

Con Edison 1979 Annual Report

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Consolidated Edison Company of New York, Inc. supplies electric service in all of New York City (except part of Queens) and in most of Westchester County. It also supplies gas in Manhattan, the Bronx and parts of Queens and Westchester County, and steam in part of Manhattan. Certain governmental customers within the Company's service territory receive electric service through the Company's facilities from the Power Authority of the State of New York.

Year Ended December 31,	1979	1978	Percent Change
Operating revenues (millions)	\$3,333	\$3,011	10.7
Operating income (millions)	\$ 473	\$ 454	4.1
Net income for common stock (millions)	\$ 281	\$ 266	5.7
Earnings per common share	\$ 4.51	\$ 4.29	5.1
Dividends per common share	\$ 2.44	\$ 2.20	10.9
Average common shares outstanding (millions)	62.4	62.0	0.6
Book value per common share	\$43.88	\$41.89	4.8
Common stock price (closing price on NYSE)	\$24.250	\$23.125	4.9
Interest coverage			
S.E.C. basis	3.45 times	3.35 times	3.0
Mortgage indenture basis	3.78 times	3.64 times	3.8

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About the Cover

The clock tower of the Company's headquarters at 4 Irving Place in Manhattan has been illuminated with new high-intensity metal halide lamps, which use about half the electricity of the previous incandescent lamps. In the background is the Empire State Building, also illuminated with metal halide lamps.



Arthur Hauspurg

Charles F. Luce

To Our Stockholders:

Throughout 1979 the most critical problem affecting Con Edison was the rising price and uncertain supply of oil. A barrel of residual fuel oil which cost the Company \$15 in January reached almost \$30 by the end of the year, with further increases already experienced in 1980. The impact of oil's price rise and the uncertainties regarding its supply require the Company to accelerate two campaigns: to persuade governmental agencies to permit us to use coal and other alternate fuels; and to encourage customers to conserve energy.

We have made important progress in both campaigns, as detailed in this report.

Earnings and Dividends

In 1979 net income available for common stock was \$281,430,000 or \$4.51 per share, compared with the 1978 net of \$266,191,000 or \$4.29 per share. The increase was due primarily to an electric rate increase effective in April 1979, and to careful cost control.

In January 1979 the Board of Trustees increased the quarterly dividend from 55 cents a share to 61 cents a share. In January 1980 the Board increased the quarterly dividend to 67 cents.

The Company's cash position continues to be good. We financed \$316 million of construction in 1979 and retired \$14 million in securities without external financing.

Con Edison bonds now have an A rating from both major bond rating agencies for the first time in seven years. Moody's upgraded its rating from Baa in August 1979; Standard & Poor's previously had upgraded its rating from A minus in 1978.

Two new programs went into effect during the year to improve the Company's communications with security holders: a computerized information system through which we record promptly transfers in ownership of securities or other information regarding a security holder's account; and a new, toll-free telephone number which allows security holders to speak directly to our Company's investor Services people, who, by operating the computer system, can respond promptly to their needs. In New York State, the toll-free number is 800 522-5522. Outside of New York State, the number is 800 221-6664.

Load Growth and Forecasts

We have seen little growth in the use of electricity since 1973 when the OPEC countries quadrupled the price of oil, causing large increases in electricity prices. Electricity usage was down slightly in 1979 from 1978 after adjusting both years to normal weather conditions. We estimate usage will be down slightly again in 1980 and, looking ahead, anticipate only an average annual increase in electricity use of about 0.5 percent through 1990.

Natural gas sales are strong. Including interruptible customers, sales were up 10.7 percent in 1979, after adjusting for weather. The increase was due in part to two related factors: more gas became available for purchase by our Company after passage of gas deregulation legislation in 1978; and in February 1979, at our request, the New York State Public Service Commission relaxed its regulations limiting the sale of gas to retail customers.

As a result of these regulatory changes and increases in the price of oil, which still has the major share of the home-heating market in our service area, the Company expects that by the end of the 1979-1980 heating season about 3,000 residential customers will have converted from oil to gas heating. Strong growth in gas sales is expected to continue through the 1980-1981 heating season.

The Company's steam sales continue to decline, in part because of conservation, in part because owners of some large buildings have installed their own boilers and discontinued our steam service.

Reducing Dependence on Foreign Oil

Short-term, we have been moderately successful in our efforts to reduce oil dependence. In 1979 oil represented 44 percent of

the fuels used to produce electricity distributed in our service area. In 1978 the oil portion was about 62 percent.

We accomplished this reduction through the following measures:

- We were the first utility to seek—and receive—permission to burn natural gas in power plants following the U.S. Energy Secretary's announcement of a short-term surplus of this domestic fuel. As a result, in 1979 gas represented about 12 percent of the fuel used to produce electricity for our service area, compared with less than one percent in 1978. The gas we burned in 1979 was equivalent to 8.5 million barrels of oil.
- Nuclear power from Indian Point units 2 and 3 continued to be the principal source of non-oil generation. Indian Point was responsible for 26 percent of the electricity distributed in our service area. The two units displaced about 18 million barrels of oil in 1979.
- Hydro-electric power imported from Canada contributed 11 percent, or the equivalent of 8 million barrels of oil, under arrangements which we began negotiating in 1971.
- "Economy purchases" of coal-generated power from utilities in upstate New York accounted for 3 percent of the electricity distributed while other nuclear and hydro-electric sources contributed another 4 percent.

We estimate that in 1979 the use of all non-oil sources saved the nation about 40 million barrels of oil and saved consumers in New York City and Westchester about \$500 million.

In addition, substantial oil savings resulted from the Company's programs to encourage customers to conserve energy. These programs are described in a special section of this report which begins on page 5.

Coal Conversion

Longer term, our proposals to reduce New York City's and Westchester's dependence on imported oil continued to advance, but at an agonizingly slow pace.

In 1979 we sought and won permission from New York City and State agencies to burn higher-sulfur oil to demonstrate we could burn one percent sulfur coal at three electric generating units—Ravenswood 3 in Queens and Arthur Kill 2 and 3 on Staten Island—without violating federal air quality standards. We now await approval from the U.S. Environmental Protection Agency.

Coal burning at the three units would save our customers at least \$200 million a year in fuel costs and related taxes, and would reduce

New York's dependence on imported oil by about 15 million barrels a year.

The Company has begun to repair and upgrade the existing coal-burning and pollution control equipment at these power plants as a first step in the program to reconvert the units to coal. All three units burned coal before they were converted to low-sulfur oil in the early 1970s. Although we have not yet received permission to burn coal, we believe that, in the light of national energy policy and the threat of sudden interruptions of oil imports, it is prudent to proceed with this portion of the coal-conversion work prior to completion of the lengthy licensing process.

Liquid Coal

Many of our power plants cannot be converted to coal burning because of technical and environmental problems. That is one reason we are a leader in a joint industry-government demonstration program to convert coal into a low-sulfur, low-ash liquid called solvent refined coal (SRC-II). The program seeks to develop the product in quantity in the 1990s for use in existing oil-burning plants.

In 1979, with the backing of other utilities on the Atlantic Coast, we achieved commitments for more than half the output of the first commercial-size plant to produce SRC-II. President Carter and many members of Congress have expressed support for the SRC-II program. Although all Congressional appropriations have not yet been authorized, the project appears to be sufficiently funded to keep the plant on schedule for its 1984 completion date. Japanese and West German funding is anticipated for a substantial portion of the plant's cost.

Westchester County Referendum

In a November 1979 referendum, voters in Westchester County rejected a proposal which would have established a County utility agency with the power to acquire and operate the Company's electrical distribution system in Westchester. The proposal was defeated by a vote of about 130,000 to 105,000, or 55 percent to 45 percent.

During the weeks preceding the election, a group of about 8,000 Westchester residents—organized as Westchester Citizens Against Government Takeover—vigorously opposed the takeover proposal. The Company contributed financial support to the Committee's efforts to bring the facts of the proposal to public attention. Thousands of Con Edison employees and retirees also volunteered their spare time to help defeat the proposal.

Indian Point

Since the first unit went on the line 18 years ago, the Indian Point nuclear units have had

an excellent safety record. Following the accident at the Three Mile Island nuclear plant in Pennsylvania in March 1979, Con Edison appointed a panel of senior engineers and operations personnel to review the safety procedures and operations at our Indian Point 2 unit and to apply the lessons learned from the accident. We also joined with other New York State utilities in requesting a review of our safety studies by a panel of distinguished scientists and engineers from educational and research institutes in the state.

The reports of our internal panel and of the statewide panel of experts recommended additional design and operational changes to improve the safety and reliability of Indian Point. The reports noted that the design of Indian Point 2 and 3 is significantly different from that of Three Mile Island and that the same events which initiated the accident there would not have led to serious difficulties at Indian Point.

Some of the recommended changes have already been made. Others will be completed as rapidly as practicable. The Nuclear Regulatory Commission is also ordering certain plant and operational changes at Indian Point and all other nuclear plants as a result of the various investigations following the Three Mile Island accident. Notwithstanding these changes, certain individuals and groups continue to agitate for the shutdown of the Indian Point 2 and 3 units, an action which would be very damaging to the economy of our service territory and would ultimately require the construction of additional new coal-fired capacity.

On-Site Generation

A few building owners have switched from our system to their own on-site generating facilities and some others are considering such a switch. The potential for loss of customers to on-site generation is considerable because on-site facilities can avoid many of the taxes utility companies and their customers must pay. A significant loss of customers to on-site generation would mean higher rates for those who remain on our system.

We can report encouraging progress in efforts to convince governmental authorities, particularly the Department of Energy (DOE), that policies and incentives favoring on-site cogeneration should distinguish systems which will conserve scarce natural resources and protect the environment from those which will increase our nation's use of oil and increase pollution in our cities. DOE has stated that it supports only that cogeneration which "does not create a net addition for demand for petroleum and petroleum products in this country."

National Energy Policy

We are disappointed by the federal government's continuing lack of a sense of urgency regarding energy problems. In July 1979 President Carter announced the government would move to cut U.S. oil imports in half by 1990. In January 1980 the President warned the Congress that our nation must be prepared to use military force to retain access to Persian Gulf crude oil. Yet there have been few positive steps regarding nuclear development, synthetic fuels, coal use or gasoline conservation which would move our country toward energy independence.

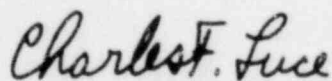
In comments on the Kemeny Commission's report on the Three Mile Island accident, the President reaffirmed the need for nuclear power and proposed to speed up procedures to license completed plants, consistent with appropriate safety reviews. But the regulatory process is more discouraging than ever. Since Three Mile Island, there has not been a single new application to build a nuclear plant in the United States.

We will continue to urge—both at the legislative and administrative levels—that the government take those steps necessary if our nation is ever to overcome its dangerous dependence on that "thin line of tankers" between here and the Persian Gulf. The danger of nuclear disaster does not lie in the peaceful development of nuclear generating stations which reduce our nation's dependence on imported oil. Rather, it lies in the possibility that our nation will be drawn into war to protect the supply of foreign oil on which it is now so dangerously dependent.

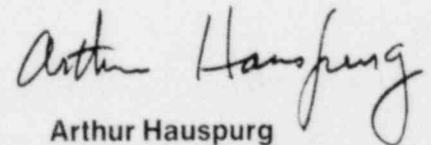
Management Team

The photographs throughout this report show some of the younger members of the Company's management team. They represent only a few of the talented young men and women who have chosen a career at our Company, where they daily help guide and operate one of the most complex energy-delivery systems in the world. Their abilities and enthusiasm for meeting the challenges ahead speak well for the future of our Company.

Sincerely,



Charles F. Luce
Chairman of the Board



Arthur Hauspurg
President

February 26, 1980

The gasoline lines of 1979 caught Americans by surprise. But the doubts about supply and the soaring prices of OPEC oil seem at last to be driving home the message Con Edison has been stressing for years—the need to conserve energy and to develop alternate domestic fuels.

Con Edison's newest energy conservation project—a Conservation Center in midtown Manhattan—was opened in November 1979 by U.S. Energy Secretary Charles Duncan. This Center, in the landmark Chrysler Building, is the most complete energy information center in the nation for consumers. It contains lively exhibits on energy-efficient ways to heat, cool and light homes and apartments, and it teaches consumers how to buy and use appliances wisely. Conservation experts at the Center answer visitors' questions about the most up-to-date energy-saving devices.

Secretary Duncan described the Center as "a good example of the role that private industry can play... a marvelous example of what utilities across the nation can do to really communicate the desirability of conservation predicated on self interest, not sacrifice or other reasons."

It is a sign of the times that the Chrysler Building space where we now promote conservation was formerly used to encourage automobile travel, and thus gasoline consumption, when it served as a "touring center" for a major oil company.

The Conservation Center is our most comprehensive educational effort on energy conservation. But it is only the latest in a series of programs which began with our widely imitated "Save-A-Watt" campaign. "Save-A-Watt" began in 1971, when we disbanded our sales force and started a wide-ranging consumer education program to encourage the wise use of energy.

More recently, our Company started two major programs to help residential customers who live in one-, two-, three- and four-family homes conserve energy. These programs not only measure energy waste, they also offer financing for specific, cost-effective steps that help make homes energy-efficient.



In November U.S. Energy Secretary Charles Duncan opened Con Edison's Conservation Center in mid-Manhattan—the most complete consumer energy information center in the nation.

Grace Richardson, director of residential conservation services, assists a visitor at the Conservation Center. Conservation experts at the Center give advice on the most up-to-date energy-saving practices and devices.



Home Energy Audits:
Trained Con Edison specialists thoroughly inspect homes, discuss findings with residents and prepare detailed written reports recommending energy-saving measures.

Operation ThermoScan:
Aerial infra-red photos show heat loss from roofs and other areas of homes.

At community briefings, homeowners learn from a Con Edison representative about energy-saving measures to reduce heat loss. More than 30,000 persons have attended ThermoScan briefings.

Through our Home Energy Audit program, trained Con Edison specialists thoroughly inspect homes. They check insulation in ceilings, foundations and walls; storm windows and doors; caulking and weatherstripping; and the location and setting of thermostats. These specialists prepare detailed written reports, recommending those measures which will pay for themselves in eight years or less.

Through a series of mailings we have encouraged 750,000 customers to ask for home energy audits. By the end of 1979, the Company had received more than 19,000 requests for audits, and had more than 10,000 completed or under way.

A second program, Operation ThermoScan, uses an airplane with an infra-red camera to photograph the rooftops of our customers' homes. Roofs and other areas from which substantial heat is escaping show up light-colored in the photographs. Darker areas indicate a well-insulated building that is retaining heat. Customers whose homes have been photographed are invited to evening and weekend viewings in their neighborhoods.

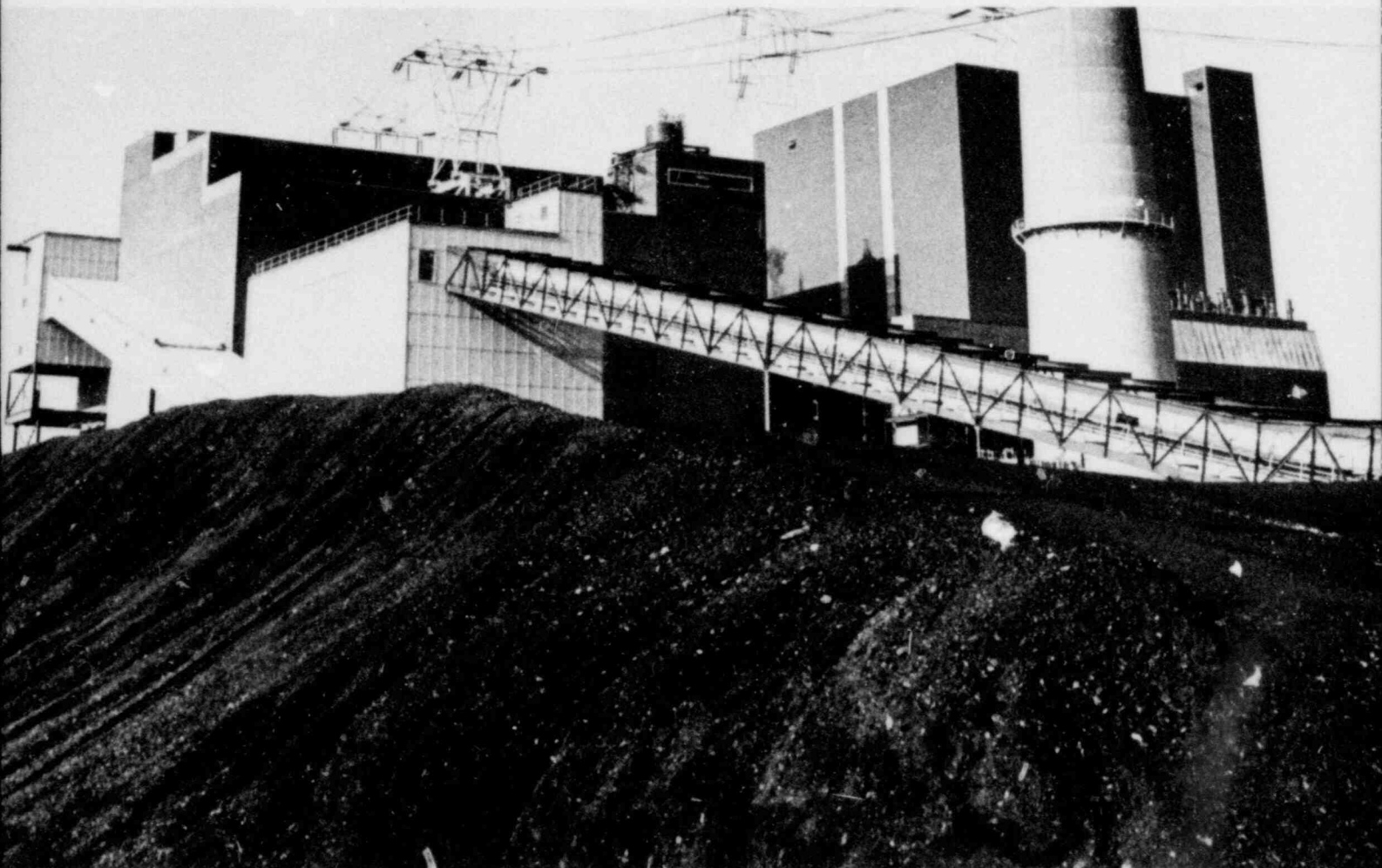
More than 30,000 persons have attended ThermoScan briefings so far, and many of them report the results to their neighbors. As a result, many customers have taken conservation steps and others have requested full scale home energy audits.

During 1979 Con Edison load management specialists continued to encourage the use of load-limiting devices in commercial buildings. A load-limiting device, which may be mechanical or computerized, makes it possible for electrical demand to be held to a previously set limit by shutting down or cycling equipment in a planned manner as the limit is approached. The purpose of load management is to lower electric peaks by reducing on-peak usage or shifting it to off-peak periods. Balancing of the load permits the most efficient use of generating plants and saves the customer money.

Energy conservation not only reduces dependence on imported oil, but it offers what we believe is another plus for Con Edison. It postpones the day when new power plants are needed. This opportunity to limit capital spending comes at a time when construction costs are skyrocketing, borrowing is expensive, and government and public attitudes make it extremely difficult to find an acceptable site for a new plant.

We intend to continue to promote energy conservation vigorously. We believe it is good for our customers, our Company, and our country.

Con Edison's energy strategy for the 1980s proposes coal burning at three generating units. Coal pile at Arthur Kill dates from 1974 when the Company was allowed to burn coal for a short time during the Arab oil embargo.



Electric

Adjusted to normal weather conditions, electric sales in our service area were down 0.1 percent in 1979. The peak load in our service area was 7,789,000 kilowatts on August 1. The all-time record was reached on July 21, 1977 when the peak was 8,232,000 kilowatts.

The Company continues to maintain the best service reliability record in New York State. In 1979 there were 166 interruptions per 1,000 customers; the average for the other New York utilities was 1,185 interruptions per 1,000 customers according to the 1978 figures—the latest available statistics.

Tropical Storm David, which hit our area in September 1979, was for Westchester County the most destructive storm in 25 years. More than 5,000 Con Edison lines there were broken by falling trees and more than 100 utility poles were felled. However, with our crews in Westchester and reinforcements from New York City working 16-hour shifts and longer, we were able to restore service within 24 hours to more than 90 percent of the customers affected.

Following David, we accelerated a program for quick handling of a high volume of emergency telephone calls from customers. The plan provides for switching calls from one



The role of coal in Con Edison's future is discussed by Bertram Schwartz, senior vice president, planning, fuel supply and inter-utility affairs.

Joyce Hergenhan, senior vice president, public affairs, talks to a reporter about the Company's Energy Strategy.

At Con Edison's nuclear plant training simulator at Indian Point, Eugene R. McGrath, (center) vice president, power generation, and William A. Monti, (right) nuclear plant manager, confer with a training supervisor.

area that is overloaded with incoming messages to other communications centers throughout our system. We plan a pilot test of this system in 1980.

Gas

A record peak was set on February 13, 1979 when we distributed 523.1 million cubic feet. This was 5.3 million cubic feet above the previous record set on January 17, 1977. Adjusted to normal weather conditions, gas sales increased 10.7 percent in 1979.

Early in 1979 the Company sought and received permission to burn natural gas as boiler fuel for electric and steam generation to displace oil. The Company negotiated several contracts for this oil-displacement gas. During the year 55.5 billion cubic feet of gas was burned in our electric and steam generating plants, displacing a total of 9.5 million barrels of oil.

Federal approval to transport the oil-displacement gas expires on June 1, 1980. The purchase contracts expire in 1981, assuring continued deliveries during the remainder of 1980, provided we gain permission to continue transportation.

Steam

Steam sales in 1979 declined by 7 percent, after adjustment for normal weather. The decline resulted in part from conservation efforts, particularly the federal directive to cool commercial buildings to no lower than 78 degrees during the summer, and to heat them to no more than 65 degrees in the winter. Also contributing to the decline was the departure of some large buildings from our system. The economic advantage to the owners of such buildings results principally from avoidance of state and local taxes levied on our Company and its customers.

However, a number of new buildings have been designed to use our steam. Projected new business for 1980 includes 13 buildings with estimated sales which will total more than one billion pounds, or about 3.5 percent of our sales. Among the customers are the new International Business Machines and American Telephone and Telegraph headquarters buildings, the Palace Hotel, the Hilton International Hotel, and a new building at the United Nations.

Construction

The Company has no present plans to build base-load power plants through the 1980s. Existing plants, purchases from the Power Authority of the State of New York's existing and projected facilities, and purchases from other utilities are expected to supply the needs of our customers for at least the next 15 years.

In 1979 we concentrated our construction efforts on strengthening transmission and distribution facilities.

Among our major construction projects are the following:

- The rebuilding of four transmission lines between Millwood substation in northern Westchester and Pleasant Valley substation in Dutchess County to increase their capacity to import power from the north. Work is in progress to upgrade two of the lines from 138 kilovolts to 345 kilovolts by June 1980. Work on the remaining lines is scheduled to begin in 1980. The four-year, \$90 million project was begun in 1978.

- The installation of a \$50 million System Operation Computer Control System (SOCCS) at our Energy Control Center in Manhattan. The new equipment will help monitor and control the operation of the Company's electric generation and transmission system. It includes a master computer terminal at the Control Center and remote terminal units in generating stations and transmission substations throughout our system. Operation of the SOCCS system is scheduled to begin by 1982.

- Conversion to coal of three electric generating units totaling 1800 megawatts—Ravenswood 3 in Queens and Arthur Kill 2 and 3 on Staten Island. Feasibility studies began in March 1979 and about \$1.5 million was spent during that year for environmental and engineering studies for presentation before state and local authorities. We estimate that about \$21 million will be spent in 1980 to continue the studies and to order equipment which requires a long manufacturing period. If prompt governmental approvals are received, the coal conversion project can be completed at Ravenswood in 1981, at Arthur Kill 2 in 1982 and Arthur Kill 3 in 1983.

- The installation of a 345 kilovolt intertie between the Con Edison system and the Public Service Electric and Gas system in New Jersey. This project is scheduled for service in 1982.

- New neighborhood business offices and operations centers to help make our services to our customers more accessible. These new offices will be staffed largely with employees transferred from Company central offices.

Research and Development

Con Edison is one of the leaders in a national research effort to produce liquid fuels from coal for use in utility boilers. The first commercial test of a coal-derived product called solvent refined coal II (SRC-II) was made at one of our Manhattan power plants in September 1978. We are also supporting a pro-



Charles F. Soutar, vice president, central services, test drives one of 40 electric vehicles Con Edison is purchasing for use in a demonstration project.

Raymond J. McCann, vice president, Manhattan division, checks electric distribution plan for a new hotel in Manhattan.

Stephen B. Bram, vice president, system operation and central substation, and Raymond P. Priore, vice president, systems and information processing, refer to model of modernized Energy Control Center as they review construction progress.

gram to study a coal-oil mixture as a fuel for power generation. Adelphi University is participating in the project. The goal is to develop a coal-oil slurry that could be burned in existing generating plants.

Other research and development projects include the following:

- Construction in Manhattan of a 4.8 megawatt fuel cell using naphtha as fuel. We will begin testing components in 1980. This compact power plant is a demonstration project funded by the U. S. Department of Energy, the Electric Power Research Institute, two New York State research organizations, and several electric utilities including Con Edison. We are also participating in a research project sponsored by the Gas Research Institute and the U.S. Department of Energy to test the operation of a small, 40 kilowatt fuel cell power plant using natural gas as the fuel.



Donald L. Miller, vice president, personnel, plans recruitment program for nuclear plant engineers with members of staff.



At fuel cell construction site in Manhattan, Robert A. Bell, assistant vice president, research and development, outlines the potential benefits of the demonstration project with representatives of an industry research group.

- Construction of a compact High Voltage Direct Current demonstration project at our Astoria facility in Queens. The 100 megawatt test facility has been completed, but test operation awaits the resolution of certain technical problems. The demonstration program is sponsored by the Electric Power Research Institute, the Empire State Electric Energy Research Corporation and other industry organizations.

- A solar energy project in Westchester where we are testing solar-assisted hot water systems in 19 homes and one public building. The project is also sponsored by the New York State Energy Research and Development Authority. Data are being analyzed by the Polytechnic Institute of New York.

- An industry and government-sponsored project to develop a new system for removing sulfur-dioxide pollutants from the stack gases of coal-fired plants.

Rate Proceedings

In April 1979 the New York Public Service Commission (PSC) approved an electric rate increase of \$158.1 million or about 6.6 percent. In July 1979 an additional increase of \$12.4 million was approved to cover increased property taxes. The Company has appealed the PSC's rate order on the ground that the rate of return set by the PSC is too low.

By virtue of an order in a previous electric case, time-of-day electric rates went into effect on January 1, 1980 for approximately 200 of our largest commercial and industrial customers.

In April 1979 the Company filed for an increase in annual gas revenues of \$46.1 million. We later reduced our request to \$38.8 million, or about 9.8 percent, principally as a result of increases in our forecast of gas sales. In December 1979 the PSC's administrative law judge recommended a rate increase of \$31 million. The PSC's decision is expected in March 1980.

The PSC is inquiring into the design of the Company's steam rates. In recognition of our exposure to loss of steam customers to on-site generation, the Company has proposed a steam rate design which we believe will improve somewhat our competitive posture.

Both the Federal Energy Regulatory Commission and the PSC have begun proceedings related to on-site generation. In both proceedings the Company has cautioned that proliferation of on-site generation in the New York City area will increase oil dependence and air pollution.

Summary of Operations

Consolidated Edison Company of New York, Inc.

Year Ended December 31 (Millions of Dollars)	1979	1978	1977	1976	1975
Operating revenues	\$3,332.8	\$3,011.0	\$3,022.9	\$2,880.3	\$2,667.9
Operating expenses					
Fuel and purchased power	1,019.5	854.7	894.8	879.3	875.5
Gas purchased for resale	152.2	117.5	107.5	90.6	65.2
Other operations and maintenance	791.0	739.5	686.8	656.0	614.9
Depreciation	184.4	173.7	169.9	16	155.3
Taxes, other than federal income	591.4	556.3	547.8	525	476.1
Federal income tax	55.2	64.5	110.4	6.9	—
Federal income tax deferred	45.6	22.7	8.1	30.5	49.5
Investment tax credits deferred	20.7	27.9	18.4	70.8	4.4
Total operating expenses	2,860.0	2,556.8	2,543.7	2,424.9	2,240.9
Operating income	472.8	454.2	479.2	455.4	427.0
Other income (deductions)					
Interest on temporary investments	50.1	43.9	28.0	22.8	—
Allowance for funds used during construction:					
Equity funds (after December 31, 1976)	3.7	7.0	7.0	—	—
All funds (prior to January 1, 1977)	—	—	—	9.3	36.5
Gain on reacquisition of long-term debt	—	—	1.2	12.2	—
Other income less miscellaneous deductions	(3.6)	(1.2)	(7.6)	(4.6)	7
Federal income tax	(22.0)	(19.8)	(7.8)	(8.4)	—
Federal income tax deferred	—	—	(2.0)	(4.5)	—
Total other income	28.2	29.9	18.8	26.8	37.2
Income before interest charges and extraordinary item	501.0	484.1	498.0	482.2	464.2
Interest on long-term debt	171.7	173.0	173.6	176.9	178.0
Other interest	7.0	4.8	4.3	3.9	11.5
Allowance for borrowed funds used during construction	(1.6)	(3.3)	(3.5)	—	—
Net interest charges	177.1	174.5	174.4	180.8	189.5
Net income before extraordinary item	323.9	309.6	323.6	301.4	274.7
Extraordinary item—sale of generating unit	—	—	—	—	(23.3)
Net income	323.9	309.6	323.6	301.4	251.4
Preferred stock dividend requirements	42.5	43.4	44.1	44.3	44.3
Net income for common stock	\$ 281.4	\$ 266.2	\$ 279.5	\$ 257.1	\$ 207.1
Weighted average common shares outstanding (000)	62,412	62,024	61,658	61,548	61,548
Earnings per common share:					
Income applicable to common stock before extraordinary item	\$ 4.51	\$ 4.29	\$ 4.53	\$ 4.18	\$ 3.74
Extraordinary item—sale of generating unit	—	—	—	—	(.38)
Net income for common stock	\$ 4.51	\$ 4.29	\$ 4.53	\$ 4.18	\$ 3.36
Dividends per common share	\$ 2.44	\$ 2.20	\$ 2.00	\$ 1.60	\$ 1.20

Management's Discussion and Analysis of the Summary of Operations

Financial Performance in 1979—In General

The Company maintained in 1979 a reasonably good financial condition by historic standards. Earnings per share of \$4.51 were 5.1 percent higher than in 1978 and only slightly below the record per share earnings of \$4.53 in 1977. Net income for common stock increased by \$15.2 million over 1978. However, when adjusted for inflation which occurred during 1979, consistent with newly issued rules of the Financial Accounting Standards Board, the Company's 1979 per share earnings actually fell below its 1978 earnings.



Reviewing 1979 financial statements are (standing) Archie M. Bankston, left, secretary and assistant general counsel, and Carl W. Greene, controller, and from left (seated), Edward J. Carey, treasurer, Joy Tannian, vice president, rate proceedings, and John V. Thornton, executive vice president, finance.

Rate of return on average net property for 1979 was only 8.02 percent, well below the 8.76 percent, 8.97 percent and 9.09 percent theoretically allowed by the New York Public Service Commission (PSC) in decisions establishing the electric, gas and steam rates that were in effect during most of the year. We say "theoretically allowed" because in practice adjustments made by the PSC in rate cases have prevented the Company from actually earning the return granted by the PSC. Interest coverage computed under the provisions of the Company's mortgage trust indenture for 1979 was 3.78 times and under the Securities and Exchange Commission formula was 3.45 times.

The Company's cash position remained strong in 1979 despite increases in working capital requirements brought about largely by a significantly higher investment in fuel inventories. Our capital structure was further strengthened with common equity accounting for 44 percent of total capitalization at year-end 1979.

The Company has not issued additional bonds or stock since 1974. In 1979 we financed \$316 million of construction expenditures without resort to external financing. Construction programs for 1980 and 1981 are budgeted at \$411 million and \$472 million, respectively, and we expect to fund the 1980 expenditures without issuing any new securities. We presently anticipate a return to the financial markets in 1981, probably with an issue of pollution control bonds in connection with coal conversion at the Arthur Kill and Ravenswood generating plants.

Inflation

The acceleration of inflation in recent years has eroded the purchasing power of the dollar to less than half what it was a decade ago. The information in Note I to the financial statements shows in an approximate way the effect of inflation on some aspects of the Company's finances.

Inflation has a severe effect on the utility industry because it is highly capital intensive and because its prices are regulated using a rate base that reflects only the original cost of its plant. In New York State, regulatory proceedings lasting almost a year are required before we can increase rates. In the past ten years the Company has had to petition the PSC for rate relief many times. On almost every occasion we received substantially less than necessary to earn a reasonable rate of return.

Operating Revenues and Operating Income

Operating revenues increased by \$321.8 million or 10.7 percent compared to 1978. Fuel and purchased power costs and gas pur-

chased for resale increased \$199.5 million or 20.5 percent. Increased labor and related costs and increased taxes resulted in total operating expenses in 1979 exceeding 1978 by \$303.2 million. Operating income, therefore, increased \$18.6 million over 1978.

The following are the principal items entering into the increase in operating revenues.

(Millions of Dollars)	Increase (Decrease) from 1978
Fuel billings	\$197.5
Rate increases	
Electric	103.6
Steam	10.4
Sales to other utilities	26.1
Sales—volume changes	
Electric—Con Edison customers and delivery service to PASNY	17.5
Gas	0.8
Steam	(16.5)
Refund credit to customers—	
1976 Indian Point No. 2 outage	(18.1)
Other	0.5
	<u>\$321.8</u>

The increased fuel billings reflect the significant increases in the cost of fuel experienced by the Company in 1979. In December 1978 and in April 1979 the Company's steam and electric rates increased 5.1 percent and 6.6 percent respectively, and in July 1979 electric rates were further increased to cover increased property taxes. Sales to other utilities, which for the most part represent recoupment of fuel and certain incremental production costs, increased in 1979 due to increased sales to the Power Authority of the State of New York (PASNY) as a result of a refueling outage at PASNY's Indian Point No. 3 Unit.

Actual electric sales volumes to Con Edison customers and gas sales volumes increased 0.3 percent and 1.9 percent respectively while steam sales volumes declined 10.4 percent. The decline in steam sales was due to increased conservation by customers and loss of customers to on-site generation.

In 1978 operating revenues declined from the 1977 level by \$11.9 million due primarily to lower fuel billings resulting from decreases in the unit costs of fuel and purchased power and the transfer in 1977 and 1978 of certain of the Company's former governmental customers to PASNY. Operating income, however, is not affected by the transfer since the Company does not incur production expenses, including fuel costs, relating to the energy requirements of customers transferred and since any remaining revenue loss is offset by charges to PASNY for the energy trans-

mitted over the Company's facilities and by additional charges to our remaining customers.

Fuel and Purchased Power

In 1979 fuel and purchased power costs for electric and steam operations increased \$164.8 million due primarily to significant increases in the cost of oil used for generation at electric and steam stations. The cost of a barrel of residual fuel oil increased from \$15 in January 1979 to almost \$30 by the end of the year. The effect of these increases was somewhat mitigated by the increased use of natural gas as a boiler fuel during 1979, resulting from the short-term surplus of this fuel, and by the purchase of hydro-electric power imported from Canada.

In 1978 fuel and purchased power costs decreased \$40.1 million from 1977. Electric and steam costs decreased \$33.7 million and \$6.4 million respectively, reflecting a decrease in the unit cost of fuel and purchased power and, in the case of steam, a decline in sendout of 4.1 percent.

Gas Purchased for Resale

Gas purchased for resale increased \$34.7 million in 1979 as compared to 1978 and \$10.0 million in 1978 as compared to 1977. The increases in both years (30 percent in 1979 and 9 percent in 1978) reflect primarily an increase in the unit cost of purchased gas as the result of deregulation of wellhead prices.

Other Operations and Maintenance

In 1979 other operations and maintenance expenses increased \$51.5 million over 1978. Increased labor and labor related expenses accounted for more than two-thirds of the increase even though there was a 2.7 percent decrease in total manpower including overtime. Increased maintenance at electric generating stations was also a major cause of increased expenses.

In 1978 other operations and maintenance expenses increased \$52.7 million over 1977, again primarily reflecting increased wages and related expenses.

Outstanding accounts receivable from electric, gas and steam customers were \$249.1 million at December 31, 1979, up from \$227.0 million at year-end 1978. However, measured in equivalent number of days of revenue outstanding (ENDRO), the receivables at year-end 1979 represented 26.5 days compared to 26.9 days at the close of 1978. This was the lowest year-end ENDRO level in 23 years. Our credit and collection efforts also reduced losses due to uncollectible bills to the lowest level since 1972. As a result, the allowance for uncollectibles was reduced from \$29.6 million

at December 31, 1978 to \$24.3 million at December 31, 1979. The provision for uncollectibles charged to operating expenses in 1979 amounted to \$12.7 million, a decrease of \$9.0 million compared to 1978 and a decrease of some \$45 million when compared to the Company's highest level in 1975.

Taxes, Other Than Federal Income

State and local laws continue to force the Company to be a major tax collector. Particularly onerous to our customers are taxes imposed directly on revenues and on sales by the state and local governments. When OPEC oil prices increase and such increases are reflected in our costs and in fuel billings to customers, state and local governments obtain a windfall profit by taxing the increased fuel billings. In 1979 the Company incurred \$183 million in revenue taxes or 5.5 percent of its \$3.3 billion operating revenues. This represented an increase in revenue taxes of \$17.9 million or 10.8 percent over 1978. The sales taxes collected from customers, which are not reflected in Company revenues or expenses, were \$191.1 million in 1979, an increase of \$7.8 million or 4.3 percent over 1978.

The principal increases (decreases) in taxes imposed on the Company in 1979 and 1978 compared to prior periods were:

(Millions of Dollars)	1979 compared to 1978	1978 compared to 1977
Local property taxes	\$11.2	\$ 6.4
State and local taxes on revenues	17.9	(2.1)
Payroll and other taxes	6.0	4.2
Total increase	\$35.1	\$ 8.5
Due to:		
Increase in tax rates	\$ 2.7	\$ 0.6
Additions of property and increases in other bases for taxes	\$32.4	\$ 7.9

Federal Income Taxes—Operations

Total 1979 federal income taxes charged to operations amounted to \$121.6 million. Federal income tax payable decreased \$9.3 million from 1978, primarily due to a decrease in the statutory corporate federal income tax rate from 48 percent in 1978 to 46 percent in 1979 and a decrease in taxable income from operations. These decreases were partially offset by reduced investment tax credits. Federal income tax deferred increased \$23 million from 1978 due primarily to an increase in recoverable fuel costs deferred. Investment tax credits deferred decreased \$7.2 million from 1978 due to lesser plant additions in 1979 compared to 1978.

Total 1978 federal income taxes charged to operations amounted to \$115.1 million, a decrease of \$21.8 million from 1977. Federal income tax payable decreased \$45.9 million from 1977 due to lower pre-tax operating income and increased investment tax credits. Federal income tax deferred increased \$14.6 million from 1977 due largely to increased class life depreciation deductions and a decrease in credits related to taxes previously deferred as compared to 1977. Investment tax credits deferred increased \$9.5 million from 1977 due to increased plant additions in 1978 compared to 1977.

Interest on Temporary Investments

The Company held temporary investments totalling \$493.3 million at December 31, 1979 and \$528.9 million at December 31, 1978 in the following categories:

Year Ended December 31 (Millions of Dollars)	1979	1978
Temporary cash investments	\$313.8	\$354.1
Funds held for retirement of bonds due 1981-82	177.4	161.5
Funds held for retirement of bonds and preferred stock due within one year	2.1	13.3
	\$493.3	\$528.9

Income from these investments increased \$6.2 million in 1979 as compared to 1978 and \$15.9 million in 1978 as compared to 1977 due principally to increased interest rates on short-term investments.

Other Income Less Miscellaneous Deductions

Other income less miscellaneous deductions decreased \$2.4 million in 1979 as compared to 1978 and increased \$6.4 million in 1978 as compared to 1977. The decrease in 1979 was due principally to a contribution of \$1.3 million in support of the Westchester Citizens Against Government Takeover. The increase in 1978 was due primarily to a non-recurring charge of \$5.0 million in 1977 related to the settlement of a class action on behalf of certain purchasers of the Company's securities.

Federal Income Tax—Other Income

Federal income tax charged to other income increased \$2.2 million in 1979 as compared to 1978 and \$10.0 million in 1978 as compared to 1977. The increases in both years were due principally to increased income on temporary investments.

Report of Management

The accompanying financial statements have been prepared by the management of Consolidated Edison Company of New York, Inc. In management's opinion such statements have been prepared in conformity with generally accepted accounting principles as applied in the case of regulated public utilities; they reflect judgments and estimates of management made in the application of such principles.

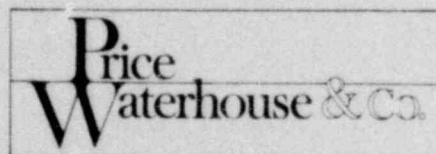
The integrity of the Company's financial records, from which the financial statements were prepared, is largely dependent upon the Company's system of internal accounting controls. Based upon a review and continuing monitoring of such controls, management believes they provide reasonable assurance that transactions are executed in accordance with management's authorization and are properly recorded, and that assets are appropriately safeguarded against loss from unauthorized use.

The Company's Board of Trustees maintains an Audit Committee composed of Trustees who are not employees of the Company. The Audit Committee meets with the Company's management, its internal auditor and its independent accountants several times a year to discuss internal controls and accounting matters, the Company's financial statements, and the scope and results of the auditing programs of the independent accountants and of the Company's internal auditing department. The independent accountants have full access to the Audit Committee and periodically meet with it without management representatives present.

The accompanying financial statements have been examined by Price Waterhouse & Co., the Company's independent accountants, whose report appears below.

February 26, 1980

Report of Independent Accountants



153 East 53rd Street,
New York, New York 10022
212-371-2000

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

In our opinion, the accompanying balance sheets and the related statements of income, retained earnings, changes in financial position and capitalization present fairly the financial position of Consolidated Edison Company of New York, Inc. at December 31, 1979 and 1978, 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. Our examinations of these statements 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.

February 26, 1980

Price Waterhouse Co.

Balance SheetConsolidated Edison Company
of New York, Inc.**Assets**

At December 31 (Thousands of Dollars)	1979	1978
Utility plant, at original cost (Notes A and E)		
Electric	\$6,353,822	\$6,173,081
Gas	515,500	481,464
Steam	214,854	208,572
General	254,691	234,211
Total	7,338,867	7,097,328
Less-Accumulated depreciation	1,695,519	1,580,506
Net	5,643,348	5,516,822
Construction work in progress	275,116	262,533
Nuclear fuel assemblies and components, less accumulated amortization of \$62,214 and \$52,484	41,632	24,018
Net utility plant	5,960,096	5,803,373
Current assets		
Cash	20,401	20,168
Temporary cash investments, at cost which approximates market	313,817	354,110
Funds held for retirement of bonds and preferred stock due within one year	2,101	13,266
Accounts receivable—customers, less allowance for uncollectible accounts of \$24,315 and \$29,611	224,763	197,387
Other receivables	40,900	32,081
Fuel, at average cost	168,130	81,079
Gas in storage, at average cost	16,118	14,202
Materials and supplies, at average cost	101,907	83,981
Prepayments and other current assets	21,513	18,764
Total current assets	909,650	815,038
Investments and nonutility property		
Funds held for retirement of bonds due 1981-82, at cost	177,365	161,531
Nonutility property and other investments	5,753	5,226
Total investments and nonutility property	183,118	166,757
Deferred charges		
Recoverable fuel costs (Note A)	46,387	10,047
Unamortized debt expense	21,825	23,072
Other deferred charges	12,134	12,351
Total deferred charges	80,346	45,470
Total	\$7,133,210	\$6,830,638

Capitalization and LiabilitiesAt December 31 (Thousands of Dollars) 1979 1978**Capitalization** (See Statement of Capitalization)

Common shareholders' equity	\$2,745,928	\$2,604,456
Preferred stock subject to mandatory redemption	68,250	70,500
Other preferred stock	644,277	656,575
Long-term debt	2,769,117	2,769,718
Total capitalization	6,227,572	6,101,249

Current liabilities

Long-term debt due within one year (Note E)	197	11,783
Preferred stock to be redeemed within one year (Note E)	2,250	2,250
Accounts payable	172,237	126,726
Accrued income taxes	61,618	25,797
Other accrued taxes	53,536	39,863
Accrued interest	47,272	46,963
Accrued wages and other current liabilities	77,682	68,456
Customers' deposits	64,905	61,192
Dividends payable	10,509	10,739
Total current liabilities	490,206	393,769

Deferred credits

Accumulated deferred federal income tax (Note B)	224,883	179,620
Accumulated deferred investment tax credits (Note B)	150,200	132,860
Other deferred credits and reserves	40,349	23,140
Total deferred credits	415,432	335,620

Commitments and contingencies (Note G)

Total	\$7,133,210	\$6,830,635
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Income Statement

Consolidated Edison Company
of New York, Inc.

Year Ended December 31 (Thousands of Dollars)	1979	1978
Operating revenues (Note A)		
Electric	\$2,723,390	\$2,450,726
Gas	369,859	337,586
Steam	239,537	222,658
Total operating revenues	3,332,786	3,010,970
Operating expenses		
Fuel and purchased power	1,010,482	854,714
Gas purchased for resale	152,222	117,474
Other operations	529,699	506,301
Maintenance	261,257	233,201
Depreciation (Note A)	184,391	173,668
Taxes, other than federal income	591,354	556,313
Federal income tax (Note B)	55,230	64,490
Federal income tax deferred (Note B)	45,620	22,650
Investment tax credits deferred (Note B)	20,740	27,950
Total operating expenses	2,859,995	2,556,761
Operating income	472,791	454,209
Other income (deductions)		
Interest on temporary investments	50,113	43,851
Allowance for equity funds used during construction (Note A)	3,736	7,000
Other income less miscellaneous deductions	(3,641)	(1,194)
Federal income tax (Note B)	(21,970)	(19,810)
Total other income	28,238	29,847
Income before interest charges	501,029	484,056
Interest on long-term debt	171,688	173,055
Other interest	7,067	4,763
Allowance for borrowed funds used during construction (Note A)	(1,638)	(3,331)
Net interest charges	177,117	174,487
Net income	323,912	309,569
Preferred stock dividend requirements	42,482	43,378
Net income for common stock	\$ 281,430	\$ 266,191
Earnings per common share based on weighted average number of shares outstanding during each year (62,411,786 and 62,023,924) (a)	\$1.51	\$4.29

(a) Fully diluted earnings per share, based on the assumption of full conversion of the outstanding shares of Cumulative Preference Stock, 6% Convertible Series B, have not been shown since dilution is less than 3 percent.

Statement of Changes in Financial Position

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Consolidated Edison Company
of New York, Inc.

Year Ended December 31 (Thousands of Dollars)

1979

1978

Financial resources were provided by:

Net income	\$ 323,912	\$ 309,569
Principal non-cash charges (credits) to income:		
Depreciation	184,391	173,668
Amortization of nuclear fuel	22,894	16,637
Federal income tax deferred	45,620	22,650
Investment tax credits deferred	20,740	27,950
Common equity component of allowance for funds used during construction	(3,311)	(6,148)
Total financial resources provided	\$ 594,246	\$ 544,326

Financial resources were used for:

Construction expenditures (a)	\$ 316,275	\$ 313,748
Nuclear fuel expenditures	40,508	8,641
Common equity component of allowance for funds used during construction	(3,311)	(6,148)
Preferred and common dividends	194,738	179,810
Increase in funds held for retirement of bonds due 1981-82	15,834	161,531
Retirement of long-term debt and preferred stock	14,032	40,292
Deferred recoverable fuel costs	36,340	(18,687)
Increase (decrease) in other assets and liabilities	(6,759)	23,780
(Decrease) in working capital (b)	(13,411)	(158,641)
Total financial resources used	\$ 594,246	\$ 544,326

Changes in working capital:

Current assets—(increase) (decrease)

Cash	\$ 233	\$ (3,033)
Temporary cash investments	(40,293)	(95,945)
Funds held for retirement of bonds and preferred stock due within one year	(11,165)	(23,874)
U.S. Government securities held for payment of income taxes	—	(98,051)
Receivables, less allowance for uncollectibles	36,195	(6,626)
Materials and supplies, including Fuel and Gas in storage	106,893	11,547
Prepayments and other current assets	2,749	732
Total	94,612	(215,250)

Current liabilities—(increase) decrease

Accounts payable	(45,511)	(20,618)
Accrued taxes	(49,494)	81,609
Accrued interest, wages and other	(9,535)	1,358
Customers' deposits	(3,713)	(5,967)
Dividends payable	230	227
Total	(108,023)	56,609

Total changes in working capital \$ (13,411) \$ (158,641)

(a) Includes allowance for funds used during construction.

(b) Excludes long-term debt due and preferred stock to be redeemed within one year.

Statement of Capitalization

Consolidated Edison Company
of New York, Inc.

At December 31 (Thousands of Dollars)

1979

1978

Common Shareholders' Equity

Common stock, \$10 par value, authorized 85,000,000 shares; outstanding 62,574,953 shares and 62,175,271 shares (Note E)	\$1,369,850	\$1,357,552
Retained earnings	1,410,219	1,281,055
Capital stock expense	(34,141)	(34,151)
Total common shareholders' equity	2,745,928	2,604,456

Shares Outstanding

Dec. 31, 1979 Dec. 31, 1978

Preferred Stock (Note E)

Subject to mandatory redemption

Cumulative Preferred, \$100 par value, 8½% Series H (mandatory redemption amount \$70,500 and \$72,750)	705,000	727,500	70,500	72,750
Less amounts to be redeemed within one year			2,250	2,250
Total subject to mandatory redemption			68,250	70,500

Other preferred stock

\$5 Cumulative Preferred, without par value, authorized 1,915,319 shares	1,915,319	1,915,319	175,000	175,000
Cumulative Preferred, \$100 par value, authorized 6,000,000 shares*:				
5¾% Series A	600,000	600,000	60,000	60,000
5¼% Series B	750,000	750,000	75,000	75,000
4.65% Series C	600,000	600,000	60,000	60,000
4.65% Series D	750,000	750,000	75,000	75,000
5¾% Series E	500,000	500,000	50,000	50,000
3.20% Series F	400,000	400,000	40,000	40,000
8.30% Series G	500,000	500,000	50,000	50,000
Cumulative Preference, \$100 par value, authorized 2,250,000 shares:				
6% Convertible Series B	592,771	715,750	59,277	71,575
Total other preferred stock			644,277	656,575
Total preferred stock			712,527	727,075

*Represents total authorized shares of cumulative preferred stock, \$100 par value, including 8½% Series H.

At December 31 (Thousands of Dollars)

1979

1978

Long-term Debt (Note E)**First and Refunding Mortgage Bonds** (open-end Mortgage):

Maturity	Interest Rate	Series		
1981	3 %	F	44,893	44,893
1981	3¼	G	30,242	30,242
1982	2¾	A	85,719	85,719
1982	3⅜	H	35,961	35,961
1983	3½	I	40,000	40,000
1984	3⅜	J	35,000	35,000
1985	3⅜	K	70,000	70,000
1986	3⅝	L	30,000	30,000
1986	4¼	M	40,000	40,000
1987	5	N	60,000	60,000
1988	4	O	50,000	50,000
1990	4¾	R	50,000	50,000
1990	5	S	75,000	75,000
1991	4¾	T	50,000	50,000
1991	4⅝	U	60,000	60,000
1992	4⅜	V	100,000	100,000
1992	4⅜	W	75,000	75,000
1992	4⅜	X	60,000	60,000
1993	4.40	Y	75,000	75,000
1993	4⅝	AA	75,000	75,000
1994	4.60	BB	125,000	125,000
1996	5	CC	100,000	100,000
1996	5.90	DD	75,000	75,000
1997	6¼	EE	80,000	80,000
1997	8⅞	LL	75,000	75,000
1998	6.85	FF	60,000	60,000
1999	7.90	GG	80,000	80,000
2000	8.90	HH	125,000	125,000
2000	9⅜	II	150,000	150,000
2001	7.90	JJ	150,000	150,000
2002	7.90	KK	150,000	150,000
2003	7¾	MM	150,000	150,000
2003	8.40	NN	150,000	150,000
2004	9⅞	OO	150,000	150,000
			2,761,815	2,761,815
		Other long-term debt	4,543	16,325
		Unamortized debt premium	2,956	3,361
		Total	2,769,314	2,781,501
		Less: long-term debt due within one year	197	11,783
		Total long-term debt	2,769,117	2,769,718
		Total capitalization	\$6,227,572	\$6,101,249

Retained Earnings Statement

Consolidated Edison Company
of New York, Inc.

Year Ended December 31 (Thousands of Dollars)	1979	1978
Balance, January 1	\$1,281,055	\$1,151,306
Net income for the year	323,912	309,569
Total	1,604,967	1,460,875
Dividends declared on capital stock		
Cumulative preferred at required annual rates (See Statement of Capitalization)	38,612	38,795
Cumulative Preference, 6% Convertible Series B Common, \$2.44 and \$2.20 per share	3,793	4,512
	152,333	136,503
Total dividends declared	194,738	179,810
Capital stock expense: Redeemed shares of Cumulative Preferred Stock, 8 $\frac{1}{8}$ % Series H (Note E)	10	10
Total deductions	194,748	179,820
Balance, December 31	\$1,410,219	\$1,281,055

Note A**Summary of Significant Accounting Policies****Regulation**

The Company is subject to regulation by the New York Public Service Commission (PSC) and the Federal Energy Regulatory Commission (FERC). The Company's accounting policies conform to generally accepted accounting principles, as applied in the case of regulated public utilities, and to the accounting requirements and rate-making practices of these regulatory authorities.

Utility Plant and Depreciation

The capitalized cost of additions to utility plant includes indirect costs such as engineering, supervision, payroll taxes and pension benefits, and an allowance for funds used during construction (AFDC). The original cost of property, together with removal cost, less salvage, is charged to accumulated depreciation as property is retired. The cost of repairs and maintenance is charged to expense, and the cost of betterments is capitalized. Nuclear fuel assemblies and components include the cost of fabrication and overhead costs.

The annual charge for depreciation is computed on the straight-line method for financial statement purposes, using rates based on average service lives and net salvage. Depreciation rates averaged 2.6 percent in 1979 and 2.5 percent in 1978. In the Company's most recent electric rate case, the PSC ordered the Company to cease using average service lives for the Indian Point nuclear plants and to utilize a remaining life amortization method effective May 1, 1979. This resulted in a decrease in the annual charge for depreciation. The PSC determined that an annual provision equal to the amount of such decrease would be sufficient to provide for the costs of "decommissioning" the two nuclear units using the dismantlement and removal method. The PSC estimated that such costs would be approximately \$246 million in the early 21st century when dismantlement and removal of both units is assumed to take place. The Company believes the costs will not be less than this estimate (which, stated in terms of 1977 dollars, is equivalent to \$51.65 million) and could be substantially greater. With respect to one of these units, Indian Point No. 1 which has been shut down since 1974, the PSC ordered the Company, effective May 1, 1979, to remove the net investment in the unit from rate base and to defer carrying costs incurred, including a return on the net investment. The PSC further stated that these deferred carrying costs will be billed to customers in the future whether or not the unit is returned to service.

Rates used for AFDC include the cost of borrowed funds used for construction purposes and a reasonable rate on the Company's own funds when so used, determined in accordance with the FERC and PSC regulations. For 1979 and 1978 the Company used a rate of 8.75 percent, compounded semi-annually, and treated the amount applicable to borrowed funds as a reduction of interest charges.

The Company is joint owner of two 1200 megawatt electric generating stations: (1) Bowline Point, operated by Orange and Rockland Utilities, Inc. with Con Edison owning two thirds of the investment and (2) Roseton, operated by Central Hudson Gas & Electric Corp. with the investment shared by Con Edison (40%), Niagara Mohawk Power Corp. (30%) and Central Hudson (30%). Con Edison's share of the

investment in these stations at original cost and as included in its balance sheet at December 31, 1979 and December 31, 1978 was:

(Thousands of Dollars)	Bowline Point		Roseton	
	1979	1978	1979	1978
Plant in service	\$173,964	\$173,345	\$135,355	\$134,501
Construction work in progress	5,459	4,684	3,337	2,782

Accumulated depreciation for the Company's share of the Roseton station at December 31, 1979 and 1978 was \$19.5 million and \$16.9 million. A separate depreciation account is not maintained for the Company's share of the Bowline Point station. The Company's share of operating expenses for these stations is included in its income statement.

Nuclear Fuel

Nuclear fuel assemblies and components and a provision for the storage of the spent fuel are amortized to operating expenses based on the quantity of heat produced for the generation of electricity. Nuclear fuel costs are recovered in revenues through base rates or through the fuel rider.

Leases

All leases are treated as operating leases for rate-making and accounting purposes.

Revenues

Revenues are recognized on a monthly cycle billing basis. The Company does not accrue revenues for energy delivered after the cycle billing date. Fuel rider revenues are not recorded until billed.

Recoverable Fuel Costs

Fuel costs which are above the levels included in base rates are recoverable under electric, gas and steam fuel riders. If costs fall below these levels, the difference is credited to customers. For electric and steam, such costs are deferred until the period in which they are billed or credited to customers (40 days for electric, 30 days for steam). For gas, the excess or deficiency is accumulated for refund or surcharge to customers on an annual basis.

In recent PSC decisions the Company was allowed to recover in rates certain deferred recoverable fuel costs which were affected by shortening the billing lag period or increasing the base cost of fuel. The Company believes that remaining deferred recoverable fuel costs would be recovered if there were any further revisions in tariffs similarly affecting these items.

Federal Income Tax

The Company provides for deferred federal income taxes with respect to benefits realized from the class life system of depreciation, deferred fuel accounting and certain other specific items, when approved by the PSC. The Company defers the benefits of all investment tax credits realized.

For rate-making purposes, accumulated deferred federal income taxes are deducted from rate base and amortized or otherwise applied as a reduction (or increase) in federal income tax expense in future years. Accumulated deferred investment tax credits are amortized ratably over the lives of the related properties.

Tax reductions resulting from use of an accelerated method of depreciation and other differences (principally interest, pensions and taxes charged to construction) between income for financial statement purposes and for federal income tax purposes are accounted for as current reductions in federal income tax provisions.

Research and Development Costs

Research and development costs relating to specific construction projects and to certain projects in advance of construction are capitalized. All other such costs are charged to operating expenses as incurred. All research and development costs in 1979 and 1978 amounting to \$15,086,000 and \$17,535,000, respectively, were charged to operating expenses.

	Year Ended December 31 (Thousands of Dollars)	1979	1978
Reconciliation of Reported Net Income with Taxable Income	Net income	\$323,912	\$309,569
	Federal income tax	77,200	84,300
	Federal income tax deferred	45,620	22,650
	Investment tax credits deferred	20,740	27,950
	Income before federal income tax	467,472	444,469
	Adjustments decreasing (increasing) taxable income:		
	Tax depreciation in excess of book depreciation:		
	Class life system (ADR)	109,430	100,815
	Other tax depreciation	67,509	76,382
	Deferred recoverable fuel costs	36,340	(18,686)
	Nuclear fuel storage costs	(10,566)	(8,137)
	Allowance for funds used during construction	5,374	10,331
	Overhead costs of construction	36,787	38,706
	Other—net	(1,628)	2,292
Total	243,246	201,703	
Taxable income	\$224,226	\$242,766	
Federal income tax:			
Amount computed at statutory rates	\$103,200	\$116,530	
Investment tax credits	(26,000)	(32,230)	
Total	\$ 77,200	\$ 84,300	
Charged to:			
Operations	\$ 55,230	\$ 64,490	
Other income	21,970	19,810	
Total	\$ 77,200	\$ 84,300	

Federal Income Tax Deferred

Provisions for deferred federal income taxes consist of the following tax effects of timing differences between tax and book income:

Class life system (ADR)	\$ 50,338	\$ 48,390
Deferred recoverable fuel costs	16,539	(8,970)
Nuclear fuel storage costs	(4,860)	(3,900)
Other—net	(4,113)	(360)
Total	57,904	35,160
Less: Amortization	12,284	12,510
Total—charged to operations	\$ 45,620	\$ 22,650

Investment Tax Credits Deferred

In 1979 and 1978 the Company utilized \$26,000,000 and \$32,230,000, respectively, of investment tax credits to reduce federal income tax otherwise payable. These amounts included \$3,400,000 and \$4,280,000, respectively, related to the Company's Tax Reduction Act Stock Ownership Plan (TRASOP). The Company made provision for deferral of these credits which, except for credits related to TRASOP, are amortized ratably over the remaining life of the related properties (\$5,260,000 in 1979 and \$4,280,000 in 1978). The TRASOP credits are used to purchase common stock for employees.

Note C**Pension Plan**

The pension plan is designed to comply with the Employee Retirement Income Security Act of 1974 (ERISA). Contributions are made solely by the Company based on an actuarial valuation, and are not less than the minimum amount necessary to maintain the plan's qualified status under the Internal Revenue Code and ERISA.

The Company's policy is to fund annually the current pension cost as such cost ac-

crues and to provide for the amortization of unfunded past service cost over 40-year periods except that past service cost arising from plan amendments after January 1, 1976 are funded over 30 years and actuarial gains or losses are amortized over 5 years.

The pension plan assets, consisting principally of investments stated at estimated market value, amounted to approximately \$523,000,000 at December 31, 1979 and \$420,000,000 at December 31, 1978.

The Company reserves the right to amend or terminate the pension plan as provided therein. However, under ERISA, in the event of termination, the Company would become liable to the Pension Benefit Guaranty Corporation of the United States Department of Labor for the amount, if any, by which the actuarial value of vested benefits which are guaranteed under ERISA exceeds the value of the plan's assets allocable to such benefits at the time of termination.

The actuarial value of vested benefits accrued under the pension plan to participants who have attained the minimum service requirements as of December 31, 1979 exceeded the market value of the assets of the pension fund as of that date by approximately \$330,000,000.

Pension costs amounted to \$106,761,000 in 1979 and \$98,826,000 in 1978 of which \$84,793,000 in 1979 and \$76,939,000 in 1978 were charged to operating expenses. Pension costs allocable to construction are capitalized.

Note D

Leases

The Company has leases expiring between 1995 and 1997 for gas turbine generating facilities with a total cost of approximately \$120.9 million. The Company has guaranteed \$15.7 million of notes issued by one of the lessors and interest thereon at 9¼ percent per annum. The Company has the obligation to maintain the gas turbines in good condition and the option at the end of the leases to purchase them at market value.

The Company leases the nuclear fuel for Indian Point No. 1. The rental payments on such nuclear fuel have been charged to a deferred account since May 1, 1979 by order of the PSC. During 1979 and 1978 the Company also leased fuel for Indian Point No. 2 and charged the rental payments to operations.

The Company also leases certain fuel storage facilities, steam boilers, transmission and distribution facilities, substations, office space and business machines, a thermal outfall structure, a demineralization facility, and other items.

Pursuant to PSC rate-making practices, all leases are treated as operating leases for accounting purposes although some meet the criteria for capitalization established by the Financial Accounting Standards Board. If such leases had been capitalized from their inception, the balance sheet effect at December 31, 1979 and December 31, 1978 would have been:

(Thousands of Dollars)	Gross Plant Less Accumulated Depreciation		Liabilities	
	1979	1978	1979	1978
Gas turbines	\$76,224	\$ 81,883	\$104,751	\$107,479
Nuclear fuel	7,381	9,804	7,381	9,804
Buildings	14,156	14,853	17,607	17,934
Other	1,609	1,647	1,969	1,992
Total	\$99,370	\$108,187	\$131,708	\$137,209

Of the liabilities stated above, \$1.7 million would be classified as current liabilities at December 31, 1979 and \$4.1 million at December 31, 1978.

Had these leases been capitalized, the effect on operating expenses before federal income tax would have been an increase of \$3,637,000 in 1979 and \$3,790,000 in 1978. The Company believes that such increase would have been reflected in additional revenues if capitalization of such leases were accepted for rate-making purposes by the PSC and that net income would, therefore, have been unchanged.

Rental expense for 1979 and 1978 was \$36.2 million and \$34.6 million, respectively.

Future minimum lease payments under all of the Company's noncancellable leases consisted of the following at December 31, 1979:

(Thousands of Dollars)

1980	\$ 20,995	1985-1989	\$100,204
1981	20,166	1990-1994	99,321
1982	20,534	1995-1999	49,789
1983	20,223	Later Years	31,103
1984	20,140		

Note E

Capitalization

Common Stock and Preferred Stock Not Subject to Mandatory Redemption

Each share of Preference Stock is convertible into 3.25 shares of Common Stock at a conversion price of \$30.79 per share. During 1979, 122,979 shares of Preference Stock were converted into 399,682 shares of Common Stock. At December 31, 1979, 1,926,506 shares of Common Stock were reserved for conversion of Preference Stock. The Preference Stock is subordinate to the \$5 Cumulative Preferred Stock and Cumulative Preferred Stock with respect to dividends and liquidation rights.

The Board of Trustees 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 \$16,532,000.

Redemption prices of Preferred Stock (in each case plus accrued dividends):

	Dec. 31, 1979	Through	Eventual Minimum
\$5 Cumulative Preferred Stock	\$105.00	—	\$105.00
Cumulative Preferred Stock:			
Series A	103.50	1/31/80	102.00
Series B	104.00	1/31/80	102.00
Series C	101.00	—	101.00
Series D	102.25	7/31/80	101.00
Series E	103.00	7/31/81	101.00
Series F	107.00	7/31/82	102.50
Series G	110.00	10/31/80	101.00
Cumulative Preference Stock:			
6% Convertible Series B	100.00	—	100.00

Preferred Stock Subject to Mandatory Redemption

On November 1 of each year the Company is required to redeem 22,500 of the Series H shares (or the number of Series H shares then outstanding if less than 22,500), at a price of \$100 per share plus dividends accrued to the redemption date.

Subject, prior to November 1, 1982, to certain restrictions regarding refunding operations, the Company has the option, on November 1 of each year, to redeem up to 22,500 additional Series H shares at a price of \$100 per share, plus accrued dividends, up to a maximum aggregate of 250,000 shares. Subject to the same restrictions, the Series H shares are also redeemable, at the option of the Company at a redemption price of \$106.41 through October 31, 1980 and thereafter at prices declining annually to \$100.00 after October 31, 2005 (in each case, plus accrued dividends). No such optional redemption constitutes a credit against the mandatory redemption requirement.

Series H shares may not be called for either mandatory or optional redemption while dividends are in arrears on outstanding shares of \$5 Cumulative Preferred Stock or Cumulative Preferred Stock. Nevertheless, the annual mandatory redemption obligation of the Company with respect to Series H shares is cumulative and, so long as any Series H shares are outstanding, the Company may not purchase or redeem or pay any dividends on the Common Stock or any other stock ranking junior as to dividends or assets to the Cumulative Preferred Stock, except for payments or distributions in Common Stock or such junior stock, if at the time the mandatory redemption requirement for the Series H shares is in arrears.

Long-Term Debt

Total long-term debt maturing in the period 1980-84 is as follows:

1980	1981	1982	1983	1984
\$197,000	\$75,843,000	\$121,757,000	\$45,081,000	\$40,085,000

Substantially all properties and franchises of the Company, other than expressly excepted property, are subject to the liens securing the Company's First and Refunding Mortgage Bonds and the mortgage bonds of acquired companies.

On November 1, 1983 and each November 1 thereafter, the Company is required to redeem \$5,000,000 aggregate principal amount of Series LL Bonds at 100 percent of their principal amount plus accrued interest. These amounts are included in the debt maturing in 1983 and 1984 shown above.

Note F

Compensating Balances

The Company has bank lines of credit amounting to \$50 million with borrowing thereunder to be at such banks' respective prime rates. The credit lines require average compensating balances of up to 10 percent of the credit lines and up to 10 percent of amounts borrowed. The Company had no bank borrowings during 1979 or 1978. The Company exercised its option to satisfy a portion of such compensating balance requirements during 1979 by maintaining, in lieu of demand deposits, lesser amounts of 90-day non-interest bearing time deposits. The Company has a similar option to satisfy its 1980 compensating balance requirements. Except for such time deposits, there are no legal restrictions applicable to the Company's cash balances resulting from its obligation to maintain compensating balances.

Note G

Commitments and Contingencies

Construction

Construction programs for the years 1980 and 1981 are budgeted at \$411 million and \$472 million.

Transmission Contract

Under a contract with the Power Authority of the State of New York (PASNY), the Company purchases power imported from Hydro-Quebec of Canada over a transmission line owned by PASNY. The Company's minimum payment obligations to PASNY for transmission services through 1990 amount to approximately \$28.5 million per year (subject to reduction on account of certain contingent credits). Such minimum payment obligations may be increased by PASNY.

Blackout

As a result of the 1977 blackout numerous suits and claims are pending against the Company. They include individual suits and claims for an aggregate amount estimated as of December 31, 1979 at approximately \$200 million. Certain purported class action suits have been dismissed but are subject to appeal. It is the judgment of the Company and its General Counsel that the Company should prevail in its defense of these suits and claims and that, in any event, they should not have any material adverse effect upon the Company's financial position and results of operations.

Cooling Towers

Permits from regulatory agencies require, in effect, that cooling towers be installed at the Company's Bowline Point, Roseton, Arthur Kill and Indian Point No. 2 units. The Company is contesting these requirements which would result in capital costs to the Company, estimated at \$320 million, and substantial increases in operating costs.

Cornwall

The Company's investment in the Cornwall pumped-storage project at December 31, 1979 amounted to approximately \$36.2 million, excluding \$1.7 million for land. Construction is suspended as a result of protracted licensing and environmental litigation. If unable to construct the plant, the Company will have to write off most of this investment, and will ask the PSC for permission to treat such amount as an extraordinary property loss chargeable to operations and recoverable in rates over a number of years.

Indian Point No. 1

In 1974, the Company shut down its Indian Point No. 1 nuclear unit because further operation was not permitted until an emergency core cooling system was installed. Since 1974 the unit has been used to store its spent nuclear fuel and for research and development. Some of its facilities are used to support operation of Indian Point No. 2 and No. 3.

On February 11, 1980 the U.S. Nuclear Regulatory Commission issued an order to show cause why the Company's operating authority for Indian Point No. 1 should not be revoked and why the Company should not submit a plan to "decommission" the unit.

The Company has concluded that, because of economic, technical and licensing considerations, it is not feasible to return Indian Point No. 1 to service as an electric generating facility and that those portions of the unit not required for support of the two other units at Indian Point should be retired from service.

At December 31, 1979 the Company's net investment in the portion of the unit presently expected to be retired was approximately \$35 million; additional retirement costs, mainly for termination of a nuclear fuel lease, are estimated at \$8 million. The revenue requirement reflected in the Company's next application for an electric rate increase will include the annual effect of amortizing these amounts as an extraordinary property loss chargeable to operations over a number of years.

**Indian Point No. 2
Steam Generators**

Nuclear generating units similar in design to the Company's Indian Point No. 2 unit have experienced corrosion problems of varying severity in their steam generators. Inspections of the Indian Point No. 2 steam generators have revealed tube denting and some deformation of tube support plates. These conditions appear to be progressive. The Company is presently unable to determine the remaining service life of the steam generators. It anticipates that such life will be shorter than the unit's life, but, based on corrosion mitigation measures presently being implemented or under study, the Company estimates that steam generator replacement will not be required prior to the end of 1983, and probably not until some years later. Replacement or retubing of the steam generators is presently estimated to cost in the range of \$100 million (exclusive of replacement power costs) and require an outage of up to a year.

**Nuclear
Insurance**

The Company may be assessed additional premiums under the property damage insurance covering its nuclear units if the insurer's losses exceed reserves. As of December 31, 1979 the maximum aggregate amount which may be assessed was \$97.6 million.

Under certain circumstances, in the event of nuclear incidents at facilities covered by the federal government's third-party liability indemnification program, the Company could be assessed up to \$10 million per incident, but not more than \$20 million in a calendar year.

	Electric			Steam		
	1979	1978	1977	1979	1978	1977
Operating revenues*	\$2,729,515	\$2,459,155	\$2,502,484	\$ 240,958	\$ 223,379	\$ 232,469
Operating expenses						
Fuel and purchased power	880,463	726,696	760,417	139,019	128,018	134,441
Other operations and maintenance*	652,764	589,699	542,271	36,611	53,466	53,050
Depreciation	167,084	157,581	154,558	5,194	4,814	4,675
Taxes, other than federal income	508,862	477,910	474,055	27,699	26,998	27,113
Federal income tax	105,092	103,000	132,554	10,100	(173)	1,242
Total operating expenses*	2,314,265	2,054,886	2,063,855	218,623	213,123	220,521
Operating income	\$ 415,250	\$ 404,269	\$ 438,629	\$ 22,335	\$ 10,256	\$ 11,948
Capital expenditures	\$ 267,311	\$ 261,905	\$ 242,671	\$ 6,660	\$ 16,548	\$ 12,154
Net utility plant**	\$5,306,618	\$5,183,742	\$5,071,991	\$ 182,808	\$ 181,015	\$ 170,702
Fuel	167,972	80,942	81,669	158	137	155
Other identifiable assets	129,615	81,058	85,178	10,732	5,302	10,860
*Intersegment rentals included in segments' income but eliminated for total company						
Operating revenues	\$ 6,125	\$ 8,429	\$ 10,062	\$ 1,421	\$ 721	\$ 667
Operating expenses	2,093	1,445	1,337	6,438	8,703	10,245

	Gas			Total Company		
	1979	1978	1977	1979	1978	1977
Operating revenues*	\$ 370,860	\$ 338,600	\$ 299,545	\$3,332,786	\$3,010,970	\$3,022,900
Operating expenses						
Fuel and purchased power	—	—	—	1,019,482	854,714	894,858
Gas purchased for resale	152,222	117,474	107,478	152,222	117,474	107,478
Other operations and maintenance*	110,128	106,501	103,035	790,956	739,502	686,758
Depreciation	12,113	11,273	10,644	184,391	173,668	169,877
Taxes, other than federal income	54,793	51,405	46,673	591,354	556,313	547,841
Federal income tax	6,398	12,263	3,054	121,590	115,090	136,850
Total operating expenses*	335,654	298,916	270,844	2,859,995	2,556,761	2,543,662
Operating income	\$ 35,206	\$ 39,684	\$ 28,661	\$ 472,791	\$ 454,209	\$ 479,238
Capital expenditures	\$ 42,304	\$ 35,295	\$ 29,366	\$ 316,275	\$ 313,748	\$ 284,191
Net utility plant**	\$ 470,670	\$ 438,616	\$ 412,658	\$5,960,096	\$5,803,373	\$5,355,351
Fuel and gas in storage	16,118	14,202	12,454	184,248	95,281	94,278
Other identifiable assets	7,947	7,668	6,132	148,294	94,028	102,170
Other corporate assets	—	—	—	840,572	837,956	902,954
Total assets	—	—	—	\$7,133,210	\$6,830,638	\$6,754,753

*Intersegment rentals included in segments' income but eliminated for total company

Operating revenues	\$ 1,001	\$ 1,014	\$ 869	\$ 8,547	\$ 10,164	\$ 11,598
Operating expenses	16	16	16	8,547	10,164	11,598

**General Utility Plant was allocated to Electric and Gas on the basis of the departmental use of such plant. Pursuant to PSC requirements the Steam Department is charged an interdepartmental rent for General Plant used in Steam operations which is credited to the Electric and Gas departments.

Inflation is a pervasive and significant factor in the Company's economic environment, and this note is intended to show in an approximate way the impact thereof.

Inflation and Regulation

The prices charged by the Company are regulated, and thus the Company is not so free as a nonregulated enterprise to raise its prices in response to inflation. Further, except in the case of fuel adjustment clauses, the regulatory process introduces a substantial time lag during which increased operating expenses are not recovered.

Moreover, the regulatory process does not permit the Company to recover through depreciation charges any more than the historical cost of its plant assets even though in an inflationary economy the cost to replace such assets upon their retirement will substantially exceed historical cost. Thus, the amount by which inflation during 1979 increased the cost to replace the Company's net plant assets is not reflected in the historical cost upon which the Company's rates are based and in that sense is an economic loss to the Company. This loss is shown in the statement which follows under the caption "Reduction to net recoverable cost of plant assets".

On the other hand, inflation decreases the value of the net amounts owed by the Company. The Company has, for example, a large amount of long-term debt outstanding and, assuming continuing inflation, it will repay this long-term debt with dollars having substantially less purchasing power than the dollars which it originally borrowed. The economic gain to the Company by reason of the decrease during 1979 in the value of the net amounts owed is shown in the statement presented below under the caption "Gain from decline in purchasing power of net amounts owed." During the year 1979 the gain from the decline in value of net amounts owed by the Company was more than offset by the economic loss resulting from the fact that under regulatory requirements the Company is prevented from recovering through depreciation the inflation-adjusted cost of its plant assets.

Adjusting for Inflation

This note adjusts for inflation on both a "constant dollar" basis and a "current cost" basis. Constant dollar reporting restates certain historical costs in terms of dollars of equal purchasing power. This adjustment is made on the basis of changes in general price levels as measured by the Consumer Price Index for All Urban Consumers. A second approach, known as current cost reporting, estimates what it would cost currently to acquire assets of the same service potential as the assets owned. "Current cost" adjusts for changes in the price levels of specific classes of the Company's assets, as measured by the Handy-Whitman Index of Public Utility Construction Costs or other indices or estimates. Depreciation expense for the statement which follows was developed by applying the existing depreciation rates to the various plant accounts after so adjusting such accounts for inflation. Fossil fuel inventories and related expenses were not repriced because cost increases are recoverable through fuel adjustment clauses within a relatively short time. Nuclear fuel costs were repriced since a significant time lag exists between the expenditure for nuclear fuel and its recovery in rates. Operating revenues, other operating expenses, and federal income tax were not restated.

Federal Income Tax Policy

Federal income tax policy ignores the effect of inflation in measuring taxable income, primarily in that higher depreciation expenses under constant dollar and current cost accounting are not tax deductible. Therefore, the Company's effective tax rate, when adjusted for inflation, is 53.7 percent under constant dollar accounting and 76.9 percent under current cost accounting, each of which exceeds its reported effective tax rate of 30.7 percent and the statutory rate of 46 percent.

**Statement of Income from Continuing Operations
Adjusted for Changing Prices**

Year Ended December 31, 1979 (Thousands of Dollars)	As Reported in Conventional Financial Statements	Adjusted for General Inflation (Constant Dollar) Average 1979 Dollars	Adjusted for Specific Price Changes (Current Cost) Average 1979 Dollars
Operating revenues	\$3,332,786	\$3,332,786	\$3,332,786
Fuel, purchased power and gas	1,171,704	1,174,611	1,174,671
Depreciation	184,391	381,752	462,306
Federal income tax	121,590	121,590	121,590
Other operating expenses	1,382,310	1,382,310	1,382,310
Total operating expenses	2,859,995	3,060,263	3,140,877
Operating income	472,791	272,523	191,909
Other income and deductions	50,208	50,208	50,208
Federal income tax on other income	(21,970)	(21,970)	(21,970)
Income before interest charges	501,029	300,761	220,147
Net interest charges	177,117	177,117	177,117
Income from continuing operations	\$ 323,912	\$ 123,644*	\$ 43,030
Per common share (after preferred dividend requirements)	\$4.51	\$1.30	\$0.01
Change in net plant assets during 1979			
due to increases in specific prices			\$1,679,214*
Less: Increase in general price level			1,720,513
Net change during 1979			\$ (41,299)
Reduction to net recoverable cost of plant assets		\$ (538,892)	\$ (416,979)
Gain from decline in purchasing power of net amounts owed		\$ 395,400	\$ 395,400

*Income from continuing operations on a constant dollar basis would have been a loss of \$415,248,000 if it had included the reduction to net recoverable cost of plant assets of (\$538,892,000).

**At December 31, 1979 current cost of plant assets, net of accumulated depreciation and amortization of nuclear fuel assemblies and components was \$14,556,852,000 while the historical or net recoverable cost was \$5,964,036,000. Net assets (common shareholders' equity) at December 31, 1979 at net recoverable cost for constant dollar and current cost were \$2,652,683,000 in average 1979 dollars.

**Five Year Comparison of Selected Financial
Data in Average 1979 Constant Dollars**

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Year Ended December 31 (Thousands of Dollars)	1979	1978	1977	1976	1975
Operating revenues					
As reported	\$3,332,786	\$3,010,970	\$3,022,900	\$2,880,302	\$2,667,938
In 1979 purchasing power	3,332,786	3,349,974	3,620,818	3,672,596	3,598,075
Cash dividends per common share					
As reported	\$ 2.44	\$ 2.20	\$ 2.00	\$ 1.60	\$ 1.20
In 1979 purchasing power	2.44	2.45	2.40	2.04	1.62
Market price per common share at year-end					
As reported	\$24.25	\$23.125	\$25.375	\$21.00	\$15.00
In December 1979 purchasing power	24.25	26.25	31.375	27.75	20.75
Average consumer price index	217.4	195.4	181.5	170.5	161.2
December consumer price index	229.9	202.9	186.1	174.3	166.3

**Additional Financial Data
In Average 1975 Constant Dollars**

Operating revenues					
As reported	\$3,332,786	\$3,010,970	\$3,022,900	\$2,880,302	\$2,667,938
In 1975 purchasing power	2,471,229	2,483,973	2,684,802	2,723,195	2,667,938
Earnings per common share					
As reported	\$ 4.51	\$ 4.29	\$ 4.53	\$ 4.18	\$ 3.74*
In 1975 purchasing power	3.34	3.54	4.02	3.95	3.74
Cash dividends per common share					
As reported	\$ 2.44	\$ 2.20	\$ 2.00	\$ 1.60	\$ 1.20
In 1975 purchasing power	1.81	1.81	1.78	1.51	1.20
Market price per common share at year-end					
As reported	\$24.25	\$23.125	\$25.375	\$21.00	\$15.00
In December 1975 purchasing power	17.50	19.00	22.675	20.00	15.00

*Before extraordinary item.

Note J

Selected Quarterly Information (Unaudited) (Thousands of Dollars)

1979	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$810,029	\$728,613	\$937,170	\$856,974
Operating income	117,137	93,093	155,735	106,826
Net income	80,280	55,922	118,131	69,579
Net income for common stock	69,568	45,275	107,538	59,049
Earnings per common share	\$1.12	\$0.72	\$1.73	\$0.94
1978				
Operating revenues	\$814,708	\$688,005	\$800,664	\$707,593
Operating income	134,179	87,384	140,719	91,927
Net income	97,922	51,607	104,322	55,718
Net income for common stock	87,007	40,733	93,494	44,957
Earnings per common share	\$1.41	\$0.65	\$1.51	\$0.72

In the opinion of the Company these amounts include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation.

Statistics

	1979	1978	1977	1976	1975
Customers—Average for year					
Electric	2,705,158	2,693,567	2,708,579	2,739,257	2,807,278
Gas	1,029,067	1,036,144	1,054,689	1,086,383	1,148,000
Steam	2,228	2,351	2,462	2,512	2,532
Sales volumes					
Electric (Thousands of kwh)					
Con Edison customers	26,689,793	26,597,009	27,850,286	31,923,869	32,417,600
Delivery service to PASNY	6,080,248	5,999,066	4,607,614	705,779	—
Other electric utilities (a)	2,661,192	2,645,385	2,153,284	283,032	133,184
Gas (Thousands of cu. ft.)	73,873,627	72,479,694	69,551,045	75,025,554	73,059,589
Steam (Thousands of lbs.)	29,566,747	32,993,473	34,326,848	35,571,453	34,740,424
Operating revenues (000 omitted)					
Electric sales Con Edison customers	\$ 2,496,041	\$ 2,262,166	\$ 2,353,817	\$ 2,354,216	\$ 2,252,658
PASNY delivery charges	103,125	94,567	74,049	11,450	—
Sales to other electric utilities	110,177	84,116	54,764	7,538	4,197
Other electric revenues	14,047	9,877	9,792	8,639	9,384
Total	2,723,390	2,450,726	2,492,422	2,381,843	2,266,239
Gas sales revenues					
	367,325	334,629	296,575	268,991	204,707
Other gas revenues					
	2,534	2,957	2,101	2,179	1,756
Total	369,859	337,586	298,676	271,170	206,463
Steam sales revenues					
	239,383	222,681	231,805	226,898	194,410
Other steam revenues					
	154	(23)	(3)	391	826
Total	239,537	222,658	231,802	227,289	195,236
Total	\$ 3,332,786	\$ 3,010,970	\$ 3,022,900	\$ 2,880,302	\$ 2,667,938
(a) Includes thousands of kwh sold to PASNY and included in delivery service to PASNY					
	921,833	420,223	758,926	72,115	—

	1979	1978	1977	1976	1975
Taxes, other than federal income (000 omitted)					
Property taxes	\$ 363,014	\$ 352,592	\$ 345,497	\$ 328,869	\$ 296,768
Revenue taxes	183,013	165,092	167,207	164,123	151,801
Other	2,686	73,268	69,327	68,336	66,070
Total	\$ 628,713	\$ 590,952	\$ 582,031	\$ 561,328	\$ 514,639
Charged to:					
Operating taxes	\$ 591,354	\$ 556,313	\$ 547,841	\$ 525,904	\$ 476,135
Operations—principally fuel	23,922	20,099	22,668	23,627	23,359
Construction and other accounts	13,437	14,540	11,522	11,797	15,145
Total	\$ 628,713	\$ 590,952	\$ 582,031	\$ 561,328	\$ 514,639
Operating income (000 omitted) (b)					
Electric	\$ 415,250	\$ 404,269	\$ 438,629	\$ 409,402	\$ 404,535
Gas	35,206	39,684	28,661	29,579	16,734
Steam	22,335	10,256	11,948	16,383	5,692
Total	\$ 472,791	\$ 454,209	\$ 479,238	\$ 455,364	\$ 426,961
Shareholders at December 31					
Common	248,155	257,918	265,374	275,228	287,888
Preferred	50,519	53,809	56,623	59,381	61,404
Total	298,674	311,727	321,997	334,609	349,292
Shares outstanding at December 31					
Common	62,574,955	62,175,271	61,785,247	61,548,529	61,548,282
Preferred	7,313,090	7,458,569	7,601,146	7,674,262	7,674,338
Employees at December 31	23,074	23,467	23,668	24,319	24,645
Active payroll (000 omitted)					
Operating	\$ 401,602	\$ 370,053	\$ 342,728	\$ 318,106	\$ 290,196
Construction	130,458	135,540	129,798	127,156	117,616
Total	\$ 532,060	\$ 505,593	\$ 472,526	\$ 445,262	\$ 407,812

(b) Because of the substantial amounts of interest charges (which are not identified with any particular service) in the Company's income statement, it is not practicable to state the contribution of each service to net income.

Electric System Con Edison Customers Only

Year	Net Generating Capacity	Capability At Time Of System Peak Period—Kilowatts			Con Edison Customer Peak *		Heat Rate	Residential	
	Dec. 31 (Summer Rating) Kilowatts	Net Generating Capacity	Net Firm Purchases	Total Capacity Resources	Date	Kilowatts	Btu per Kwh	Kwh per Customer	Revenue per Kwh
1979	9,400,000	9,438,000	1,109,000**	10,547,000	August 2	6,702,000	11,600	3,255	10.50
1978	9,454,000	9,493,000	296,000**	9,789,000	August 17	6,714,000	11,312	3,255	9.6
1977	9,659,000	9,796,000	391,000**	10,187,000	July 21	7,193,000	11,206	3,300	9.6
1976	9,880,000	10,030,000	437,000**	10,467,000	June 24	7,579,000	11,094	3,314	8.8
1975	10,015,000	10,126,000	269,000	10,395,000	June 24	8,051,000	11,221	3,300	8.2

* One hour net maximum load distributed to Con Edison customers.

** Excludes reserve credit for PASNY purchases.

Electric System Con Edison Franchise Area Including Delivery Service to PASNY Customers

Year	Capability At Time of System Peak Period—Kilowatts			Franchise Area Peak *	
	Net Generating Capacity**	Net Firm Purchases***	Total Capacity Resources	Date	Kilowatts
1979	11,178,000	902,000	12,080,000	August 1	7,789,000
1978	11,141,000	164,000	11,305,000	August 17	7,698,000
1977	11,169,000	257,000	11,426,000	July 21	8,232,000

* One hour net maximum load distributed in franchise area.

** Includes the capacity of PASNY's Astoria No. 6 and Indian Point No. 3.

*** Excludes firm purchases from Astoria No. 6 and Indian Point No. 3 and reserve credit from other PASNY purchases.

Market Price Range on New York Stock Exchange * and Dividends Paid on Voting Stock

	1979			1978		
	High	Low	Dividends Paid	High	Low	Dividends Paid
Common:						
1st Quarter.....	\$25	\$23 $\frac{1}{8}$	\$.61	\$25 $\frac{3}{8}$	\$22 $\frac{1}{2}$	\$.55
2nd Quarter.....	24 $\frac{7}{8}$	21	.61	23 $\frac{3}{8}$	21 $\frac{3}{4}$.55
3rd Quarter.....	24 $\frac{7}{8}$	22 $\frac{7}{8}$.61	24 $\frac{3}{4}$	22 $\frac{7}{8}$.55
4th Quarter.....	24 $\frac{7}{8}$	21 $\frac{5}{8}$.61	24 $\frac{7}{8}$	21 $\frac{7}{8}$.55
\$5 Cumulative Preferred:						
1st Quarter.....	\$49 $\frac{5}{8}$	\$46 $\frac{3}{4}$	\$1.25	\$53 $\frac{1}{2}$	\$50 $\frac{3}{4}$	\$1.25
2nd Quarter.....	50	45 $\frac{3}{4}$	1.25	51 $\frac{7}{8}$	49 $\frac{1}{2}$	1.25
3rd Quarter.....	50	45 $\frac{7}{8}$	1.25	51 $\frac{1}{2}$	49 $\frac{1}{2}$	1.25
4th Quarter.....	46 $\frac{1}{8}$	39 $\frac{1}{4}$	1.25	50 $\frac{1}{2}$	46 $\frac{3}{8}$	1.25

* Price ranges are based on prices as reported on the New York Stock Exchange consolidated tape, which includes transactions on other exchanges.

Electric	Thousands of Kilowatt-hours	% Increase or (Decrease) from 1978	Sales Revenues (Thousands of Dollars)	% Increase or (Decrease) from 1978
Residential	7,707,012	0.4	\$ 810,732	10.0
Commercial—industrial	18,517,238	0.7	1,649,021	11.2
Railroads and railways	118,447	(7.4)	9,448	(5.3)
Public authorities	347,096	(14.9)	26,840	(14.7)
Total sales to Con Edison customers	26,689,793	0.3	2,496,041	10.3
Delivery service to PASNY customers	6,080,248	1.4	103,125	9.1
Total sales in franchise area	32,770,041	0.5	\$2,599,166	10.3
Sales to other electric utilities	2,661,192*	0.6	\$ 110,177	31.0

* See footnote (a) on Statistics, page 34.

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

Commercial-industrial—Sales 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 certain electrified railroads.

Public authorities—Sales to municipal and other governmental authorities.

Delivery service to PASNY customers—Electricity supplied by PASNY and distributed by Con Edison to certain governmental customers.

Gas	Thousands of Cubic Feet	% Increase or (Decrease) from 1978	Sales Revenues (Thousands of Dollars)	% Increase from 1978
Firm sales				
Residential	36,984,050	(3.8)	\$217,953	4.5
General	26,132,670	0.4	118,028	10.4
Total firm sales	63,116,720	(2.1)	335,981	6.5
Interruptible sales	10,756,907	34.3	31,344	64.0
Total	73,873,627	1.9	\$367,325	9.8

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

General—Sales to commercial, industrial and governmental customers who use gas for various purposes in their operations.

Interruptible—Sales to certain general-use customers who use gas on an interruptible basis.

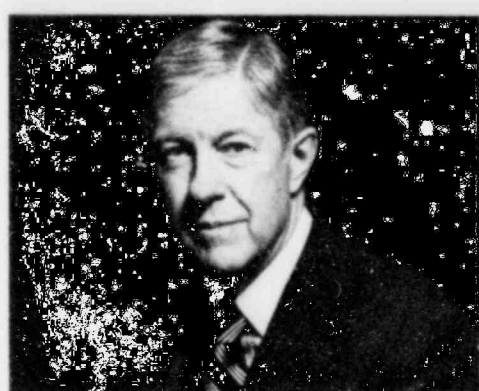
Steam	Thousands of Pounds	% (Decrease) from 1978	Sales Revenues (Thousands of Dollars)	% Increase from 1978
General	1,386,639	(10.4)	\$ 15,122	2.4
Annual power	22,736,182	(10.7)	181,089	7.9
Apartment houses	5,443,926	(8.9)	43,172	7.7
Total	29,566,747	(10.4)	\$239,383	7.5

General—Sales to relatively small use customers.

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

Apartment house—Sales to apartment houses and hotels.

Trustees

**Ross Barzelay**

President, General Foods Corporation, White Plains, N.Y. (Manufacturer of packaged grocery products).

William S. Beinecke

Chairman of the Board, The Sperry and Hutchinson Company, New York, N.Y. (Promotional and business services and interior furnishings).

E. Virgil Conway

Chairman and President, The Seaman's Bank for Savings, New York, N.Y.

Arthur Hauspurg

President and Chief Operating Officer.

Mrs. Andrew Heiskell

Director, The New York Times Company, New York, N.Y. (Newspaper publishing and other communications media).

William W. Lapsley

Retired. Former President of the Company.

Peter W. Likins

Professor and Dean, School of Engineering and Applied Science, Columbia University, New York, N.Y.

Charles F. Luce

Chairman of the Board and Chief Executive Officer.

Milton C. Mumford

Retired. Director and former Chairman of the Board, Lever Brothers Company, N.Y. (Manufacturer of soaps and detergents and other household products).



Peter S. Paine

Chairman of the Executive Committee and Director, Great Northern Nekoosa Corporation, Stamford, Conn. (Newsprint, container board and writing paper products).

Richard S. Perkins

Retired. Former Chairman of the Executive Committee, First National City Corporation (now Citicorp) and First National City Bank (now Citibank, N.A.), New York, N.Y.

Donald C. Platten

Chairman of the Board, Chemical New York Corporation and Chemical Bank, New York, N.Y.

Luis Quero-Chiesa

Retired. Former Senior Vice President, Roy Blumenthal International Associates, Inc., New York, N.Y. (Public relations and advertising).

William S. Renchard

Chairman of the Directors' Advisory Committee, Chemical Bank, New York, N.Y.

Frederick P. Rose

President, Rose Associates, Inc., New York, N.Y. (Real estate investment).

Donald K. Ross

Vice Chairman and Director, New York Life Insurance Company, New York, N.Y.

Myles V. Whalen, Jr.

Partner, Shearman & Sterling, Attorneys at Law, New York, N.Y.

Franklin H. Williams

President, Phelps-Stokes Fund, New York, N.Y. (Educational foundation).

Management

Chairman of the Board

Charles F. Luce

Administrative Assistant
to the Chairman

Miriam V. Mannix

President

Arthur Hauspurg

Executive Vice Presidents

Joseph D. Block

Administration

Morris Dantzker

Division Operations

John V. Thornton

Finance

Senior Vice Presidents

Carroll H. Dunn

Construction, Engineering
and Environmental Affairs

Joyce Hergenhan

Public Affairs

Aaron S. Sadove

Employee Relations

Bertram Schwartz

Planning, Fuel Supply,
Inter-Utility Affairs and
Load Management

General Counsel

Walter A. Morris, Jr.

General Auditor

Thomas J. Galvin

Secretary

Archie M. Bankston

Controller

Carl W. Greene

Treasurer

Edward J. Carey

General Tax Counsel

Frederick J. Hunziker, Jr.

Vice Presidents

Vincent J. Brady

Purchasing

Stephen B. Bram

System Operation and
Central Substation

John F. Burgess

Queens Division

William J. Cahill, Jr.

Quality Assurance,
Reliability and
Nuclear Licensing

Warren B. Coburn

Brooklyn Division

John E. Deegan, Jr.

Planning

George J. Delaney

Westchester Division

Salvatore Fasciana

Construction

Joseph T. Hydok

On Loan to the City of
New York as Director
of Operations

Edward G. Kelleher

Environmental Affairs

Edward W. Livingston

Government and
Community Relations

George W. Lowell

Gas Operations

Raymond J. McCann

Manhattan Division

Eugene R. McGrath

Power Generation

Donald L. Miller

Personnel

Bertram D. Moll

Fuel Supply and
Inter-Utility Affairs

Leonard D. Murphy

Staten Island Division

Raymond P. Priore

Systems and Information
Processing

Murray Selman

Bronx Division

Charles F. Soutar

Central Services

Joy Tannian

Rate Proceedings

A. Norman Terreri

Technical Services

Peter Zarakas

Engineering

Annual Stockholders' Meeting

The Annual Meeting of Stockholders will be held at 1:30 P.M. on Monday, May 19, 1980, in Felt Forum, Madison Square Garden Center, 8th Avenue and 33rd Street, New York, N.Y. Proxies will be requested from stockholders when the notice of meeting and proxy statement are mailed on or about April 7, 1980.

Stock Listing

The Common Stock is listed on the New York, Midwest, Pacific and Amsterdam Stock Exchanges. The \$5 Cumulative Preferred Stock, the Cumulative Preferred Stock, 4.65% Series C, and the Cumulative Preference Stock, 6% Convertible Series B, are listed on the New York Stock Exchange.

Transfer Agents

The Company's Investor Services Center, 30 Flatbush Avenue, 7th Floor, Brooklyn, NY. Mail Address: P.O. Box 149, Cooper Station, New York, NY 10003. Toll-free telephone: 800 522-5522 in New York State; 800 221-6664 outside of New York State.

The Common Stock may also be transferred at The First National Bank of Chicago, 1 First National Plaza, Chicago, IL 60670, and at Bank of America National Trust and Savings Association, 55 Hawthorne Street, San Francisco, CA 94105.

Registrars

Citibank, N.A., 111 Wall Street, New York, NY 10015. The Common Stock may also be registered at The First National Bank of Chicago, 1 First National Plaza, Chicago, IL 60670, and at Bank of America National Trust and Savings Association, 55 Hawthorne Street, San Francisco, CA 94105.

Additional Information

A supplement containing additional financial and operating data for the latest 10-year period may be obtained by writing to the Secretary of the Company.

The Company reports details concerning its operations and other matters annually to the Securities and Exchange Commission on Form 10-K, which is available without charge to the Company's security holders on written request to:

**Archie M. Bankston
Secretary
Con Edison
4 Irving Place
New York, NY 10003.**