
Operating revenue deductions:		
Fuel and purchased power	234,566,899	134,622,390
Other operations	107,176,591	92,255,264
Maintenance	51,024,001	47,704,223
Depreciation	37,613,546	33,175,533
Taxes, other than Federal income	109,102,608	91,165,666
Federal income tax	100,000	(744,000)
Federal income tax deferred	5,500,000	(5,222,000)
	<u>545,083,645</u>	<u>392,957,076</u>
Operating income	83,052,777	53,991,837
Allowance for funds used during construction	10,046,910	10,888,928
Other income	587,956	855,921
	<u>93,687,643</u>	<u>65,736,686</u>
Interest charges and income deductions:		
Interest on long-term debt and other interest	51,367,625	41,327,186
Miscellaneous deductions	556,318	362,948
	<u>51,923,943</u>	<u>41,690,134</u>
Income before extraordinary item	41,763,700	24,046,552
Extraordinary item - Sale of plant	(19,554,000)	-
Net income	22,209,700	24,046,552
Preferred stock dividend requirement	11,073,699	11,073,909
Net income for common stock	<u>\$ 11,136,001</u>	<u>\$ 12,972,643</u>
Common shares outstanding - weighted average	61,548,100	61,547,499
Earnings per share:		
Income before extraordinary item, after preferred dividend (\$30,690,001 and \$12,972,643)	\$.50	\$.21
Extraordinary item - Sale of plant	(.32)	-
Net income for common stock	<u>\$.18</u>	<u>\$.21</u>
Pro forma, assuming effect of change in accounting for steam fuel cost is applied retroactively:		
Net income for common stock		
Before extraordinary item (\$30,690,001 and \$18,439,024)	\$.50	\$.30
After extraordinary item (\$11,136,001 and \$18,439,024)	\$.18	\$.30
Sales of electricity - Kwhrs	8,319,000,692	8,351,166,950
Sales of gas - Cubic feet	18,569,199,300	17,392,645,700
Sales of steam - Pounds	7,611,786,000	8,111,150,000

*Restated for change in accounting for Electric
Fuel Costs adopted in November and December 1973