UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

☒ Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-14514

Consolidated Edison, Inc.

Exact name of registrant as specified in its charter
and principal office address and telephone number

New York	13-3965100
State of Incorporation	I.R.S. Employer ID. Number

4 Irving Place,
New York, New York 10003

(212) 460-4600

Commission File Number 1-1217

Consolidated Edison Company of New York, Inc.

Exact name of registrant as specified in its charter
and principal office address and telephone number

New York	13-5009340
State of Incorporation	I.R.S. Employer ID. Number

4 Irving Place,
New York, New York 10003

(212) 460-4600

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Consolidated Edison, Inc.,	
Common Shares ($.10 par value)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Consolidated Edison, Inc. (Con Edison)	Yes ☒	No ☐
Consolidated Edison Company of New York, Inc. (CECONY)	Yes ☒	No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Con Edison	Yes ☐	No ☒
CECONY	Yes ☐	No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Con Edison	Yes ☒	No ☐
CECONY	Yes ☒	No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Con Edison	Yes ☒	No ☐
CECONY	Yes ☒	No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Con Edison					
Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		
CECONY					
Large accelerated filer	☐	Accelerated filer	☐	Non-accelerated filer	☒
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Con Edison	Yes ☐	No ☒
CECONY	Yes ☐	No ☒

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2017, was approximately $24.7 billion.

As of January 31, 2018, Con Edison had outstanding 310,397,070 Common Shares ($.10 par value).

All of the outstanding common equity of CECONY is held by Con Edison.

Documents Incorporated By Reference

Portions of Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 21, 2018, to be filed with the Commission pursuant to Regulation 14A, not later than 120 days after December 31, 2017, is incorporated in Part III of this report.

Filing Format

This Annual Report on Form 10-K is a combined report being filed separately by two different registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). CECONY is a wholly-owned subsidiary of Con Edison and, as such, the information in this report about CECONY also applies to Con Edison. CECONY meets the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format.

As used in this report, the term the "Companies" refers to Con Edison and CECONY. However, CECONY makes no representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

Glossary of Terms

The following is a glossary of abbreviations or acronyms that are used in the Companies' SEC reports:

Con Edison Companies

Con Edison	Consolidated Edison, Inc.
CECONY	Consolidated Edison Company of New York, Inc.
Clean Energy Businesses	Con Edison Clean Energy Businesses, Inc., together with its subsidiaries
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
Con Edison Transmission	Con Edison Transmission, Inc., together with its subsidiaries
CET Electric	Consolidated Edison Transmission, LLC
CET Gas	Con Edison Gas Pipeline and Storage, LLC
O&R	Orange and Rockland Utilities, Inc.
Pike	Pike County Light & Power Company
RECO	Rockland Electric Company
The Companies	Con Edison and CECONY
The Utilities	CECONY and O&R

Regulatory Agencies, Government Agencies and Other Organizations

EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
IASB	International Accounting Standards Board
IRS	Internal Revenue Service
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NYISO	New York Independent System Operator
NYPA	New York Power Authority
NYSDEC	New York State Department of Environmental Conservation
NYSERDA	New York State Energy Research and Development Authority
NYSPSC	New York State Public Service Commission
NYSRC	New York State Reliability Council, LLC
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission

Accounting

AFUDC	Allowance for funds used during construction
ASU	Accounting Standards Update
GAAP	Generally Accepted Accounting Principles in the United States of America
LILO	Lease In/Lease Out
OCI	Other Comprehensive Income
VIE	Variable Interest Entity

Environmental

CO2	Carbon dioxide
GHG	Greenhouse gases
MGP Sites	Manufactured gas plant sites
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
RGGI	Regional Greenhouse Gas Initiative
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes

Units of Measure

AC	Alternating current
Bcf	Billion cubic feet
Dt	Dekatherms
kV	Kilovolt
kWh	Kilowatt-hour
MDt	Thousand dekatherms
MMlb	Million pounds
MVA	Megavolt ampere
MW	Megawatt or thousand kilowatts
MWh	Megawatt hour

Other

AMI	Advanced metering infrastructure
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DER	Distributed energy resources
EGWP	Employer Group Waiver Plan
Fitch	Fitch Ratings
LTIP	Long Term Incentive Plan
Moody's	Moody's Investors Service
REV	Reforming the Energy Vision
S&P	S&P Global Ratings
TCJA	The federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017
VaR	Value-at-Risk

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Introduction

This introduction contains certain information about Con Edison and its subsidiaries, including CECONY. This introduction is not a summary and should be read together with, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere or incorporated by reference in this report.

Con Edison's mission is to provide energy services to our customers safely, reliably, efficiently and in an environmentally sound manner; to provide a workplace that allows employees to realize their full potential; to provide a fair return to our investors; and to improve the quality of life in the communities we serve. The company has ongoing programs designed to support its mission, including initiatives focused on safety, operational excellence, the customer experience and cost optimization.

Con Edison is a holding company that owns:

- Consolidated Edison Company of New York, Inc. (CECONY), which delivers electricity, natural gas and steam to customers in New York City and Westchester County;
- Orange & Rockland Utilities, Inc. (O&R), which together with its subsidiary, Rockland Electric Company, delivers electricity and natural gas to customers primarily located in southeastern New York State and northern New Jersey (O&R, together with CECONY referred to as the Utilities);
- Con Edison Clean Energy Businesses, Inc., which through its subsidiaries develops, owns and operates renewable and energy infrastructure projects and provides energy-related products and services to wholesale and retail customers (Con Edison Clean Energy Businesses, Inc., together with its subsidiaries referred to as the Clean Energy Businesses); and
- Con Edison Transmission, Inc., which through its subsidiaries invests in electric and gas transmission projects (Con Edison Transmission, Inc., together with its subsidiaries referred to as Con Edison Transmission).

Con Edison anticipates that the Utilities, which are subject to extensive regulation, will continue to provide substantially all of its earnings over the next few years. The Utilities have approved rate plans that are generally designed to cover each company's cost of service, including capital and other costs of each company's energy delivery systems. The Utilities recover from their full-service customers (who purchase energy from them), generally on a current basis, the cost the Utilities pay for energy and charge all of their customers the cost of delivery service. See "Utility Regulation" in Item 1, "Risk Factors" in Item 1A and "Rate Plans" in Note B to the financial statements in Item 8.

Selected Financial Data
Con Edison

	For the Year Ended December 31,				
(Millions of Dollars, except per share amounts)	**2013**	**2014**	**2015**	**2016**	**2017**
Operating revenues	$12,354	$12,919	$12,554	$12,075	**$12,033**
Energy costs	4,054	4,513	3,716	3,088	**2,625**
Operating income	2,244	2,209	2,427	2,575	**2,610**
Net income	1,062	1,092	1,193	1,245	**1,525 (g)**
Total assets (e)(f)	40,451	44,071 (a)	45,642 (b)	48,255 (c)	**48,111 (d)**
Long-term debt (e)	10,415	11,546	12,006	14,735	**14,731**
Total equity	12,245	12,585	13,061	14,306	**15,425**
Net Income per common share – basic	$3.62	$3.73	$4.07	$4.15	**$4.97**
Net Income per common share – diluted	$3.61	$3.71	$4.05	$4.12	**$4.94**
Dividends declared per common share	$2.46	$2.52	$2.60	$2.68	**$2.76**
Book value per share	$41.81	$42.97	$44.50	$46.91	**$49.72**
Average common shares outstanding *(millions)*	293	293	293	300	**307**
Stock price low	$54.33	$52.23	$56.86	$63.47	**$72.13**
Stock price high	$63.66	$68.92	$72.25	$81.88	**$89.70**

(a) Reflects a $2,116 million increase in regulatory assets for unrecognized pension and other postretirement costs and a $1,391 million increase in net plant. See Notes B, E and F to the financial statements in Item 8.
(b) Reflects a $2,382 million increase in net plant offset by a $970 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.

(c) Reflects a $3,007 million increase in net plant offset by a $1,002 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.
(d) Reflects a $2,384 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA) of $2,418 million (including the netting of $1,168 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of $348 million. See Notes B, E, F and L to the financial statements in Item 8.
(e) Reflects $74 million and $85 million in 2013 and 2014, respectively, related to the adoption of Accounting Standards Update (ASU) No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs."
(f) Reflects $122 million and $152 million in 2013 and 2014, respectively, related to the adoption of ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes."
(g) Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million (or $0.85 per share) in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million, and accrued a regulatory liability for federal income tax rate change of $3,713 million. See "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

CECONY

	For the Year Ended December 31,				
(Millions of Dollars)	**2013**	**2014**	**2015**	**2016**	**2017**
Operating revenues	$10,430	$10,786	$10,328	$10,165	**$10,468**
Energy costs	2,873	2,985	2,304	2,059	**2,141**
Operating income	2,060	2,139	2,247	2,262	**2,405**
Net income	1,020	1,058	1,084	1,056	**1,104**
Total assets (e)(f)	36,095	39,443 (a)	40,230 (b)	40,856 (c)	**40,451 (d)**
Long-term debt (e)	9,303	10,788	10,787	12,073	**12,065**
Shareholder's equity	10,847	11,188	11,415	11,829	**12,439**

(a) Reflects a $1,999 million increase in regulatory assets for unrecognized pension and other postretirement costs and a $1,440 million increase in net plant. See Notes B, E and F to the financial statements in Item 8.
(b) Reflects a $1,725 million increase in net plant and a $912 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.
(c) Reflects a $1,804 million increase in net plant and a $967 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.
(d) Reflects a $2,090 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the TCJA of $2,305 million (including the netting of $1,123 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of $354 million. See Notes B, E, F and L to the financial statements in Item 8.
(e) Reflects $63 million and $76 million in 2013 and 2014, respectively, related to the adoption of ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs."
(f) Reflects $100 million and $118 million in 2013 and 2014, respectively, related to the adoption of ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes."

Significant 2017 Developments and Outlook

- Con Edison reported 2017 net income of $1,525 million or $4.97 a share compared with $1,245 million or $4.15 a share in 2016. Adjusted earnings were $1,264 million or $4.12 a share in 2017 compared with $1,198 million or $3.99 a share in 2016. See "Results of Operations" in Item 7 and "Non-GAAP Financial Measure" below.

- In 2017, the Utilities invested $3,093 million to upgrade and reinforce their energy delivery systems, Con Edison Transmission invested $66 million in electric transmission and gas pipeline and storage businesses and the Clean Energy Businesses invested $447 million primarily in renewable electric production projects. See "Capital Requirements and Resources" in Item 1 and Note U to the financial statements in Item 8.

- In 2018, the Utilities expect to invest $3,209 million for their energy delivery systems, Con Edison Transmission expects to invest $360 million in gas pipeline businesses and the Clean Energy Businesses expect to invest $400 million in renewable electric production projects. Con Edison plans to meet its 2018 capital requirements through internally-generated funds and the issuance of securities. The company's plans include the issuance of between $1,300 million and $1,800 million of long-term debt at the Utilities, and the issuance of additional debt secured by its renewable electric production projects. The plans also include the issuance of up to $450 million of common equity in addition to equity under its dividend reinvestment, employee stock purchase and long term incentive plans. The plans do not reflect the provision to the Utilities' customers of any of the benefits of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA) that the New York State Public Service Commission (NYSPSC) and the New Jersey Board of Public Utilities (NJBPU) may require to be provided. See "Changes to Tax Laws Could Adversely Affect the Companies" in Item 1A, "Other Regulatory

Matters" in Note B and Note L to the financial statements in Item 8. See "Capital Requirements and Resources" in Item 1.

- CECONY forecasts average annual growth in peak demand in its service area at design conditions over the next five years for electric and gas to be approximately 0.1 percent and 1.2 percent, respectively, and an average annual decrease in steam peak demand in its service area at design conditions over the next five years to be approximately 0.5 percent. O&R forecasts average annual growth in electric peak demand in its service area at design conditions over the next five years to be flat and average annual growth in gas peak demand in its service area over the next five years at design conditions to be approximately 0.3 percent. See "The Utilities" in Item 1.
- In 2017, the NYSPSC continued its Reforming the Energy Vision (REV) proceeding to improve system efficiency and reliability, encourage renewable energy and distributed energy resources and empower customer choice. The NYSPSC, among other things, issued an order that changes the way distributed energy resources are compensated and begins to phase out net energy metering. Also, CECONY submitted a petition to the NYSPSC for authority to develop smart solutions for gas customers by seeking to apply REV concepts and issued a request for proposals for non-pipeline solutions to a gas pipeline need the company identified. See "Utility Regulation – State Utility Regulation – Reforming the Energy Vision" in Item 1.
- In 2017, the NYSPSC approved three-year CECONY electric and gas rate plans and a settlement agreement in its proceedings related to CECONY's practices of qualifying persons to perform plastic fusions on gas facilities and alleged violations of gas safety regulations in connection with a March 2014 Manhattan explosion and fire. The NYSPSC also issued orders relating to an April 2017 subway power outage and the TCJA. See Notes B and H to the financial statements in Item 8.
- Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million (or $0.85 per share) in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million, and accrued a regulatory liability for federal income tax rate change of $3,713 million. See "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.
- In January 2018, O&R filed a request with the NYSPSC for electric and gas rate increases of $20.3 million and $4.5 million, respectively, effective January 2019. See "Rate Plans" in Note B to the financial statements in Item 8.

Available Information

Con Edison and CECONY file annual, quarterly and current reports and other information, and Con Edison files proxy statements, with the Securities and Exchange Commission (SEC). The public may read and copy any materials that the Companies file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580 Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy statements, and other information regarding issuers (including Con Edison and CECONY) that file electronically with the SEC.

This information the Companies file with the SEC is also available free of charge on or through the investor information section of their websites as soon as reasonably practicable after the reports are electronically filed with, or furnished to, the SEC. Con Edison's internet website is at: www.conedison.com; and CECONY's is at: www.coned.com.

The "About Us - Corporate Governance" section of Con Edison's website includes the company's Standards of Business Conduct (its code of ethics) and amendments or waivers of the standards for executive officers or directors, corporate governance guidelines and the charters of the following committees of the company's Board of Directors: Audit Committee, Management Development and Compensation Committee, and Corporate Governance and Nominating Committee. This information is available in print to any shareholder who requests it. Requests should be directed to: Corporate Secretary, Consolidated Edison, Inc., 4 Irving Place, New York, NY 10003.

Information on the Companies' websites is not incorporated herein.

Forward-Looking Statements

This report includes forward-looking statements intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements of future expectation and not facts. Words such as “forecasts,” “expects,” “estimates,” “anticipates,” “intends,” “believes,” “plans,” “will” and similar expressions identify forward-looking statements. Forward-looking statements are based on information available at the time the statements are made, and accordingly speak only as of that time. Actual results or developments might differ materially from those included in the forward-looking statements because of various factors including, but not limited to, those discussed under “Risk Factors,” in Item 1A.

Non-GAAP Financial Measure

Adjusted earnings is a financial measure that is not determined in accordance with generally accepted accounting principles in the United States of America (GAAP). This non-GAAP financial measure should not be considered as an alternative to net income, which is an indicator of financial performance determined in accordance with GAAP. Adjusted earnings excludes from net income the net mark-to-market changes in the fair value of the derivative instruments the Clean Energy Businesses use to economically hedge market price fluctuations in related underlying physical transactions for the purchase or sale of electricity and gas. Adjusted earnings may also exclude from net income certain other items that the company does not consider indicative of its ongoing financial performance. Management uses this non-GAAP financial measure to facilitate the analysis of the company's financial performance as compared to its internal budgets and previous financial results. Management also uses this non-GAAP financial measure to communicate to investors and others the company’s expectations regarding its future earnings and dividends on its common stock. Management believes that this non-GAAP financial measure also is useful and meaningful to investors to facilitate their analysis of the company's financial performance. The following table is a reconciliation of Con Edison’s reported net income to adjusted earnings and reported earnings per share to adjusted earnings per share.

(Millions of Dollars, except per share amounts)	2013	2014	2015	2016	2017
Reported net income – GAAP basis	$1,062	$1,092	$1,193	$1,245	**$1,525**
Gain on sale of the Clean Energy Businesses' retail electric supply business (a)	—	—	—	(56)	**—**
Goodwill impairment related to the Clean Energy Businesses' energy service business (b)	—	—	—	12	**—**
Impairment of assets held for sale (c)	—	—	3	—	**—**
Gain on sale of solar electric production projects (d)	—	(26)	—	—	**(1)**
Loss from LILO transactions (e)	95	1	—	—	**—**
Enactment of the TCJA (f)	—	—	—	—	**(259)**
Net mark-to-market effects of the Clean Energy Businesses (g)	(45)	73	—	(3)	**(1)**
Adjusted earnings	$1,112	$1,140	$1,196	$1,198	**$1,264**
Reported earnings per share – GAAP basis (basic)	$3.62	$3.73	$4.07	$4.15	**$4.97**
Gain on sale of the Clean Energy Businesses' retail electric supply business	—	—	—	(0.19)	**—**
Goodwill impairment related to the Clean Energy Businesses' energy service business	—	—	—	0.04	**—**
Impairment of assets held for sale	—	—	0.01	—	**—**
Gain on sale of solar electric production projects	—	(0.09)	—	—	**—**
Loss from LILO transactions	0.32	—	—	—	**—**
Enactment of the TCJA	—	—	—	—	**(0.85)**
Net mark-to-market effects of the Clean Energy Businesses	(0.14)	0.25	—	(0.01)	**—**
Adjusted earnings per share	$3.80	$3.89	$4.08	$3.99	**$4.12**

(a) After taxes of $(48) million, which includes an adjustment for the apportionment of state income taxes. See Note U to the financial statements in Item 8.
(b) After taxes of $3 million. See Note K to the financial statements in Item 8.
(c) After taxes of $2 million, recorded related to Pike County Light & Power Company (Pike), which O&R sold in 2016. See Note U to the financial statements in Item 8.
(d) After taxes of $(19) million in 2014.
(e) In 2013, a court disallowed tax losses claimed by Con Edison relating to Con Edison Development’s Lease In/Lease Out (LILO) transactions and the company subsequently terminated the transactions, resulting in a charge to earnings of $95 million (after taxes of $63 million). In 2014, adjustments were made to taxes and accrued interest.
(f) Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million (or $0.85 per share) in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million, and accrued a regulatory liability for federal income tax rate change of $3,713 million. See “Other Regulatory Matters” in Note B and Note L to the financial statements in Item 8.
(g) After taxes of $(30) million, $55 million and $(2) million for the years ended December 31, 2013, 2014 and 2016, respectively.

Item 1: Business

Incorporation By Reference

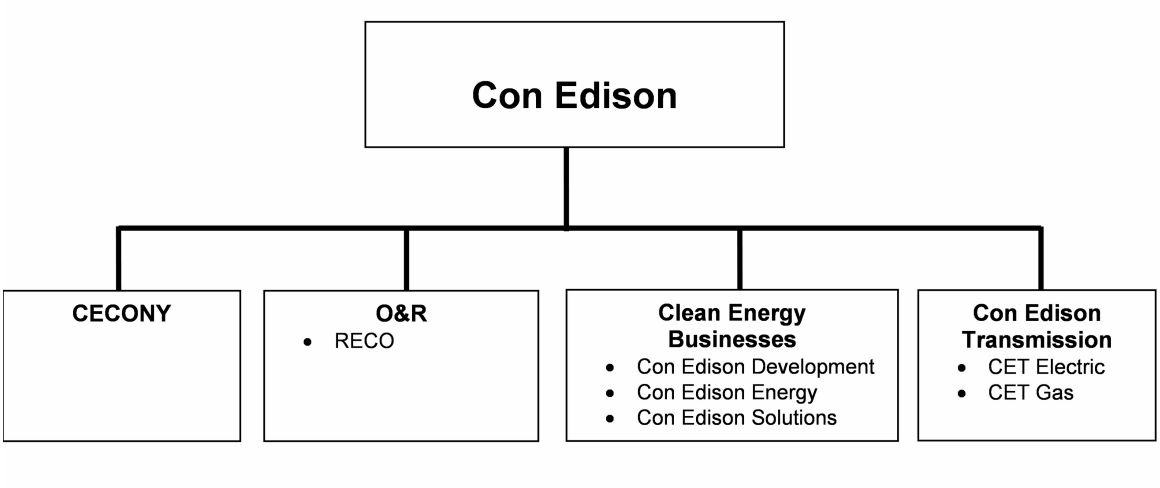
Information in any item of this report as to which reference is made in this Item 1 is hereby incorporated by reference in this Item 1. The use of terms such as “see” or “refer to” shall be deemed to incorporate into Item 1 at the place such term is used the information to which such reference is made.

PART I

Item 1: Business

Overview

Consolidated Edison, Inc. (Con Edison), incorporated in New York State in 1997, is a holding company that owns all of the outstanding common stock of Consolidated Edison Company of New York, Inc. (CECONY), Orange and Rockland Utilities, Inc. (O&R), Con Edison Clean Energy Businesses, Inc. and Con Edison Transmission, Inc. As used in this report, the term the "Companies" refers to Con Edison and CECONY.



Con Edison's principal business operations are those of CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission. CECONY's principal business operations are its regulated electric, gas and steam delivery businesses. O&R's principal business operations are its regulated electric and gas delivery businesses. The Clean Energy Businesses develop, own and operate renewable and energy infrastructure projects and provide energy-related products and services to wholesale and retail customers. Con Edison Transmission invests in electric transmission facilities and gas pipeline and storage facilities.

Con Edison seeks to provide shareholder value through continued dividend growth, supported by earnings growth in regulated utilities and contracted assets. The company invests to provide reliable, resilient, safe and clean energy critical for New York City's growing economy. The company is an industry leading owner and operator of contracted, large-scale solar generation in the United States. Con Edison is a responsible neighbor, helping the communities it serves become more sustainable.

CECONY

Electric

CECONY provides electric service to approximately 3.4 million customers in all of New York City (except a part of Queens) and most of Westchester County, an approximately 660 square mile service area with a population of more than nine million.

Gas

CECONY delivers gas to approximately 1.1 million customers in Manhattan, the Bronx, parts of Queens and most of Westchester County.

Steam

CECONY operates the largest steam distribution system in the United States by producing and delivering approximately 19,410 MMlb of steam annually to approximately 1,600 customers in parts of Manhattan.

O&R

Electric

O&R and its utility subsidiary, Rockland Electric Company (RECO) (together referred to herein as O&R) provide electric service to approximately 0.3 million customers in southeastern New York and northern New Jersey, an approximately 1,300 square mile service area.

Gas

O&R delivers gas to over 0.1 million customers in southeastern New York.

Clean Energy Businesses

Con Edison Clean Energy Businesses, Inc. has three wholly-owned subsidiaries: Consolidated Edison Development, Inc. (Con Edison Development), Consolidated Edison Energy, Inc. (Con Edison Energy) and Consolidated Edison Solutions, Inc. (Con Edison Solutions). Con Edison Clean Energy Businesses, Inc., together with these subsidiaries, are referred to in this report as the Clean Energy Businesses. The Clean Energy Businesses develop, own and operate renewable and energy infrastructure projects and provide energy-related products and services to wholesale and retail customers.

Con Edison Transmission

Con Edison Transmission, Inc. invests in electric and gas transmission projects through its wholly-owned subsidiaries, Consolidated Edison Transmission, LLC (CET Electric) and Con Edison Gas Pipeline and Storage, LLC (CET Gas). CET Electric owns a 45.7 percent interest in New York Transco LLC, which owns and is proposing to build additional electric transmission assets in New York. CET Gas owns, through subsidiaries, a 50 percent interest in Stagecoach Gas Services, LLC, a joint venture that owns, operates and will further develop an existing gas pipeline and storage business located in northern Pennsylvania and southern New York. Also, CET Gas and CECONY own 71.2 percent and 28.8 percent interests, respectively, in Honeoye Storage Corporation, which operates a gas storage facility in upstate New York. In addition, CET Gas owns a 12.5 percent interest in Mountain Valley Pipeline LLC, a joint venture developing a proposed 300-mile gas transmission project in West Virginia and Virginia (Mountain Valley Pipeline). See “Con Edison Transmission,” below. Con Edison Transmission, Inc., together with CET Electric and CET Gas, are referred to in this report as Con Edison Transmission.

Utility Regulation

State Utility Regulation

Regulators

The Utilities are subject to regulation by the NYSPSC, which under the New York Public Service Law, is authorized to set the terms of service and the rates the Utilities charge for providing service in New York. See “Rate Plans,” below and in Note B to the financial statements in Item 8. The NYSPSC also approves the issuance of the Utilities’ securities. See “Capital Resources,” below. The NYSPSC exercises jurisdiction over the siting of the Utilities’ electric transmission lines (see “Con Edison Transmission,” below) and approves mergers or other business combinations involving New York utilities. In addition, the NYSPSC has the authority to impose penalties on utilities, which could be substantial, for violating state utility laws and regulations and its orders. See “Other Regulatory Matters” in Note B to the financial statements in Item 8. O&R’s New Jersey subsidiary, RECO, is subject to similar regulation by the New Jersey Board of Public Utilities (NJBPU). The NYSPSC, together with the NJBPU, are referred to herein as state utility regulators.

In March 2013, following the issuance of recommendations by a commission established by the Governor of New York and submission by the Governor of a bill to the State legislature, the New York Public Service Law was amended to, among other things, authorize the NYSPSC to (i) levy expanded penalties against combination gas and electric utilities; (ii) review, at least every five years, an electric utility’s capability to provide safe, adequate and reliable service, order the utility to comply with additional and more stringent terms of service than existed prior to the review, assess the continued operation of the utility as the provider of electric service in its service territory and propose, and act upon, such measures as are necessary to ensure safe and adequate service; and (iii) based on findings of repeated violations of the New York Public Service Law or rules or regulations adopted thereto that demonstrate a failure of a combination gas and electric utility to continue to provide safe and adequate service, revoke or modify an operating certificate issued to the utility by the NYSPSC (following consideration of certain factors, including public interest and standards deemed necessary by the NYSPSC to ensure continuity of service, and due process).

New York Utility Industry

Restructuring in the 1990s

In the 1990s, the NYSPSC restructured the electric utility industry in the state. In accordance with NYSPSC orders, the Utilities sold all of their electric generating facilities other than those that also produce steam for CECONY's steam business (see "Electric Operations – Electric Facilities," below) and provided all of their customers the choice to buy electricity or gas from the Utilities or other suppliers (see "Electric Operations – Electric Sales and Deliveries" and "Gas Operations – Gas Sales and Deliveries," below). In 2017, 65 percent of the electricity and 33 percent of the gas CECONY delivered to its customers, and 58 percent of the electricity and 40 percent of the gas O&R delivered to its customers, was purchased by the customers from other suppliers. In addition, the Utilities no longer control and operate their bulk power electric transmission facilities. See "New York Independent System Operator (NYISO)," below.

Following industry restructuring, there were several utility mergers as a result of which substantially all of the electric and gas delivery service in New York State is now provided by one of four investor-owned utility companies – Con Edison, National Grid plc, Avangrid, Inc. (an affiliate of Iberdrola, S.A.) or CH Energy Group, Inc. (a subsidiary of Fortis Inc.) – or one of two state authorities – New York Power Authority (NYPA) or Long Island Power Authority.

Reforming the Energy Vision

In April 2014, the NYSPSC instituted its REV proceeding, the goals of which are to improve electric system efficiency and reliability, encourage renewable energy resources, support distributed energy resources (DER) and empower customer choice. In this proceeding, the NYSPSC is addressing the establishment of a distributed system platform to manage and coordinate DER, and provide customers with market data and tools to manage their energy use. The NYSPSC also is addressing how its regulatory practices should be modified to incent utility practices to promote REV objectives.

In February 2015, the NYSPSC issued an order in its REV proceeding in which, among other things, the NYSPSC:

- ordered CECONY, O&R and the other electric utilities to file distributed system implementation plans (DSIPs) pursuant to which the utilities, under the NYSPSC's authority and supervision, would serve as distributed system platforms to optimize the use of DER;
- indicated that the utilities will be allowed to own DER only under limited circumstances, and that utility affiliate ownership of DER within the utility's service territory will require market power protections;
- ordered the utilities to file energy efficiency plans (see "Environmental Matters – Climate Change," below);
- instituted a separate proceeding to consider large-scale renewable generation;
- required the utilities to file demonstration projects for approval by NYSPSC staff; and
- indicated that the design and implementation of the reformed energy system will occur over a period of years.

In June 2015, the New York State Energy Research and Development Authority (NYSERDA) submitted a report in the large-scale renewable generation proceeding. The report included program design principles and strategies. The NYSPSC requested comments on, among other things: customer funding mechanisms; utility-backed power purchase agreements; financing options; and utility-owned generation. In December 2015, the Governor of New York directed the NYSPSC to establish a clean energy standard to mandate achievement by 2030 of the State Energy Plan's goals of 50 percent of the State's electricity being provided from renewable resources and reducing carbon emissions by 40 percent (see "Environmental Matters - Climate Change," below) and to support the continued operation of upstate nuclear plants. In August 2016, the NYSPSC issued an order adopting a clean energy standard that includes renewable energy credit (REC) and zero-emissions credit (ZEC) requirements. Beginning in 2017, load serving entities (LSEs), including CECONY and O&R for their full-service customers, are required to obtain RECs and ZECs in amounts determined by the NYSPSC. LSEs may satisfy their REC obligation by either purchasing RECs acquired through central procurement by NYSERDA, by self-supply through direct purchase of tradable RECs, or by making alternative compliance payments. LSEs will purchase ZECs from NYSERDA at prices determined by the NYSPSC. The order establishes an annual NYSPSC staff review and triennial NYSPSC review of the clean energy standard. Citing the risks that utility-backed power purchase agreements could impose on customers and utilities, the August 2016 order rejected requiring utilities to sign such agreements. The August 2016 order also did not authorize utility-owned renewable generation, stating a concern that allowing utilities to own renewable generation could result in reduced competition and higher costs. In January 2018, the Governor of New York unveiled a clean energy jobs and climate agenda that calls for procurement of at least 800 MWs of offshore wind power between two solicitations to be issued in 2018 and 2019, which are to be the first in a set schedule to meet a target of 2.4 gigawatts of offshore wind by 2030. The agenda also includes, among

other things, an initiative to deploy 1,500 MWs of energy storage by 2025. Also, in January 2018, NYSERDA issued a master plan for achievement of New York's offshore wind energy objectives. NYSERDA indicated that it expects offshore wind funding for a first phase of procurements would be provided by a compliance obligation placed on LSEs through an administrative structure similar to the ZEC program. NYSERDA also filed with the NYSPSC an options paper in which it addressed potential procurement options, including utility-owned generation, utility-backed power purchase agreements and contracts with NYSERDA.

In July 2015, the NYSPSC staff issued a white paper on ratemaking and utility business models in the REV proceeding. The NYSPSC staff indicated that the proposals included in the white paper reflect the following foundational principles: align earning opportunities with customer value; maintain flexibility; provide accurate and appropriate value signals; maintain a sound electric industry; shift balance of regulatory incentives to market incentives; and achieve public policy objectives. In May 2016, the NYSPSC issued an order adopting a ratemaking and utility revenue framework. The order indicated that utilities will have four ways of achieving earnings: traditional cost-of-service earnings; earnings tied to achievement of alternatives that reduce utility capital spending and provide definitive consumer benefit; earnings from market-facing platform activities; and earnings from transitional outcome-based performance measures. The order also indicated, among other things, that existing measures for negative revenue adjustments for utility failure to meet basic service standards should generally be retained and net utility plant reconciliations should be modified to encourage cost-effective DER as an alternative to utility capital investment. The order directed each utility to file a system efficiency proposal; an interconnection survey process and proposed earnings adjustment mechanism; a progress report on aggregated data reporting automation; an aggregated data privacy policy statement; revisions to standby service tariffs and cost allocation matrix; one or more smart home rate demonstration proposals; and revisions to voluntary time of use rates and promotion and education tools.

In December 2015, the NYSPSC authorized a cost recovery surcharge mechanism for REV demonstration projects. Five CECONY and one O&R demonstration projects have been approved by the NYSPSC staff. The demonstration projects are expected to inform decisions with respect to developing distributed system platform functionalities, measuring customer response to programs and prices associated with REV markets.

In January 2016, the NYSPSC established a benefit cost analysis framework that will apply to, among other things, utility proposals to make investments that could instead be met through DER alternatives that meet all applicable reliability and safety requirements. The framework's primary measure is a societal cost test which, in addition to addressing avoided utility costs, is to quantitatively address certain environmental externalities and, where appropriate, qualitatively address other externalities. The NYSPSC directed the utilities to develop and file benefit cost analysis handbooks to guide DER providers in structuring their projects and proposals.

In March 2016, the NYSPSC issued an order approving CECONY's advanced metering infrastructure (AMI) plan for its electric and gas delivery businesses, subject to a cap on capital expenditures of $1,285 million. AMI components include smart meters, a communication network, information technology systems and business applications. The plan provides for full deployment of AMI to CECONY's customers to be implemented over a six-year period. During 2016, CECONY, at the NYSPSC's direction, submitted a customer engagement plan, an update to the company's benefit cost analysis and metrics that the NYSPSC can use to monitor the success of the project. O&R's electric and gas rate plans authorize aggregate capital expenditures of approximately $24 million to begin AMI implementation for the company's customers. In February 2017, O&R submitted to the NYSPSC a request to expend an additional approximately $74 million to expand the scope of the company's AMI implementation to all of its New York customers. In November 2017, the NYSPSC authorized O&R to implement its expanded AMI smart meter implementation plan.

In June 2016, CECONY and O&R each filed initial DSIPs and benefit-cost handbooks with the NYSPSC, pursuant to which the companies provided additional system and planning information for third-party developers to facilitate the integration of DER in the distributed system platform. In November 2016, CECONY and O&R, with the other state electric utilities, filed a joint supplemental DSIP with the NYSPSC, pursuant to which the companies expanded on the initial DSIPs to address the tools, processes and protocols to be developed jointly to operate the grid to manage DER and support a retail market. The Utilities plan to develop their distribution system platforms as proposed and in conformance with the guidance of the NYSPSC.

In October 2016, CECONY filed a petition with the NYSPSC for approval of a Shared Solar Pilot Program (SSPP) to install and own solar photovoltaic systems on company facilities. CECONY proposed using the community distributed generation model to allocate solar bill credits, net of project cost, to a subset of customers who participate in the company's electric low income program. In August 2017, the NYSPSC approved a $9 million

budget for the SSPP. In November 2017, CECONY filed an implementation plan for the SSPP under which it expects operational solar in 2019, with bill credits for approximately 1,000 low income customers.

In March 2017, the NYSPSC issued an order that changes compensation for DER and begins to phase out net energy metering. In New York, net energy metering compensates kilowatt-hours exported to the electric distribution system at the full service rate (that is production plus delivery plus taxes and fees). To provide a gradual transition, the NYSPSC allowed all existing resources to keep their current rate treatment and will delay making significant changes to policies affecting new residential and small commercial rooftop solar until 2020. Larger installations, including new commercial and industrial projects and new community solar projects, will be paid for the value of their exports to the electricity distribution system. The new policy establishes a 2 percent limit on bill increases, reducing the shifting of avoided distribution costs to non-participating residential customers that would have occurred under net energy metering.

In September 2017, CECONY submitted a petition to the NYSPSC for authority to develop smart solutions for gas customers, seeking to apply REV concepts, such as expanding energy efficiency and demand response programs, and to develop a program to encourage ground and air source heating alternatives. The company also identified a gas pipeline need as a result of strong growth in gas consumption, driven by the City of New York's clean heat program, and further stated that it would issue a request for proposals for non-pipeline solutions. The request for proposals was issued in December 2017. At its November 2017 session, the NYSPSC encouraged utilities to consider non-pipeline solutions for gas needs.

The REV proceeding and the various related proceedings are continuing proceedings. The Companies are not able to predict the outcome of the proceedings or their impact.

Rate Plans

Investor-owned utilities in the United States provide delivery service to customers according to the terms of tariffs approved by the appropriate state utility regulator. The tariffs include schedules of rates for service that limit the rates charged by the utilities to amounts that recover from their customers costs approved by the regulator, including capital costs, of providing service to customers as defined by the tariff. The tariffs implement rate plans adopted by state utility regulators in rate orders issued at the conclusion of rate proceedings. The utilities' earnings depend on the limits on rates authorized in, and the other provisions of, their rate plans and their ability to operate their businesses in a manner consistent with such rate plans.

The utilities' rate plans cover specified periods, but rates determined pursuant to a plan generally continue in effect until a new rate plan is approved by the state utility regulator. In New York, either the utility or the NYSPSC can commence a proceeding for a new rate plan, and a new rate plan filed by the utility will generally take effect automatically in approximately 11 months unless prior to such time the NYSPSC approves a rate plan.

In each rate proceeding, rates are determined by the state utility regulator following the submission by the utility of testimony and supporting information, which are subject to review by the staff of the regulator. Other parties with an interest in the proceeding can also review the utility's proposal and become involved in the rate proceeding. The review process is overseen by an administrative law judge who is employed by the NYSPSC. After an administrative law judge issues a recommended decision that generally considers the interests of the utility, the regulatory staff, other parties and legal requisites, the regulator will issue a rate order. The utility and the regulator's staff and interested parties may enter jointly into a proposed settlement agreement prior to the completion of this administrative process, in which case the agreement could be approved by the regulator with or without modification.

For each rate plan, the revenues needed to provide the utility a return on invested capital is determined by multiplying the utilities' rate base by the pre-tax weighted average cost of capital determined in the rate plan. In general, rate base, as reflected in a utility's rate plans, is the sum of the utility's net plant, working capital and certain regulatory assets less deferred taxes and certain regulatory liabilities. The NYSPSC uses a forecast of the average rate base for the year that new rates would be in effect (rate year). The NJBPU uses the rate base balances that exist at the end of the historical 12-month period on which base rates are set. The capital structure used in the weighted average cost of capital is determined using actual and forecast data for the same time periods as rate base. The costs of long-term debt, customer deposits and the allowed return on common equity represent a combination of actual and forecast financing information. The allowed return on common equity is determined by each state's respective utility regulator. The NYSPSC's current methodology for determining the allowed return on common equity assigns a one-third weight to an estimate determined from a capital asset pricing model applied to a peer group of utility companies and a two-thirds weight to an estimate determined from a dividend discount model

using stock prices and dividend forecasts for a peer group of utility companies. Both methodologies employ market measurements of equity capital to estimate returns rather than the accounting measurements to which such estimates are applied in setting rates.

Pursuant to the Utilities' rate plans, there generally can be no change to the rates charged to customers during the respective terms of the rate plans other than specified adjustments provided for in the rate plans.

For information about the Utilities' rate plans, see Note B to the financial statements in Item 8.

Liability for Service Interruptions

The tariff provisions under which CECONY provides electric, gas and steam service, and O&R provides electric and gas service, limit each company's liability to pay for damages resulting from service interruptions to circumstances resulting from its gross negligence or willful misconduct. Under RECO's tariff provisions for electric service, the company is not liable for interruptions that are due to causes beyond its control.

CECONY's tariff for electric service also provides for reimbursement to electric customers for spoilage losses resulting from service interruptions in certain circumstances. In general, the company is obligated to reimburse affected residential and commercial customers for food spoilage of up to approximately $500 and $10,000, respectively, and reimburse affected residential customers for prescription medicine spoilage losses without limitation on amount per claim. The company's maximum aggregate liability for such reimbursement for an incident is $15 million. The company is not required to provide reimbursement to electric customers for outages attributable to generation or transmission system facilities or events beyond its control, such as storms, provided the company makes reasonable efforts to restore service as soon as practicable.

New York electric utilities are required to provide credits to customers who are without electric service for more than three days. The credit to a customer would equal the portion of the monthly customer charge attributable to the period the customer was without service. If an extraordinary event occurs, the NYSPSC may direct New York gas utilities to implement the same policies.

The NYSPSC has approved a scorecard for use as a guide to assess electric utility performance in restoring electric service during outages that result from a major storm event. The scorecard, which could also be applied by the NYSPSC for other outages or actions, was developed to work with the penalty and emergency response plan provisions of the New York Public Service Law. The scorecard includes performance metrics in categories for preparation, operations response and communications.

Each New York electric utility is required to submit to the NYSPSC annually a plan for the reasonably prompt restoration of service in the case of widespread outages in the utility's service territory due to storms or other events beyond the control of the utility. If, after evidentiary hearings or other investigatory proceedings, the NYSPSC finds that the utility failed to implement its plan reasonably, the NYSPSC may deny recovery of any part of the service restoration costs caused by such failure. In March 2017, the NYSPSC approved emergency response plans submitted by CECONY and O&R, subject to certain modifications. In December 2017, CECONY and O&R submitted updated plans.

Generic Proceedings

The NYSPSC from time to time conducts "generic" proceedings to consider issues relating to all electric and gas utilities operating in New York State. Pending proceedings include the REV proceeding and related proceedings, discussed above, the proceeding to study the potential effects of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA), discussed in "Other Regulatory Matters" in Note B to the financial statements in Item 8, and proceedings relating to data access; retail access; utility staffing levels; energy efficiency and renewable energy programs; low income customers and consumer protections. The Utilities are typically active participants in such proceedings.

Federal Utility Regulation
The Federal Energy Regulatory Commission (FERC), among other things, regulates the transmission and wholesale sales of electricity in interstate commerce and the transmission and sale of natural gas for resale in interstate commerce. In addition, the FERC has the authority to impose penalties, which could be substantial, including penalties for the violation of reliability and cyber security rules. Certain activities of the Utilities, the Clean Energy Businesses and Con Edison Transmission are subject to the jurisdiction of the FERC. The Utilities are subject to regulation by the FERC with respect to electric transmission rates and to regulation by the NYSPSC with respect to electric and gas retail commodity sales and local delivery service. As a matter of practice, the NYSPSC has approved delivery service rates for the Utilities that include both transmission and distribution costs. Wholesale energy and capacity products sold by the Clean Energy Businesses to the regional electric markets are subject to FERC jurisdiction as defined by the independent system operator tariffs. The electric and gas transmission projects in which CET Electric and CET Gas invest are also subject to regulation by the FERC. See "Con Edison Transmission," below.

New York Independent System Operator (NYISO)
The NYISO is a not-for-profit organization that controls and directs the operation of most of the electric transmission facilities in New York State, including those of the Utilities, as an integrated system. It also administers wholesale markets for electricity in New York State and facilitates the construction of new transmission it considers necessary to meet identified reliability, economic or public policy needs. The New York State Reliability Council (NYSRC) promulgates reliability standards subject to FERC oversight, and the NYISO has agreed to comply with those standards. Pursuant to a requirement that is set annually by the NYSRC, the NYISO requires that entities supplying electricity to customers in New York State have generating capacity (owned, procured through the NYISO capacity markets or contracted for) in an amount equal to the peak demand of their customers plus the applicable reserve margin. In addition, the NYISO has determined that entities that serve customers in New York City must procure sufficient capacity from resources that are electrically located in New York City to cover a substantial percentage of the peak demands of their New York City customers. It also requires entities that serve customers in the Lower Hudson Valley and New York City customers that are served through the Lower Hudson Valley to procure sufficient capacity from resources electrically located in the Lower Hudson Valley. These requirements apply both to regulated utilities such as CECONY and O&R for the customers they supply under regulated tariffs and to companies that supply customers on market terms. To address the possibility of a disruption due to the unavailability of gas, generating units located in New York City that are capable of using either gas or oil as fuel may be required to use oil as fuel for certain periods and new generating units located in New York City are required to have dual fuel capability. RECO, O&R's New Jersey subsidiary, provides electric service in a portion of its service territory that has a different independent system operator – PJM Interconnection LLC (PJM). See "CECONY – Electric Operations – Electric Supply" and "O&R – Electric Operations – Electric Supply," below.

Competition
Distributed generation, such as solar energy production facilities, fuel cells and micro-turbines, provide alternative sources of energy for the Utilities' electric delivery customers, which typically remain connected to the utility's delivery system and pay a different rate. In addition, gas delivery customers have oil as an alternative, and
steam customers may have alternative sources of heating and cooling for their buildings. Micro-grids and community-based micro-grids enable distributed generation to serve multiple locations and multiple customers. Other distributed energy resources, such as energy storage, demand reduction and energy efficiency programs, provide alternatives for the Utilities' delivery customers to manage their energy usage. The following table shows the aggregate capacities of the distributed generation projects connected to the Utilities' distribution systems at the end of the last four years:

Technology	CECONY				O&R			
Total MW, except project number	**2014**	**2015**	**2016**	**2017**	**2014**	**2015**	**2016**	**2017**
Internal-combustion engines	101	103	104	108	1	1	2	2
Photovoltaic solar	58	95	135	178	28	46	63	75
Gas turbines	40	40	40	48	20	20	20	20
Micro turbines	9	10	10	14	1	1	1	1
Fuel cells	8	8	9	12	—	—	—	—
Steam turbines	3	3	4	6	—	—	—	—
Landfill	—	—	—	—	2	2	2	2
Total distribution-level distributed generation	219	259	302	366	52	70	88	100
Number of distributed generation projects	4,200	7,451	12,928	18,090	1,877	3,718	5,409	6,537

The Clean Energy Businesses participate in competitive renewable and energy infrastructure projects and energy products and services businesses that are subject to different risks than those found in the businesses of the Utilities. Con Edison Transmission invests in electric and gas transmission and gas storage projects, the current and prospective customers of which may have competitive alternatives.

The Utilities do not consider it reasonably likely that another company would be authorized to provide utility delivery service of electricity, natural gas or steam where the company already provides service. Any such other company would need to obtain NYSPSC consent, satisfy applicable local requirements, install facilities to provide the service, meet applicable services standards and charge customers comparable taxes and other fees and costs imposed on the service. A new delivery company would also be subject to extensive ongoing regulation by the NYSPSC. See "Utility Regulation – State Utility Regulation – Regulators," above.

The Utilities

CECONY

CECONY, incorporated in New York State in 1884, is a subsidiary of Con Edison and has no significant subsidiaries of its own. Its principal business segments are its regulated electric, gas and steam businesses.

For a discussion of the company's operating revenues and operating income for each segment, see "Results of Operations" in Item 7. For additional information about the segments, see Note N to the financial statements in Item 8.

Electric Operations

Electric Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $17,996 million and $17,234 million at December 31, 2017 and 2016, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $2,990 million and $2,963 million at December 31, 2017 and 2016, respectively, and for its portion of the steam-electric generation facilities, the costs for utility plant, net of accumulated depreciation, were $544 million and $479 million, at December 31, 2017 and 2016, respectively. See "CECONY – Steam Operations – Steam Facilities," below.

Distribution Facilities

CECONY owns 62 area distribution substations and various distribution facilities located throughout New York City and Westchester County. At December 31, 2017, the company's distribution system had a transformer capacity of 31,767 MVA, with 37,020 miles of overhead distribution lines and 97,564 miles of underground distribution lines. The underground distribution lines represent the single longest underground electric delivery system in the United States.

Transmission Facilities

The company's transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. At December 31, 2017, CECONY owned or jointly owned 555 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 749 miles of underground circuits operating at 69, 138 and 345 kV. The company's 39 transmission substations and 62 area stations are supplied by circuits operated at 69 kV and above. For information about transmission projects to address, among other things, reliability concerns associated with the scheduled closure of the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries) see "CECONY – Electric Operations – Electric Supply" and "Con Edison Transmission," below. CECONY's transmission facilities interconnect with those of National Grid, Central Hudson Gas & Electric Corporation, O&R, New York State Electric & Gas, Connecticut Light & Power Company, Long Island Power Authority, NYPA and Public Service Electric and Gas Company.

Generating Facilities

CECONY's electric generating facilities consist of plants located in Manhattan whose primary purpose is to produce steam for the company's steam business. The facilities have an electrical capacity of 732 MW. The company expects to have sufficient amounts of gas and fuel oil available in 2018 for use in these facilities.

Electric Sales and Deliveries

CECONY delivers electricity to its full-service customers who purchase electricity from the company. The company also delivers electricity to its customers who choose to purchase electricity from other suppliers (retail choice program). In addition, the company delivers electricity to state and municipal customers of NYPA.

The company charges all customers in its service area for the delivery of electricity. The company generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. CECONY's electric revenues are subject to a revenue decoupling mechanism. As a result, its electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. CECONY's electric sales and deliveries for the last five years were:

	Year Ended December 31,				
	2013	2014	2015	2016	2017
Electric Energy Delivered *(millions of kWh)*					
CECONY full service customers	20,118	19,757	20,206	19,886	**19,227**
Delivery service for retail choice customers	26,574	26,221	26,662	26,813	**26,136**
Delivery service to NYPA customers and others	10,226	10,325	10,147	10,046	**9,955**
Total Deliveries in Franchise Area	56,918	56,303	57,015	56,745	**55,318**
Electric Energy Delivered *($ in millions)*					
CECONY full service customers	$4,799	$5,023	$4,757	$4,404	**$4,348**
Delivery service for retail choice customers	2,683	2,646	2,714	2,768	**2,712**
Delivery service to NYPA customers and others	602	625	600	610	**623**
Other operating revenues	47	143	101	324	**289**
Total Deliveries in Franchise Area	$8,131	$8,437	$8,172	$8,106	**$7,972**
Average Revenue per kWh Sold *(Cents)*					
Residential	27.0	28.9	26.3	24.9	**25.3**
Commercial and Industrial	20.6	22.1	20.6	19.1	**19.7**

For further discussion of the company's electric operating revenues and its electric results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Electric Peak Demand

The electric peak demand in CECONY's service area occurs during the summer air conditioning season.The weather during the summer of 2017 was cooler than design conditions. CECONY's 2017 service area peak demand was 12,321 MW, which occurred on July 20, 2017. "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since NYISO-invoked demand reduction programs can be called upon under specific circumstances, design conditions do not include these programs' potential impact. However, the CECONY forecasted peak demand at design conditions does include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2018 service area peak demand will be 13,300 MW. The company forecasts an average annual growth in electric peak demand in its service area at design conditions over the next five years to be approximately 0.1 percent per year.

Electric Supply

Most of the electricity sold by CECONY to its full-service customers in 2017 was purchased under firm power contracts or through the wholesale electricity market administered by the NYISO. The company expects that these resources will again be adequate to meet the requirements of its customers in 2018. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts, purchased through the NYISO's wholesale electricity market, or generated from its electricity generating facilities. For information about the company's contracts for approximately 803 MW of electric generating capacity, see Notes I and O to the financial statements in Item 8. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases under these contracts and through the NYISO's wholesale electricity market.

CECONY owns generating stations in New York City associated primarily with its steam system. As of December 31, 2017, the generating stations had a combined electric capacity of approximately 732 MW, based on 2017 summer test ratings. For information about electric generating capacity owned by the company, see "Electric Operations – Electric Facilities – Generating Facilities," above.

In general, the Utilities recover their purchased power costs, including the cost of hedging purchase prices, pursuant to rate provisions approved by the state public utility regulatory authority having jurisdiction. See "Financial

and Commodity Market Risks – Commodity Price Risk" in Item 7 and "Recoverable Energy Costs" in Note A to the financial statements in Item 8. From time to time, certain parties have petitioned the NYSPSC to review these provisions, the elimination of which could have a material adverse effect on the Companies' financial position, results of operations or liquidity.

CECONY monitors the adequacy of the electric capacity resources and related developments in its service area, and works with other parties on long-term resource adequacy within the framework of the NYISO. In addition, the NYISO has adopted reliability rules that include obligations on transmission owners (such as CECONY) to construct facilities that may be needed for system reliability if the market does not solve a reliability need identified by the NYISO. See "New York Independent System Operator," above. In a July 1998 order, the NYSPSC indicated that it "agree(s) generally that CECONY need not plan on constructing new generation as the competitive market develops," but considers "overly broad" and did not adopt CECONY's request for a declaration that, solely with respect to providing generating capacity, it will no longer be required to engage in long-range planning to meet potential demand and, in particular, that it will no longer have the obligation to construct new generating facilities, regardless of the market price of capacity.

In November 2012, the NYSPSC directed CECONY to work with NYPA to develop a contingency plan to address reliability concerns associated with the potential closure of the nuclear power plant at the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries). In October 2013, the NYSPSC approved three transmission projects and several energy efficiency, demand reduction and combined heat and power programs to address concerns associated with the potential closure. The transmission projects were placed into service in May 2016. See "Con Edison Transmission," below. In February 2014, CECONY submitted to the NYSPSC the implementation plan for the energy efficiency, demand reduction and combined heat and power programs. In January 2017, New York State officials announced that, under an agreement reached with Entergy, one of the two nuclear reactors at Indian Point is scheduled to shut down by April 2020, while the other is scheduled to be closed a year later. On November 13, 2017, the NYISO indicated that Entergy completed its Generator Deactivation Notice for proposed retirements of the two nuclear reactors. On December 13, 2017, the NYISO completed its Deactivation Assessment of Indian Point pursuant to the requirements of its Open Access Transmission Tariff. It concluded that over its ten-year planning period, through 2027, there is no anticipated reliability need if the following three expected units finalize construction and enter service: Bayonne Energy Center II Uprate (Zone J, 120 MW); CPV Valley Energy Center (Zone G, 678 MW); and Cricket Valley Energy Center (Zone G, 1,020 MW). With these results, the NYISO states that Indian Point has satisfied the applicable requirements with respect to the Generator Deactivation Processes and may retire the units on or after the requested deactivation dates.

Gas Operations

Gas Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for gas facilities, which are primarily distribution facilities, were $6,403 million and $5,749 million at December 31, 2017 and 2016, respectively.

Natural gas is delivered by pipeline to CECONY at various points in or near its service territory and is distributed to customers by the company through an estimated 4,395 miles of mains and 371,236 service lines. The company owns a natural gas liquefaction facility and storage tank at its Astoria property in Queens, New York. The plant can store 1,062 MDt of which a maximum of about 240 MDt can be withdrawn per day. The company has about 1,226 MDt of additional natural gas storage capacity at a field in upstate New York, owned and operated by Honeoye Storage Corporation, a corporation 71.2 percent owned by CET Gas and 28.8 percent owned by CECONY.

Gas Sales and Deliveries

The company generally recovers the cost of the gas that it buys and then sells to its full-service customers. It does not make any margin or profit on the gas it sells. CECONY's gas revenues are subject to a weather normalization clause and a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. CECONY's gas sales and deliveries for the last five years were:

	Year Ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Gas Delivered *(MDt)*					
Firm Sales					
Full service	67,007	75,630	77,197	75,892	**83,005**
Firm transportation of customer-owned gas	61,139	68,731	72,864	68,442	**71,353**
Total Firm Sales	128,146	144,361	150,061	144,334	**154,358**
Interruptible Sales (a)	10,900	10,498	6,332	8,957	**7,553**
Total Gas Delivered to CECONY Customers	139,046	154,859	156,393	153,291	**161,911**
Transportation of customer-owned gas					
NYPA	48,682	47,548	44,038	43,101	**37,033**
Other (mainly generating plants and interruptible transportation)	87,379	105,012	104,857	109,000	**83,117**
Off-System Sales	4,638	15	389	—	**55**
Total Sales	279,745	307,434	305,677	305,392	**282,116**
Gas Delivered *($ in millions)*					
Firm Sales					
Full service	$1,059	$1,141	$956	$933	**$1,136**
Firm transportation of customer-owned gas	414	453	458	426	**524**
Total Firm Sales	1,473	1,594	1,414	1,359	**1,660**
Interruptible Sales	69	91	46	34	**35**
Total Gas Delivered to CECONY Customers	1,542	1,685	1,460	1,393	**1,695**
Transportation of customer-owned gas					
NYPA	2	2	2	2	**2**
Other (mainly generating plants and interruptible transportation)	71	70	54	57	**56**
Off-System Sales	18	—	1	—	**—**
Other operating revenues (mainly regulatory amortizations)	(17)	(36)	11	56	**148**
Total Sales	$1,616	$1,721	$1,528	$1,508	**$1,901**
Average Revenue per Dt Sold					
Residential	$18.52	$16.76	$13.91	$13.96	**$15.35**
General	$12.05	$12.38	$9.73	$9.47	**$10.86**

(a) Includes 5,362, 6,057, 1,229, 4,708 and 3,816 MDt for 2013, 2014, 2015, 2016 and 2017, respectively, which are also reflected in firm transportation and other.

For further discussion of the company's gas operating revenues and its gas results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Gas Peak Demand
The gas peak demand for firm sales customers in CECONY's service area occurs during the winter heating season.The peak day demand during the winter 2017/2018 (through January 31, 2018) occurred on January 6, 2018 when the demand reached 1,410 MDt. "Design weather" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2018/2019 service area peak day demand will be 1,565 MDt. The forecasted peak day demand at design conditions does not include gas used by interruptible gas customers including electric and steam generating stations. The company forecasts an average annual growth of the gas peak demand over the next five years at design conditions to be approximately 1.2 percent in its service area. The company is seeking to expand gas energy efficiency and demand response programs, develop programs to encourage alternatives to gas heating and has issued a request for proposals for non-pipeline solutions to an identified gas pipeline need. See "Utility Regulation – Reforming the Energy Vision," above.

Gas Supply
CECONY and O&R have combined their gas requirements, and contracts to meet those requirements, into a single portfolio. The combined portfolio is administered by, and related management services are provided by, CECONY (for itself and as agent for O&R) and costs are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note S to the financial statements in Item 8.

Charges from suppliers for the firm purchase of gas, which are based on formulas or indexes or are subject to negotiation, are generally designed to approximate market prices. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation from upstream points where gas has been purchased to the Utilities' distribution systems, and for upstream storage services. Charges under these transportation and storage contracts are approved by the FERC. The Utilities are required to pay certain fixed charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately $306 million in 2017, including $268 million for CECONY. See "Contractual Obligations," below. At December 31, 2017, the contracts were for various terms extending to 2020 for supply and 2038 for transportation and storage. During 2017, CECONY entered into four new transportation and storage contracts. In addition, the Utilities purchase gas on the spot market and contract for interruptible gas transportation. See "Recoverable Energy Costs" in Note A, Note P and Note S to the financial statements in Item 8.

Steam Operations

Steam Facilities
CECONY's capitalized costs for utility plant, net of accumulated depreciation, for steam facilities, including steam's portion of the steam-electric generation facilities, were $1,798 million and $1,882 million at December 31, 2017 and 2016, respectively. See "CECONY – Electric Operations – Electric Facilities," above.

CECONY generates steam at one steam-electric generating station and four steam-only generating stations and distributes steam to its customers through approximately 104 miles of transmission, distribution and service piping.

Steam Sales and Deliveries
CECONY's steam sales and deliveries for the last five years were:

	Year Ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Steam Sold *(MMlb)*					
General	547	594	538	465	**490**
Apartment house	6,181	6,574	6,272	5,792	**5,754**
Annual power	15,195	15,848	15,109	13,722	**13,166**
Total Steam Delivered to CECONY Customers	21,923	23,016	21,919	19,979	**19,410**
Steam Sold *($ in millions)*					
General	$31	$30	$29	$23	**$26**
Apartment house	187	180	176	148	**158**
Annual power	491	469	453	378	**392**
Other operating revenues	(26)	(51)	(29)	2	**19**
Total Steam Delivered to CECONY Customers	$683	$628	$629	$551	**$595**
Average Revenue per MMlb Sold	$32.34	$29.50	$30.02	$27.48	**$29.68**

For further discussion of the company's steam operating revenues and its steam results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Steam Peak Demand and Capacity
Demand for steam in CECONY's service area peaks during the winter heating season. The one-hour peak demand during the winter of 2017/2018 (through January 31, 2018) occurred on January 5, 2018 when the demand reached 7.9 MMlb per hour. "Design weather" for the steam system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company's estimate for the winter of 2018/2019 peak demand of its steam customers is about 9.0 MMlb per hour under design conditions. The company forecasts an average annual decrease in steam peak demand in its service area at design conditions over the next five years to be approximately 0.5 percent.

On December 31, 2017, the steam system was capable of delivering approximately 11.6 MMlb of steam per hour, and CECONY estimates that the system will have the same capability in the 2018/2019 winter.

Steam Supply
35 percent of the steam produced by CECONY in 2017 was supplied by the company's steam-only generating assets; 48 percent was produced by the company's steam-electric generating assets, where steam and electricity are primarily cogenerated; and 17 percent was purchased under an agreement with Brooklyn Navy Yard Cogeneration Partners L.P.

O&R
Electric Operations
Electric Facilities
O&R's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $963 million and $916 million at December 31, 2017 and 2016, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $220 million and $221 million at December 31, 2017 and 2016, respectively.

O&R and RECO own, in whole or in part, transmission and distribution facilities which include 532 circuit miles of transmission lines, 15 transmission substations, 62 distribution substations, 85,835 in-service line transformers, 3,743 pole miles of overhead distribution lines and 2,138 miles of underground distribution lines. O&R's transmission system is part of the NYISO system except that portions of RECO's system are located within the transmission area controlled by PJM.

Electric Sales and Deliveries
O&R delivers electricity to its full-service customers who purchase electricity from the company. The company also delivers electricity to its customers who purchase electricity from other suppliers through the company's retail choice program.

The company charges all customers in its service area for the delivery of electricity. O&R generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. O&R's New York electric revenues (which accounted for 76 percent of O&R's electric revenues in 2017) are subject to a revenue decoupling mechanism. As a result, O&R's New York electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism. O&R's electric sales and deliveries for the last five years were:

	Year Ended December 31,				
	2013	2014	2015	2016	2017
Electric Energy Delivered *(millions of kWh)*					
Total deliveries to O&R full service customers	2,555	2,429	2,499	2,555	**2,435**
Delivery service for retail choice customers	3,166	3,240	3,237	3,180	**2,976**
Total Deliveries In Franchise Area	5,721	5,669	5,736	5,735	**5,411**
Electric Energy Delivered *($ in millions)*					
Total deliveries to O&R full service customers	$427	$455	$441	$426	**$433**
Delivery service for retail choice customers	192	207	213	213	**201**
Other operating revenues	9	18	9	(2)	**8**
Total Deliveries In Franchise Area	$628	$680	$663	$637	**$642**
Average Revenue Per kWh Sold *(Cents)*					
Residential	18.1	20.3	19.2	18.4	**19.8**
Commercial and Industrial	14.8	16.8	15.4	14.3	**15.0**

For further discussion of the company's electric operating revenues and its electric results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Electric Peak Demand

The electric peak demand in O&R's service area occurs during the summer air conditioning season.The weather during the summer of 2017 was cooler than design conditions. O&R's 2017 service area peak demand was 1,410 MW, which occurred on June 13, 2017. "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the NYISO can invoke demand reduction programs under specific circumstances, design conditions do not include these programs' potential impact. However, the O&R forecasted peak demand at design conditions does include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2018 service area peak demand will be 1,620 MW. The company forecasts an average annual growth in electric peak demand in its service area at design conditions over the next five years to be flat every year.

Electric Supply

The electricity O&R sold to its full-service customers in 2017 was purchased under firm power contracts or through the wholesale electricity market. The company expects that these resources will again be adequate to meet the requirements of its customers in 2018. O&R does not own any electric generating capacity. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts or purchased through the wholesale electricity market. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases. For information about the company's contracts, see Note O to the financial statements in Item 8.

In general, the Utilities recover their purchased power costs, including the cost of hedging purchase prices, pursuant to rate provisions approved by the state public utility regulatory authority having jurisdiction. See "Financial and Commodity Market Risks – Commodity Price Risk," in Item 7 and "Recoverable Energy Costs" in Note A to the financial statements in Item 8. From time to time, certain parties have petitioned the NYSPSC to review these provisions, the elimination of which could have a material adverse effect on the Companies' financial position, results of operations or liquidity.

Gas Operations

Gas Facilities

O&R's capitalized costs for utility plant, net of accumulated depreciation for gas facilities, which are primarily distribution facilities, were $573 million and $536 million at December 31, 2017 and 2016, respectively. Natural gas is delivered by pipeline to O&R at various points in or near its service territory and is distributed to customers by the company through an estimated 1,876 miles of mains and 105,265 service lines.

Gas Sales and Deliveries
O&R generally recovers the cost of the gas that it buys and then sells to its full-service customers. It does not make any margin or profit on the gas it sells. O&R's gas revenues are subject to a weather normalization clause. O&R's New York gas revenues (which have accounted for substantially all of O&R's gas revenues) are subject to a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's gas sales and deliveries for the last five years were:

	Year Ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Gas Delivered *(MDt)*					
Firm Sales					
Full service	8,808	9,529	9,348	9,723	**10,480**
Firm transportation	12,062	12,592	11,752	10,381	**9,873**
Total Firm Sales	20,870	22,121	21,100	20,104	**20,353**
Interruptible Sales	4,118	4,216	4,205	3,853	**3,771**
Total Gas Delivered to O&R Customers	24,988	26,337	25,305	23,957	**24,124**
Transportation of customer-owned gas					
Sales for resale	885	945	906	867	**896**
Sales to electric generating stations	19	70	25	18	**9**
Off-System Sales	—	3	62	16	**6**
Total Sales	**25,892**	**27,355**	**26,298**	**24,858**	**25,035**

	Year Ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
Gas Delivered *($ in millions)*					
Firm Sales					
Full service	$115	$121	$91	$99	**$139**
Firm transportation	77	75	68	70	**74**
Total Firm Sales	192	196	159	169	**213**
Interruptible Sales	3	2	3	3	**7**
Total Gas Delivered to O&R Customers	195	198	162	172	**220**
Transportation of customer-owned gas					
Sales to electric generating stations	—	1	—	—	**—**
Other operating revenues	10	13	20	12	**12**
Total Sales	$205	$212	$182	$184	**$232**
Average Revenue Per Dt Sold					
Residential	$13.31	$13.01	$10.11	$10.71	**$13.86**
General	$11.53	$11.30	$8.24	$8.17	**$11.08**

For further discussion of the company's gas operating revenues and its gas results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Gas Peak Demand
The gas peak demand for firm sales customers in O&R's service area occurs during the winter heating season.The peak day demand during the winter 2017/2018 (through January 31, 2018) occurred on January 6, 2018 when the demand reached 211 MDt. "Design weather" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2018/2019 service area peak day demand will be 223 MDt. The forecasted peak day demand at design conditions does not include gas used by interruptible gas customers including electric generating stations. The company forecasts an average annual growth of the gas peak demand over the next five years at design conditions to be approximately 0.3 percent in its service area.

Gas Supply
O&R and CECONY have combined their gas requirements and purchase contracts to meet those requirements into a single portfolio. See "CECONY – Gas Operations – Gas Supply" above.

Clean Energy Businesses

Con Edison Development

Con Edison Development develops, owns and operates renewable and energy infrastructure projects. The company focuses its efforts on renewable electric production projects, and at the end of 2016 was the fifth largest owner of operating photovoltaic solar capacity in North America. The output of most of the projects is sold under long-term power purchase agreements (PPA) with utilities and municipalities. The following table shows the generating capacity (MW AC) of Con Edison Development's renewable electric production projects in operation at the end of the last five years:

Generating Capacity (MW AC)	2013	2014	2015	2016	2017
Renewable electric production projects	292	446	748	1,098	1,358

The following table provides information about the projects the company has in operation and/or in construction at December 31, 2017:

Project Name	Production Technology	Generating Capacity (a) (MW AC)	Purchased Power Agreement (PPA)Term (In Years) (b)	Actual/Expected In-Service Date (c)	Location (State)
Wholly owned projects					
Pilesgrove	Solar	18	(d)	2011	New Jersey
Flemington Solar	Solar	8	(d)	2011	New Jersey
Frenchtown I, II and III	Solar	14	(d)	2011-13	New Jersey
PA Solar	Solar	10		2012	Pennsylvania
California Solar 2 (e)	Solar	80	20	2014-16	California
Oak Tree Wind	Wind	20	20	2014	South Dakota
Texas Solar 3	Solar	6	25	2015	Texas
Texas Solar 5 (e)	Solar	95	25	2015	Texas
Campbell County Wind	Wind	95	30	2015	South Dakota
Texas Solar 7 (e)	Solar	106	25	2016	Texas
California Solar 3 (e)	Solar	110	20	2016	California
Adams Wind (e)	Wind	23	7	2016	Minnesota
Valley View (e)	Wind	10	14	2016	Minnesota
Coram (e)	Wind	102	16	2016	California
Upton County Solar (e)	Solar	158	25	2017	Texas
Panoche Valley (partial)	Solar	62	20	2017	California
Projects of less than 5 MW	Solar / Wind	30	Various	Various	Various
Jointly owned projects (e) (f)					
California Solar	Solar	55	25	2012-13	California
Mesquite Solar 1	Solar	83	20	2013	Arizona
Copper Mountain Solar 2	Solar	75	25	2013-15	Nevada
Copper Mountain Solar 3	Solar	128	20	2014-15	Nevada
Broken Bow II	Wind	38	25	2014	Nebraska
Texas Solar 4	Solar	32	25	2014	Texas
Total MW (AC) in Operation		**1,358**			
Panoche Valley (partial)	Solar	178	20	2018	California
Big Timber	Wind	25	25	2018	Montana
Total MW (AC) in Construction		**203**			
Total MW (AC), All Projects		**1,561**			

(a) Represents Con Edison Development's ownership interest in the project.
(b) Represents PPA contractual term or remaining term from Con Edison Development's date of acquisition.
(c) Represents Actual/Expected In-Service Date or Con Edison Development's date of acquisition.
(d) Solar Renewable Energy Credit hedges are in place, in lieu of PPAs, through 2021.
(e) Project has been pledged as security for debt financing.
(f) All of the jointly-owned projects are 50 percent owned, except for Texas Solar 4 (which is 80 percent owned). See Note Q to the financial statements in Item 8.

Con Edison Development's renewable electric production volumes generated for the twelve months ended December 31, 2017 compared with the 2016 period were:

	Millions of kWh Generated			
	For the Years Ended December 31,			
Description	**2017**	**2016**	**Variation**	**Percent Variation**
Renewable electric production projects				
Solar	2,158	1,565	593	37.9%
Wind	988	651	337	51.8%
Total	**3,146**	**2,216**	**930**	**42.0%**

In May 2017, Con Edison Development sold a development-stage solar electric production project for $11 million and agreed to perform engineering, procurement and construction for the project (see Note U to the financial statements in Item 8).

Con Edison Energy
Con Edison Energy provides services to manage the dispatch, fuel requirements and risk management activities for 7,040 MW of generating plants and merchant transmission in the northeastern United States owned by unrelated parties and manages energy supply assets leased from others. The company also provides wholesale hedging and risk management services to renewable electric production projects owned by Con Edison Development and Con Edison Solutions.

Con Edison Solutions
Con Edison Solutions provides energy-efficiency services to government and commercial customers. The services include the design and installation of lighting retrofits, high-efficiency heating, ventilating and air conditioning equipment and other energy saving technologies. The company is compensated for its services based primarily on the increased energy efficiency of the installed equipment over a multi-year period. Con Edison Solutions has won competitive solicitations for energy savings contracts with the United States Department of Energy and the United States Department of Defense, and a shared energy savings contract with the United States Postal Service. The company also develops, owns and operates behind-the-meter renewable energy projects, predominately in Massachusetts and New York, with an aggregate capacity of 45 MW (AC).

In September 2016, Con Edison Solutions sold its retail electric supply business to a subsidiary of Exelon Corporation for cash consideration of $235 million. In addition, Con Edison received $23 million in cash as a working capital adjustment in February 2017. The retail electric supply business primarily sold electricity to industrial, commercial and governmental customers in the northeastern United States and Texas and also sold electricity to residential and small commercial customers (mass retail market) in the northeastern United States. See Note U to the financial statements in Item 8. Con Edison Solutions' electricity sales for the last five years were:

	2013	2014	2015	2016	2017
Retail electric volumes sold *(millions of kWh)*	12,167	11,871	13,594	9,843	—

For information about the Clean Energy Businesses' results, see "Results of Operations" in Item 7 and Note N to the financial statements in Item 8.

Con Edison Transmission

CET Electric
CET Electric owns a 45.7 percent interest in New York Transco LLC (NY Transco). Affiliates of certain other New York transmission owners own the remaining interests.

NY Transco's existing projects include three (called the TOTS Projects) that the NYSPSC approved in October 2013 in its proceeding to address potential needs that could arise should the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries) no longer be able to operate. The TOTS Projects include the two projects that CECONY developed and transferred to the NY Transco (see Note U to the financial statements in Item 8) and one project that another regulated affiliate of NY Transco developed. See "CECONY – Electric Operations – Electric Supply," above.

In April 2015, FERC issued an order granting certain transmission incentives for NY Transco projects. In March 2016, the FERC approved a November 2015 settlement agreement that provides, in relation to the TOTS projects, for a 10 percent return on common equity (and/or 9.5 percent for capital costs in excess of $228 million incurred for initial commercial operation) and a maximum common equity ratio of 53 percent. The costs of the projects are allocated across New York State, with 63 percent to load serving entities in the CECONY and O&R service areas.

In December 2015, the NYSPSC issued an order in its competitive proceeding to select transmission projects that would relieve transmission congestion between upstate and downstate. The NYSPSC determined that there is a public policy need for new transmission to address the congestion, such as a project ($1,000 million estimated cost) proposed on behalf of NY Transco. This NY Transco project, would be developed, at least initially, by National Grid and NY Transco. The NYSPSC also directed certain developers, including NY Transco, to submit project(s) to the NYISO. The NYISO evaluated the submitted projects under its FERC-approved public policy planning process and, in October 2016, submitted its list of viable and sufficient projects (including the NY Transco project) to the NYSPSC for its determination as to whether the transmission need still exists. In January 2017, the NYSPSC found that the public policy need still exists, asking the NYISO to proceed with selection. The NYISO may select one or more of the viable and sufficient projects for development. In November 2017, FERC approved an August 2017 settlement agreement that provides for a 10.65 percent return on common equity (subject to a cost containment mechanism) and a maximum common equity ratio of 53 percent. Under the settlement agreement, the costs of the projects are allocated across New York State, with approximately 84 percent to load serving entities in the CECONY and O&R service areas. The cost of the project(s) selected by the NYISO would be recoverable through the NYISO's tariff.

CET Gas

CET Gas, through its subsidiaries, owns a 50 percent interest in Stagecoach Gas Services LLC (Stagecoach), a 71.2 percent interest in Honeoye Storage Corporation (Honeoye) and a 12.5 percent ownership interest in Mountain Valley Pipeline LLC (MVP). Stagecoach is a joint venture with a subsidiary of Crestwood Equity Partners LP (Crestwood) to own, operate and further develop a gas pipeline and storage business located in northern Pennsylvania and southern New York. Stagecoach provides services to its customers (including CECONY, see Note S to the financial statements in Item 8) through its 181 miles of pipe and 41 Bcf of storage capacity. Honeoye, in which CECONY owns the remaining interest, operates a gas storage facility in upstate New York. MVP is a joint venture with four other partners developing a proposed 300-mile gas transmission project in West Virginia and Virginia. In October 2017, FERC issued a Certificate of Public Convenience and Necessity for the Mountain Valley Pipeline. Environmental groups have filed a rehearing request with FERC and petitioned the U.S. Court of Appeals for the District of Columbia for review of the FERC's order issuing the certificate. In February 2018, the court denied their requests to stay commencement of construction until after these matters relating to the FERC's order had been decided. MVP has indicated that the project has an estimated total cost of $3,000 million to $3,500 million, and is targeted to be fully in-service during the fourth quarter of 2018. See Note S and Note U to the financial statements in Item 8.

For information about Con Edison Transmission's results, see "Results of Operations" in Item 7 and Note N to the financial statements in Item 8.

Capital Requirements and Resources

Capital Requirements

The following table contains the Companies' capital requirements for the years 2015 through 2017 and their current estimate of amounts for 2018 through 2020:

	Actual			Estimate		
(Millions of Dollars)	2015	2016	2017	2018	2019	2020
CECONY (a)(b)						
Electric	$1,658	$1,819	$1,905	$1,933	$1,868	$1,894
Gas	671	811	909	970	970	1,015
Steam	106	126	90	105	95	87
Sub-total	2,435	2,756	2,904	3,008	2,933	2,996
O&R						
Electric	114	114	128	139	146	137
Gas	46	52	61	62	56	53
Sub-total	160	166	189	201	202	190
Con Edison Transmission						
CET Electric	—	51	—	—	—	—
CET Gas	—	1,027	66	360	14	—
Sub-total	—	1,078	66	360	14	—
Clean Energy Businesses	823	1,235	447	400	400	400
Total capital expenditures	3,418	5,235	3,606	3,969	3,549	3,586
Retirement of long-term securities						
Con Edison – parent company	2	2	402	2	3	402
CECONY	350	650	—	1,200	475	350
O&R	143	79	4	55	62	—
Clean Energy Businesses	4	4	28	41	38	39
Total retirement of long-term securities	499	735	434	1,298	578	791
Total capital requirements	$3,917	$5,970	$4,040	$5,267	$4,127	$4,377

(a) CECONY's capital expenditures for environmental protection facilities and related studies were $224 million, $259 million and $381 million in 2015, 2016 and 2017, respectively, and are estimated to be $426 million in 2018.

(b) Amounts shown do not include amounts for the energy efficiency, demand reduction and combined heat and power programs.

The Utilities have an ongoing need to make substantial capital investments primarily to maintain the reliability of their electric, gas and steam delivery systems. Their estimated construction expenditures also reflect programs that will give customers greater control over their energy usage and bills, help integrate customers' new clean energy technologies into the Utilities' electric delivery systems and accelerate the replacement of leak-prone gas distribution mains and service lines.

Estimated capital expenditures for Con Edison Transmission primarily reflect planned investments in the MVP gas transmission project. Estimated capital expenditures for the Clean Energy Businesses primarily reflect planned investments in renewable electric production projects. Actual capital expenditures for Con Edison Transmission and the Clean Energy Businesses could increase or decrease significantly from the amounts estimated depending on opportunities.

Contractual Obligations

The following table summarizes the Companies' material obligations at December 31, 2017 to make payments pursuant to contracts. Long-term debt, capital lease obligations and other noncurrent liabilities are included on their balance sheets. Operating leases and electricity purchase agreements (for which undiscounted future annual payments are shown) are described in the notes to the financial statements.

		Payments Due by Period			
(Millions of Dollars)	Total	1 year or less	Years 2 & 3	Years 4 & 5	After 5 years
Long-term debt (Statement of Capitalization)					
CECONY	$13,386	$1,200	$825	$—	$11,361
O&R	666	55	62	—	549
Clean Energy Businesses	915	41	77	82	715
Parent	1,204	2	405	797	—
Interest on long-term debt (a)	13,314	734	1,258	1,179	10,143
Total long-term debt, including interest	29,485	2,032	2,627	2,058	22,768
Capital lease obligations (Note J)					
CECONY	1	1	—	—	—
Total capital lease obligations	1	1	—	—	—
Operating leases (Notes J and Q)					
CECONY	918	55	111	107	645
O&R	5	1	3	1	—
Clean Energy Businesses	133	7	12	13	101
Total operating leases	1,056	63	126	121	746
Purchase obligations					
Electricity purchase power agreements – Utilities (Note I)					
CECONY					
Energy	2,136	96	197	204	1,639
Capacity (b)	1,338	255	309	118	656
Total CECONY	3,474	351	506	322	2,295
O&R					
Energy and Capacity (b)	126	63	62	1	—
Total electricity and purchase power agreements – Utilities	3,600	414	568	323	2,295
Natural gas supply, transportation, and storage contracts – Utilities (c)					
CECONY					
Natural gas supply	227	186	41	—	—
Transportation and storage	3,197	260	588	545	1,804
Total CECONY	3,424	446	629	545	1,804
O&R					
Natural gas supply	35	28	7	—	—
Transportation and storage	486	40	89	83	274
Total O&R	521	68	96	83	274
Total natural gas supply, transportation and storage contracts	3,945	514	725	628	2,078
Other purchase obligations					
CECONY (d)	5,192	1,421	2,287	1,460	24
O&R (d)	300	88	99	50	63
Clean Energy Businesses (e)	243	204	33	3	3
Total other purchase obligations	5,735	1,713	2,419	1,513	90
Total	$43,822	$4,737	$6,465	$4,643	$27,977

(a) Includes interest on variable rate debt calculated at rates in effect at December 31, 2017.
(b) Included in these amounts is the cost of minimum quantities of energy that the company is obligated to purchase at both fixed and variable prices.
(c) Included in these amounts is the cost of minimum quantities of natural gas supply, transportation and storage that the Utilities are obligated to purchase at both fixed and variable prices.
(d) Amounts shown for other purchase obligations, which reflect capital and operations and maintenance costs incurred by the Utilities in running their day-to-day operations, were derived from the Utilities' purchasing system as the difference between the amounts authorized and the amounts paid (or vouchered to be paid) for each obligation. For many of these obligations, the Utilities are committed to purchase less than the amount authorized. Payments for the "Other Purchase Obligations" are generally assumed to be made ratably over the term of the obligations. The Utilities believe that unreasonable effort and expense would be involved to enable them to report their "Other Purchase Obligations" in a different manner.
(e) Amounts represent commitments to purchase minimum quantities of electric energy and capacity, renewable energy certificates, natural gas, natural gas pipeline capacity, energy efficiency services and construction services entered into by the Clean Energy Businesses.

The Companies' commitments to make payments in addition to these contractual commitments include their other liabilities reflected in their balance sheets, any funding obligations for their pension and other postretirement benefit plans, financial hedging activities, their collective bargaining agreements and Con Edison's guarantees of certain obligations of the Clean Energy Businesses and CET – Electric. See Notes E, F, O and "Guarantees" in Note H to the financial statements in Item 8.

Capital Resources

Con Edison is a holding company that operates only through its subsidiaries and has no material assets other than its interests in its subsidiaries. Con Edison finances its capital requirements primarily through internally-generated funds and the sale of its securities. Con Edison's ability to make payments on external borrowings and dividends on its common shares depends on receipt of dividends from its subsidiaries or proceeds from the sale of its securities or its interests in its subsidiaries. See "Con Edison's Ability To Pay Dividends Or Interest Depends On Dividends From Its Subsidiaries" in Item 1A.

For information about restrictions on the payment of dividends by the Utilities and significant debt covenants, see Note C to the financial statements in Item 8.

For information on the Companies' commercial paper program and revolving credit agreements with banks, see Note D to the financial statements in Item 8.

The Companies require access to the capital markets to fund capital requirements that are substantially in excess of available internally-generated funds. See "Capital Requirements," above and "The Companies Require Access to Capital Markets to Satisfy Funding Requirements" in Item 1A. Each of the Companies believes that it will continue to be able to access capital, although capital market conditions may affect the timing and cost of the Companies' financing activities. The Companies monitor the availability and costs of various forms of capital, and will seek to issue Con Edison common stock and other securities when it is necessary or advantageous to do so. For information about the Companies' long-term debt and short-term borrowing, see Notes C and D to the financial statements in Item 8.

Con Edison plans to meet its 2018 capital requirements through internally-generated funds and the issuance of securities. The company's plans include the issuance of between $1,300 million and $1,800 million of long-term debt at the Utilities, and the issuance of additional debt secured by its renewable electric production projects. The plans also include the issuance of up to $450 million of common equity in addition to equity under its dividend reinvestment, employee stock purchase and long term incentive plans. The plans do not reflect the provision to the Utilities' customers of any TCJA benefits that the NYSPSC and the NJBPU may require to be provided. See "Changes to Tax Laws Could Adversely Affect the Companies" in Item 1A, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

The Utilities finance their operations, capital requirements and payment of dividends to Con Edison from internally-generated funds, contributions of equity capital from Con Edison, if any, and external borrowings. See "Liquidity and Capital Resources" in Item 7.

In 2016, the NYSPSC authorized CECONY, through 2019, to issue up to $5,200 million of debt securities ($2,500 million of which the company had issued as of December 31, 2017). In 2017, the NYSPSC authorized O&R, through 2021, to issue up to $310 million of debt securities (none of which the company had issued as of December 31, 2017). The NYSPSC also authorized CECONY and O&R for such periods to issue up to $2,500 million and $150 million, respectively, of debt securities to refund existing debt securities. At December 31, 2017, the Utilities had not refunded any securities pursuant to this authorization.

The Clean Energy Businesses have financed their operations and capital requirements primarily with capital contributions and borrowings from Con Edison, internally-generated funds and external borrowings. Con Edison Transmission has financed its operations and capital requirements primarily with capital contributions and borrowings from Con Edison and internally-generated funds. See "Liquidity and Capital Resources" in Item 7.

For each of the Companies, the ratio of earnings to fixed charges (SEC basis) for the last five years was:

	Ratio of Earnings to Fixed Charges				
	2013	2014	2015	2016	2017
Con Edison	3.0 (a)	3.6	3.5	3.6	3.6
CECONY	3.7	3.8	3.6	3.6	3.7

(a) Reflects $95 million after-tax charge to earnings relating to Con Edison Development's LILO transactions that were terminated in 2013.

For each of the Companies, the common equity ratio for the last five years was:

	Common Equity Ratio (Percent of total capitalization)				
	2013	2014	2015	2016	2017
Con Edison	54.0	52.2	52.1	49.3	51.1
CECONY	53.8	50.9	51.4	49.5	50.8

At December 31, 2017, the credit ratings assigned by Moody's, S&P and Fitch to the senior unsecured debt and commercial paper of Con Edison, CECONY and O&R were as follows:

	Moody's	S&P	Fitch
Con Edison			
Senior Unsecured Debt	A3	BBB+	BBB+
Commercial Paper	P-2	A-2	F2
CECONY			
Senior Unsecured Debt	A2	A-	A-
Commercial Paper	P-1	A-2	F2
O&R			
Senior Unsecured Debt	A3	A-	A-
Commercial Paper	P-2	A-2	F2

Credit ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell or hold securities. A credit rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating. See "The Companies Require Access To Capital Markets To Satisfy Funding Requirements" and "Changes To Tax Laws Could Adversely Affect the Companies" in Item 1A.

CECONY has $636 million of tax-exempt debt for which the interest rates are to be determined pursuant to periodic auctions. Of this amount, $391 million is insured by Ambac Assurance Corporation and $245 million is insured by Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.). Credit rating agencies have withdrawn the ratings of these insurers. Subsequently, there have not been sufficient bids to determine the interest rates pursuant to auctions, and interest rates have been determined by reference to a variable rate index. The weighted average annual interest rate on this tax-exempt debt was 2.05 percent on December 31, 2017. The weighted average interest rate was 1.41 percent, 0.75 percent and 0.14 percent for the years 2017, 2016 and 2015, respectively. Under CECONY's current electric, gas and steam rate plans, variations in auction rate debt interest expense are reconciled to the levels set in rates.

Environmental Matters

Climate Change

As indicated by the Intergovernmental Panel on Climate Change, emissions of greenhouse gases (GHG), including carbon dioxide, are very likely changing the world's climate.

Climate change could affect customer demand for the Companies' energy services. It might also cause physical damage to the Companies' facilities and disruption of their operations due to more frequent and more extreme weather-related events. In late October 2012, Superstorm Sandy caused extensive damage to the Utilities' electric distribution system. Superstorm Sandy interrupted service to approximately 1.4 million of the Utilities' customers – more than four times the number of customers impacted by the Utilities' previous worst storm event (Hurricane Irene in 2011) and resulted in the Utilities incurring substantial response and restoration costs.

Based on the most recent data (2016) published by the U.S. Environmental Protection Agency (EPA), Con Edison estimates that its direct GHG emissions constitute less than 0.1 percent of the nation's GHG emissions. Con Edison's estimated emissions of GHG during the past five years were:

(Metric tons, *in millions* (a))	2013	2014	2015	2016	2017
CO2 equivalent emissions	3.4	3.2	3.2	3.1	3.0

(a) Estimated emissions for 2017 are based on preliminary data and are subject to third-party verification.

Con Edison's 50 percent decrease in direct GHG emissions (carbon dioxide, methane and sulfur hexafluoride) from the 2005 baseline (6.0 million metric tons) reflects the emission reductions resulting from equipment and repair projects, reduced steam demand, the increased use of natural gas in lieu of fuel oil at CECONY's steam production facilities as well as projects to reduce sulfur hexafluoride emissions and to replace gas distribution pipes.

CECONY has participated for several years in voluntary initiatives with the EPA to reduce its methane and sulfur hexafluoride emissions. The Utilities reduce methane emissions from the operation of their gas distribution systems through pipe maintenance and replacement programs, by operating system components at lower pressure and by introducing new technologies to prioritize leak repairs and to reduce losses when work is performed on operating assets. The Utilities reduce emissions of sulfur hexafluoride, which is used for arc suppression in substation circuit breakers and switches, by using improved technologies to locate and repair leaks and by replacing older equipment. The Utilities also actively promote energy efficiency and the use of renewable generation to help their customers' reduce their GHG emissions.

NYSERDA and New York utilities had been responsible for implementing the Energy Efficiency Portfolio Standard (EEPS) established by the NYSPSC through energy efficiency programs designed and managed by NYSERDA and the utilities and authorized by the NYSPSC. CECONY billed customers EEPS surcharges of approximately $103 million in 2015 and 2014 to fund these programs. EEPS authorization ended December 2015. Beginning January 2016, New York utilities have implemented Energy Efficiency Transition Implementation Plans (ETIPs) and are responsible for designing and managing their energy efficiency programs consistent with NYSPSC-approved, utility-specific program budgets and metrics. Effective January 2016, the utilities are recovering the costs of their ETIP programs from their customers primarily through NYSPSC-approved energy efficiency tracker surcharge mechanisms. The Utilities billed customers $99 million and $107 million in 2017 and 2016, respectively, through the tracker surcharge mechanism. Pursuant to CECONY's current electric rate plan, the company will supplement its existing ETIP programs with new energy efficiency, electric vehicle and system peak reduction programs, the cost of which will be reflected in base rates. See Note B to the financial statements in Item 8. The annual budgets of the existing and new programs are approximately $150 million and $208 million in 2018 and 2019, respectively.

Through the Utilities' energy-efficiency programs, customers reduced their annual energy use by approximately 1,578,000 MWh of electricity and 2,141,000 Dt of gas from the programs' inception in 2009 through 2017, resulting in their avoiding the release of approximately 1,162,000 short tons of GHG into the atmosphere in 2017. In addition, CECONY's other demand-side management programs assisted customers in reducing their annual energy use by approximately 345,000 MWh of electricity from the programs' inception in 2004 through 2017, resulting in their avoiding the release of approximately 195,000 short tons of GHG into the atmosphere in 2017.

Emissions are also avoided by renewable electric production facilities replacing fossil-fueled electric production facilities. NYSERDA has been responsible for implementing the renewable portfolio standard (RPS) established by the NYSPSC. NYSERDA has entered into long-term agreements with developers of large renewable electric production facilities and pays them premiums based on the facilities' electric output. These facilities sell their energy output in the wholesale energy market administered by the NYISO. As a result of the Utilities' participation in the NYISO wholesale markets, a portion of the Utilities' NYISO energy purchases are sourced from renewable electric production facilities. NYSERDA also has provided rebates to customers who installed eligible renewable electric production technologies. The electricity produced by such customer-sited renewables generation offsets the energy that the Utilities would otherwise have procured, thereby reducing the amount of electricity produced by non-renewable production facilities. The Utilities billed customers RPS surcharges of $19 million in 2016, (and approximately $697 million cumulatively from 2006) to fund these NYSERDA programs. In March 2016, NYSERDA reported that the statewide environmental benefits of having electricity generated by renewable production facilities from 2006 through 2015, as opposed to the State's "system-mix," amounts to approximately 6,700 tons of nitrogen oxides, 12,200 tons of sulfur dioxides and 6.4 million tons of carbon dioxide in reduced emissions over this time period. In January 2016, the NYSPSC approved a 10-year $5,300 million clean energy fund to be managed by NYSERDA under the NYSPSC's supervision. The clean energy fund has four portfolios: market development; innovation and research; NY Green Bank and NY Sun. The Utilities have eliminated the separate RPS tariff and now collect all clean energy fund surcharges through the system benefit charge (including previously authorized RPS, EEPS, Technology and Market Development collections and incremental clean energy fund collections to be collected from electric customers only). The Utilities billed customers clean energy fund surcharges of $298 million and $277 million in 2017 and 2016, respectively. For information about NYSPSC proceedings considering renewable generation see "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," above.

In June 2015, the New York State Energy Planning Board released its 2015 State Energy Plan. Under New York State law, any energy-related action or decision of State agencies must be reasonably consistent with the plan. The

plan reflects clean energy initiatives, including the REV proceeding, NYSERDA's clean energy fund and the following goals for New York State to meet by 2030: a 40 percent reduction in greenhouse gas emissions from 1990 levels; 50 percent of electric generation from renewable energy sources; and a 23 percent decrease in energy consumption in buildings from 2012 levels. For information about the NYSPSC's adoption of a clean energy standard to mandate achievement of the State Energy Plan's goals, see "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," above. Also, New York State and New York City have announced goals to reduce GHG emissions 80 percent below 1990 and 2005, respectively, levels by 2050.

In 2015, the United States Environmental Protection Agency (EPA) issued its Clean Power Plan to reduce carbon dioxide emissions from existing power plants 32 percent from 2005 levels by 2030. Under the Clean Power Plan, each state is required to submit for EPA approval a plan to reduce its emissions to specified rate-based or equivalent mass-based target levels (as determined in accordance with the Clean Power Plan) applicable to the state. For New York State, the emissions rate-based target level for 2030 is approximately 20 percent below its 2012 emissions rate. State plans may, among other things, include participation in regional cap-and-trade programs. In 2017, the EPA proposed to repeal its Clean Power Plan and issued an advanced notice of proposed rulemaking to solicit information as the EPA considers proposing a future rule.

CECONY is subject to carbon dioxide emissions regulations established by New York State under RGGI. The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, established a decreasing cap on carbon dioxide emissions resulting from the generation of electricity. Under RGGI, affected electric generators are required to obtain emission allowances to cover their carbon dioxide emissions, available primarily through auctions administered by participating states or a secondary market. CECONY has purchased sufficient allowances of 6.64 million short tons to meet its requirement for the most recent RGGI compliance period (2015-2017). CECONY will purchase RGGI allowances during the next compliance period (2018-2020) based on anticipated emissions, which are expected to be similar to past compliance periods.

The cost to comply with legislation, regulations or initiatives limiting the Companies' GHG emissions could be substantial.

Environmental Sustainability
Con Edison's sustainability strategy, as it relates to the environment, provides that the company seeks to reduce its environmental footprint by making effective use of natural resources to address the challenges of climate change and its impact on the company's business. As part of its strategy, the company seeks, among other things, to reduce direct and indirect emissions; enhance the efficiency of its water use; minimize its impact to natural ecosystems; focus on reducing, reusing and recycling to minimize consumption; and design its work in consideration of climate forecasts.

CECONY
Superfund
The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation costs, remediation costs and environmental damages. The sites as to which CECONY has been asserted to have liability under Superfund include its and its predecessor companies' former manufactured gas sites, its multi-purpose Astoria site, the Gowanus Canal site, the Newtown Creek site and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that the company has liability. For a further discussion of claims and possible claims against the company under Superfund, estimated liability accrued for Superfund claims and recovery from customers of site investigation and remediation costs, see Note G to the financial statements in Item 8.

Manufactured Gas Sites
CECONY and its predecessors formerly owned and operated manufactured gas plants at 51 sites (MGP Sites) in New York City and Westchester County. Many of these sites have been subdivided and are now owned by parties other than CECONY and have been redeveloped for other uses, including schools, residential and commercial developments and hospitals. The New York State Department of Environmental Conservation (NYSDEC) is requiring CECONY to investigate, and if necessary, develop and implement remediation programs for the sites, including any neighboring areas to which contamination may have migrated.

CECONY has started remedial investigations at all 51 MGP Sites. After investigations, no MGP impacts have been detected at all or portions of 15 sites, and the NYSDEC has issued No Further Action (NFA) letters for these sites.

Coal tar or other MGP-related contaminants have been detected at the remaining 36 sites. Remedial actions have been completed at all or portions of six sites and the NYSDEC has issued NFA letters for these sites. In addition, remedial actions have been completed by property owners at all or portions of three sites under the NYS Brownfield Cleanup Program and Certificates of Completion have been issued by the NYSDEC for these sites. Remedial design is ongoing for the remaining sites, however, the information as to the extent of contamination and scope of the remediation likely to be required for many of these sites is incomplete. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on MGP sites (other than the Astoria site which is discussed below) could range from $453 million to $2,110 million.

Astoria Site

CECONY is permitted by the NYSDEC to operate a hazardous waste storage facility on property owned by it in the Astoria section of Queens, New York. Portions of the property were formerly the location of a manufactured gas plant and also have been used or are being used for, among other things, electric generation operations, electric substation operations, the storage of fuel oil and liquefied natural gas and the maintenance and storage of electric equipment. As a condition of its NYSDEC permit, the company is required to investigate the property and, where environmental contamination is found and action is necessary, to remediate the contamination. The company's investigations are ongoing. The company has submitted to the NYSDEC and the New York State Department of Health reports and in the future will be submitting additional reports identifying the known areas of contamination. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on the property could range from $163 million to $503 million.

Gowanus Canal

In August 2009, CECONY received a notice of potential liability and request for information from the EPA about the operations of the company and its predecessors at sites adjacent to or near the 1.8 mile Gowanus Canal in Brooklyn, New York. In March 2010, the EPA added the Gowanus Canal to its National Priorities List of Superfund sites. The canal's adjacent waterfront is primarily commercial and industrial, currently consisting of concrete plants, warehouses and parking lots. The canal is near several residential neighborhoods. In September 2013, the EPA issued its record of decision for the site. The EPA concluded that there was significant contamination at the site, including polycyclic aromatic hydrocarbons, polychlorinated biphenyls (PCBs), pesticides, metals and volatile organic compounds. The EPA selected a remedy for the site that includes dredging and disposal of some contaminated sediments and stabilization and capping of contamination that will not be removed. The EPA estimated the cost of the selected remedy to be $506 million (and indicated the actual cost could be significantly higher or lower). The EPA has identified 39 potentially responsible parties (PRPs) with respect to the site, including CECONY (which the EPA indicated has facilities that may be a source of PCBs at the site). The EPA has ordered the PRPs, including CECONY, to coordinate and cooperate with each other to perform and/or fund the remedial design for the selected remedy, which current estimates indicate could cost approximately $68 million. CECONY is participating with other PRPs in an allocation process to determine each PRP's share of the liability for these remedial design costs. In June 2015, other Federal agencies and the NYSDEC notified the PRPs of their intent to perform a natural resource damage assessment for the site. CECONY is unable to estimate its exposure to liability for the Gowanus Canal site.

Newtown Creek

In June 2017, CECONY received a notice of potential liability from the EPA with respect to the Newtown Creek site that was listed in 2010 on the EPA's National Priorities List of Superfund sites. The EPA has identified 14 potentially responsible parties (PRPs) with respect to the site, including CECONY, and has indicated that it will notify the company as additional PRPs are identified and notified by the EPA. Newtown Creek and its tributaries (collectively, Newtown Creek) form a 3.8 mile border between Brooklyn and Queens, New York. Currently, the predominant land use around Newtown Creek includes industrial, petroleum, recycling, manufacturing and distribution facilities and warehouses. Other uses include trucking, concrete manufacture, transportation infrastructure and a wastewater treatment plant. Newtown Creek is near several residential neighborhoods. Six PRPs, not including CECONY, pursuant to an administrative settlement agreement and order on consent the EPA issued to them in 2011, have been performing a remedial investigation of the site. The EPA indicated that sampling events have shown the sediments in Newtown Creek to be contaminated with a wide variety of hazardous substances including PCBs, metals, pesticides, polycyclic aromatic hydrocarbons and volatile organic compounds. The EPA also indicated that it has reason to believe that hazardous substances have come to be released from CECONY facilities into Newtown Creek. The EPA's current schedule anticipates completion of a feasibility study for the site by late 2018 and issuance of its record of decision selecting a remedy for the site by late 2020. CECONY is unable to estimate its exposure to liability for the Newtown Creek site.

Other Superfund Sites

In September 2007, the NYSDEC demanded that the company investigate and remediate PCB contamination that may have migrated from a former CECONY service center facility in Flushing New York, into the adjacent Flushing River. In April 2008, the company and the NYSDEC entered into a consent order under which the company agreed to implement a NYSDEC-approved investigation program for the Flushing River and, if deemed necessary by the NYSDEC to protect human health and the environment, to implement a NYSDEC-approved remediation program for any PCB contamination in the river attributable to the site. In March 2011, the company submitted to the NYSDEC a report indicating that PCBs had migrated from the site to sediment in a portion of the river. In August 2013, the NYSDEC selected a remedy that requires the company to submit a remedial design report, remove contaminated sediment, restore the river bed with clean material, prepare a site management plan and implement institutional controls. The final remedial design was submitted to and approved by the NYSDEC in 2017. CECONY has since procured a contractor, obtained all necessary permits and initiated the work in January 2018. The company estimates that its undiscounted potential liability for the completion of the cleanup in Flushing River could range from $4 million to $6 million.

In the fourth quarter of 2016, CECONY and another utility responded to a reported dielectric fluid leak at a New Jersey marina on the Hudson River associated with one or two underwater transmission lines, the New Jersey portion of which is owned and operated by the other utility and the New York portion of which is owned and operated by CECONY. During the third quarter of 2017, after the marina owner had cleared substantial debris from its collapsed pier, a dielectric fluid leak was found and repaired on one of the underwater transmission lines. In the fourth quarter of 2017, sediment regrading was completed in underwater areas of the marina that had been disturbed during the leak search and repair efforts. It also was discovered that the marina owner had previously placed substantial rip rap material over and in the vicinity of the feeders in an attempt to shore up its failing pier. The marina owner has now removed a portion of this material. In the first quarter of 2018, it is anticipated that CECONY and the other utility will continue their efforts to release residual dielectric fluid that may be trapped in the bottom of the marina. Monitoring also will be conducted to evaluate whether any further action is necessary. CECONY expects that, consistent with the cost allocation provisions of their prior arrangements for the transmission lines, the costs to respond to the incident and repair the line, net of any recovery from the marina owner, will be shared by CECONY and the other utility. At December 31, 2017, the response and repair costs amounted to approximately $39 million, including those costs incurred by CECONY and those costs which the company has been notified have been incurred by the other utility and the U.S. Coast Guard.

In May 2017, a transformer failure at a CECONY substation discharged thousands of gallons of transformer oil into the soil. Some of the transformer oil, which contained small amounts of PCBs, leaked into the East River. The company, the U.S. Coast Guard, the NYSDEC and other agencies responded to the incident. The company has replaced the transformer, and is continuing to remediate and monitor the site, the costs of which are not expected to have a material adverse effect on its financial condition, results of operations or liquidity. In connection with the incident, the company may incur monetary sanctions of more than $0.1 million for violations of certain provisions regulating the discharge of materials into, and for the protection of, the environment.

CECONY is a PRP at additional Superfund sites involving other PRPs and participates in PRP groups at those sites. The company generally is not managing the site investigation and remediation at these multiparty sites. Work at these sites is in various stages, and investigation, remediation and monitoring activities at some of these sites can be expected to continue over extended periods of time. The company believes that it is unlikely that monetary sanctions, such as penalties, will be imposed by any governmental authority with respect to these sites.

The following table lists each of the additional Superfund sites for which the company anticipates it may have liability. The table also shows for each such site its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities for the site (shown in the table under “Start”), the name of the court or agency in which proceedings for the site are pending and CECONY’s estimated percentage of the total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages in aggregate for the sites below is less than $2 million. Superfund liability is joint and several. The company’s estimate of its liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company’s actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Cortese Landfill	Narrowsburg, NY	1987	EPA	6.0%
Curcio Scrap Metal	Saddle Brook, NJ	1987	EPA	100.0%
Metal Bank of America	Philadelphia, PA	1987	EPA	1.0%
Global Landfill	Old Bridge, NJ	1988	EPA	0.4%
Borne Chemical	Elizabeth, NJ	1997	NJDEP	0.7%

O&R

Superfund

The sites at which O&R has been asserted to have liability under Superfund include its manufactured gas sites and the Superfund sites discussed below. There may be additional sites as to which assertions will be made that O&R has liability. For a further discussion of claims and possible claims against O&R under Superfund, see Note G to the financial statements in Item 8.

Manufactured Gas Sites

O&R and its predecessors formerly owned and operated manufactured gas plants at seven sites (O&R MGP Sites) in Orange County and Rockland County, New York. Three of these sites are now owned by parties other than O&R, and have been redeveloped by them for residential, commercial or industrial uses. The NYSDEC is requiring O&R to develop and implement remediation programs for the O&R MGP Sites including any neighboring areas to which contamination may have migrated.

O&R has completed remedial investigations at all seven of its MGP sites and has received the NYSDEC's decision regarding the remedial work to be performed at six of the sites. Of the six sites, O&R has completed remediation at four sites. Remedial design is ongoing for the remaining two sites. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on MGP sites could range from $100 million to $156 million.

Superfund Sites

O&R is a PRP at Superfund sites involving other PRPs, and participates in PRP groups at those sites. The company is not managing the site investigation and remediation at these multiparty Superfund sites. Work at these sites is in various stages, and investigation, remediation and monitoring activities at some of these sites is expected to continue over extended periods of time. The company believes that it is unlikely that monetary sanctions, such as penalties, will be imposed by any governmental authority with respect to these sites.

The following table lists each of the Superfund sites for which the company anticipates it may have liability. The table also shows for each such site its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities for the site (shown in the table under "Start"), the name of the court or agency in which proceedings for the site are pending and O&R's estimated percentage of the total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages in aggregate for the sites below is less than $1 million. Superfund liability is joint and several. The company's estimate of its liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company's actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Metal Bank of America	Philadelphia, PA	1993	EPA	4.6%
Borne Chemical	Elizabeth, NJ	1997	NJDEP	2.3%
Ellis Road	Jacksonville, FL	2011	EPA	0.2%

Other Federal, State and Local Environmental Provisions

Toxic Substances Control Act

Virtually all electric utilities, including CECONY, own equipment containing PCBs. PCBs are regulated under the Federal Toxic Substances Control Act of 1976. The Utilities have procedures in place to manage and dispose of oil and equipment containing PCBs properly when they are removed from service.

Water Quality

Under NYSDEC regulations, the operation of CECONY's generating facilities requires permits for water discharges and water withdrawals. Conditions to the renewal of such permits may include limitations on the operations of the permitted facility or requirements to install certain equipment, the cost of which could be substantial. For information about the company's generating facilities, see "CECONY – Electric Operations – Electric Facilities" and "Steam Operations – Steam Facilities" above in this Item 1.

Certain governmental authorities are investigating contamination in the Hudson River and the New York Harbor. These waters run through portions of CECONY's service area. Governmental authorities could require entities that released hazardous substances that contaminated these waters to bear the cost of investigation and remediation, which could be substantial.

Air Quality

Under new source review regulations, an owner of a large generating facility, including CECONY's steam and steam-electric generating facilities, is required to obtain a permit before making modifications to the facility, other than routine maintenance, repair, or replacement, that increase emissions of pollutants from the facility above specified thresholds. To obtain a permit, the facility owner could be required to install additional pollution controls or otherwise limit emissions from the facility. The company reviews on an on-going basis its planned modifications to its generating facilities to determine the potential applicability of new source review and similar regulations.

The EPA's Transport Rule (also referred to as the Cross-State Air Pollution Rule), which was implemented in January 2015, established a new cap and trade program requiring further reductions in air emissions than the Clean Air Intrastate Rule (CAIR) that it replaced. Under the Transport Rule, utilities are to be allocated emissions allowances and may sell the allowances or buy additional allowances. CECONY requested and received NYSPSC approval to change the provisions under which the company recovers its purchased power costs to provide for costs incurred to purchase emissions allowances and revenues received from the sale of allowances. CECONY complied with the Transport Rule in 2017 and expects to comply with the rule in 2018. If changes to the Transport Rule that have been proposed are adopted, the number of allowances allocated to CECONY would decrease and the company would be required to purchase allowances to offset the decreased allocation.

State Anti-Takeover Law

New York State law provides that a "domestic corporation," such as Con Edison, may not consummate a merger, consolidation or similar transaction with the beneficial owner of a 20 percent or greater voting stock interest in the corporation, or with an affiliate of the owner, for five years after the acquisition of the voting stock interest, unless the transaction or the acquisition of the voting stock interest was approved by the corporation's board of directors prior to the acquisition of the voting stock interest. After the expiration of the five-year period, the transaction may be consummated only pursuant to a stringent "fair price" formula or with the approval of a majority of the disinterested stockholders.

Employees

At December 31, 2017, Con Edison had no employees other than those of CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission (which had 14,010, 1,216, 356 and 9 employees, respectively). Of the CECONY and O&R employees, 8,267 and 627 employees, respectively, were represented by a collective bargaining unit. The collective bargaining agreement covering most of these CECONY employees expires in June 2020. Agreements covering other CECONY employees and O&R employees expire in June 2021 and May 2019, respectively.

Available Information

For the sources of information about the Companies, see "Available Information" in the "Introduction" appearing before this Item 1.

Item 1A: Risk Factors

Information in any item of this report as to which reference is made in this Item 1A is incorporated by reference herein. The use of such terms as "see" or "refer to" shall be deemed to incorporate at the place such term is used the information to which such reference is made.

The Companies' businesses are influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition.

The Companies have established an enterprise risk management program to identify, assess, manage and monitor its major business risks based on established criteria for the severity of an event, the likelihood of its occurrence, and the programs in place to control the event or reduce the impact. The Companies' major risks include:

Regulatory/Compliance Risks:

The Companies Are Extensively Regulated And Are Subject To Penalties. The Companies' operations require numerous permits, approvals and certificates from various federal, state and local governmental agencies. State utility regulators may seek to impose substantial penalties on the Utilities for violations of state utility laws, regulations or orders. In addition, the Utilities' rate plans usually include penalties for failing to meet certain operating and customer satisfaction standards. See Note B to the financial statements in Item 8. FERC has the authority to impose penalties on the Utilities and the Clean Energy Businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability and cyber security rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. The Companies may also be subject to penalties from other regulatory agencies. The Companies may be subject to new laws, regulations or other requirements or the revision or reinterpretation of such requirements, which could adversely affect them. In April 2014, the NYSPSC instituted its REV proceeding to improve system efficiency and reliability, encourage renewable energy resources, support distributed energy resources and empower customer choice. See "Utility Regulation" and "Environmental Matters – Climate Change and Other Federal, State and Local Environmental Provisions" in Item 1 and "Application of Critical Accounting Policies" in Item 7.

The Utilities' Rate Plans May Not Provide A Reasonable Return. The Utilities have rate plans approved by state utility regulators that limit the rates they can charge their customers. The rates are generally designed for, but do not guarantee, the recovery of the Utilities' cost of service (including a return on equity). See "Utility Regulation – State Utility Regulation – Rate Plans" in Item 1 and "Rate Plans" in Note B to the financial statements in Item 8. Rates usually may not be changed during the specified terms of the rate plans other than to recover energy costs and limited other exceptions. The Utilities' actual costs may exceed levels provided for such costs in the rate plans. State utility regulators can initiate proceedings to prohibit the Utilities from recovering from their customers the cost of service (including energy costs) that the regulators determine to have been imprudently incurred (see "Other Regulatory Matters" in Note B to the financial statements in Item 8). The Utilities have from time to time entered into settlement agreements to resolve various prudence proceedings.

The Companies May Be Adversely Affected By Changes To The Utilities' Rate Plans. The Utilities' rate plans typically require action by regulators at their expiration dates, which may include approval of new plans with different provisions. The need to recover from customers increasing costs, taxes or state-mandated assessments or surcharges could adversely affect the Utilities' opportunity to obtain new rate plans that provide a reasonable rate of return and continue important provisions of current rate plans. The Utilities' current New York electric and gas rate plans include revenue decoupling mechanisms and their New York electric, gas and steam rate plans include provisions for the recovery of energy costs and reconciliation of the actual amount of pension and other postretirement, environmental and certain other costs to amounts reflected in rates. See "Rate Plans" and "Other Regulatory Matters" in Note B to the financial statements in Item 8.

The Intentional Misconduct of Employees or Contractors Could Adversely Affect the Companies. The violation of laws or regulations by employees or contractors for personal gain may result from contract and procurement fraud, extortion, bribe acceptance, fraudulent related-party transactions and serious breaches of corporate policy or standards of business conduct. Such intentional misconduct by employees or contractors could result in substantial liability, higher costs and increased regulatory requirements. See "Employees" in Item 1.

Operations Risks:

The Failure of, or Damage to, the Companies' Facilities Could Adversely Affect the Companies. The Utilities provide electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. See the description of the Utilities' facilities in Item 1. A failure of, or damage to, these facilities, or an error in the operation or maintenance of these facilities, could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. A natural disaster such as a major storm, a heat wave or hurricane could damage facilities and the Utilities may experience more severe consequences from attempting to operate during and after such events. The Utilities' response to such events may be perceived to be below customer expectations. The Utilities could be required to pay substantial amounts that may not be covered by the Utilities' insurance policies to repair or replace their facilities, compensate others for injury or death or other damage and settle any proceedings initiated by state utility regulators or other regulatory agencies. The occurrence of such events could also adversely affect the cost and availability of insurance. See "Other Regulatory Matters" in Note B and "Manhattan Explosion and Fire" in Note H to the financial statements in Item 8. Changes to laws, regulations or judicial doctrines could further expand the Utilities' liability for service interruptions. See "Utility Regulation – State Utility Regulation" and "Environmental Matters" in Item 1.

A Cyber Attack Could Adversely Affect the Companies. The Companies and other operators of critical energy infrastructure and energy market participants face a heightened risk of cyber attack. Cyber attacks may include hacking, viruses, malware, denial of service attacks, ransomware or other data security breaches. The U.S. Department of Energy's Quadrennial Energy Review, issued in January 2017, indicated that cyber threats to the electricity system are increasing in sophistication, magnitude and frequency. The Companies' businesses require the continued operation of information systems and network infrastructure. See Item 1 for a description of the businesses of the Utilities, the Clean Energy Businesses and Con Edison Transmission. Interconnectivity with customers, independent system operators, energy traders and other energy market participants, suppliers, contractors and others exposes the Companies' information systems and network infrastructure to an increased risk of cyber attack and increases the risk that a cyber attack on the Companies could affect others. In the event of a cyber attack that the Companies were unable to defend against or mitigate, the Companies could have their operations and the operations of their customers and others disrupted. The Companies could also have their financial and other information systems and network infrastructure impaired, property damaged and customer and employee information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased regulation, litigation and damage to their reputation. The Companies have experienced cyber attacks, although none of the attacks had a material impact.

Environmental Risks:

The Companies Are Exposed to Risks From The Environmental Consequences Of Their Operations. The Companies are exposed to risks relating to climate change and related matters. See "Environmental Matters – Climate Change" in Item 1. CECONY may also be impacted by regulations requiring reductions in air emissions. See "Environmental Matters – Other Federal, State and Local Environmental Provisions – Air Quality" in Item 1. In addition, the Utilities are responsible for hazardous substances, such as asbestos, PCBs and coal tar, that have been used or produced in the course of the Utilities' operations and are present on properties or in facilities and equipment currently or previously owned by them. See "Environmental Matters" in Item 1 and Note G to the financial statements in Item 8. The Companies could be adversely affected if a causal relationship between electric and magnetic fields and adverse health effects were to be established.

Financial and Market Risks:

A Disruption In The Wholesale Energy Markets Or Failure By An Energy Supplier Could Adversely Affect The Companies. Almost all the electricity and gas the Utilities sell to their full-service customers is purchased through the wholesale energy markets or pursuant to contracts with energy suppliers. See the description of the Utilities' energy supply in Item 1. A disruption in the wholesale energy markets or a failure on the part of the Utilities' energy suppliers or operators of energy delivery systems that connect to the Utilities' energy facilities could adversely affect their ability to meet their customers' energy needs and adversely affect the Companies. In addition, see "Financial and Commodity Market Risks" in Item 7.

The Companies Have Substantial Unfunded Pension And Other Postretirement Benefit Liabilities. The Utilities have substantial unfunded pension and other postretirement benefit liabilities. The Utilities expect to make substantial contributions to their pension and other postretirement benefit plans. Significant declines in the market values of the investments held to fund pension and other postretirement benefits could trigger substantial funding requirements under governmental regulations. See "Application of Critical Accounting Policies – Accounting for Pensions and Other Postretirement Benefits" and "Financial and Commodity Market Risks" in Item 7 and Notes E and F to the financial statements in Item 8.

Con Edison's Ability To Pay Dividends Or Interest Depends On Dividends From Its Subsidiaries. Con Edison's ability to pay dividends on its common stock or interest on its external borrowings depends primarily on the dividends and other distributions it receives from its subsidiaries. The dividends that the Utilities may pay to Con Edison are limited by the NYSPSC to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis, with certain exceptions. See "Dividends" in Note C to the financial statements in Item 8.

The Companies Require Access To Capital Markets To Satisfy Funding Requirements. The Utilities estimate that their construction expenditures will exceed $9,500 million over the next three years. The Utilities use internally-generated funds, equity contributions from Con Edison, if any, and external borrowings to fund the construction expenditures. The Clean Energy Businesses and Con Edison Transmission are investing in renewable generation and energy infrastructure projects that require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds and the sale of its securities. Changes in financial market conditions or in the Companies' credit ratings could adversely affect their ability to raise new capital and the cost thereof. See "Capital Requirements and Resources" in Item 1.

Changes To Tax Laws Could Adversely Affect the Companies. Changes to tax laws, regulations or interpretations thereof could have a material adverse impact on the Companies. The reduction in the federal corporate income tax rate to 21 percent under the TCJA is expected to result in decreased cash flows from operating activities, and require increased cash flows from financing activities, for the Utilities as and when rates the Utilities charge their customers are adjusted to reflect the reduction. Depending on the extent of these changes in cash flows, the changes could adversely impact the Companies' credit ratings. See "Capital Requirements and Resources – Capital Resources" in Item 1, "Liquidity and Capital Resources – Cash Flows from Operating Activities" in Item 7, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

Other Risks:
The Companies' Strategies May Not Be Effective To Address Changes In The External Business Environment. The failure to identify, plan and execute strategies to address changes in the external business environment could have a material adverse impact on the Companies. Con Edison seeks to provide shareholder value through continued dividend growth, supported by earnings growth in regulated utilities and contracted assets. Changes to public policy, laws or regulations (or interpretations thereof), customer behavior or technology could significantly impact the value of the Utilities' energy delivery facilities, the Clean Energy Businesses' renewable and energy infrastructure projects and Con Edison Transmission's investment in electric and gas transmission projects. Such changes could also affect the Companies' opportunities to make additional investments in such assets and the potential return on the investments. See "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," and "Competition" in Item 1.

The Companies Also Face Other Risks That Are Beyond Their Control. The Companies' results of operations can be affected by circumstances or events that are beyond their control. Weather directly influences the demand for electricity, gas and steam service, and can affect the price of energy commodities. Terrorist or other physical attacks or acts of war could damage Company facilities. Economic conditions can affect customers' demand and ability to pay for service, which could adversely affect the Companies.

Item 1B: Unresolved Staff Comments

Con Edison
Con Edison has no unresolved comments from the SEC staff.

CECONY
CECONY has no unresolved comments from the SEC staff.

Item 2: Properties

Con Edison
Con Edison has no significant properties other than those of the Utilities, the Clean Energy Businesses and Con Edison Transmission.

For information about the capitalized cost of the Companies' utility plant, net of accumulated depreciation, see "Plant and Depreciation" in Note A to the financial statements in Item 8 (which information is incorporated herein by reference).

CECONY
For a discussion of CECONY's electric, gas and steam facilities, see "CECONY – Electric Operations – Electric Facilities," "CECONY – Gas Operations – Gas Facilities" and "CECONY – Steam Operations – Steam Facilities" in Item 1 (which information is incorporated herein by reference).

O&R
For a discussion of O&R's electric and gas facilities, see "O&R – Electric Operations – Electric Facilities" and "O&R – Gas Operations – Gas Facilities" in Item 1 (which information is incorporated herein by reference).

Clean Energy Businesses
For a discussion of the Clean Energy Businesses' facilities, see "Clean Energy Businesses" in Item 1 (which information is incorporated herein by reference).

Con Edison Transmission

Con Edison Transmission has no properties. Con Edison Transmission has ownership interests in electric and gas transmission companies. For information about these companies, see "Con Edison Transmission" in Item 1 (which information is incorporated herein by reference).

Item 3: Legal Proceedings

For information about certain legal proceedings affecting the Companies, see “Other Regulatory Matters” in Note B, “Superfund Sites” and “Asbestos Proceedings” in Note G and “Manhattan Explosion and Fire” in Note H to the financial statements in Item 8 and “Environmental Matters – CECONY – Superfund” and “Environmental Matters – O&R – Superfund” in Item 1 of this report, which information is incorporated herein by reference.

Item 4: Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following table sets forth certain information about the executive officers of Con Edison as of February 15, 2018. The term of office of each officer, is until the next election of directors (trustees) of their company and until his or her successor is chosen and qualifies. Officers are subject to removal at any time by the board of directors (trustees) of their company.

Name	Age	Offices and Positions During Past Five Years
John McAvoy	57	5/14 to present – Chairman of the Board, President and Chief Executive Officer and Director of Con Edison and Chairman, Chief Executive Officer and Trustee of CECONY
		12/13 to 4/14 – President and Chief Executive Officer and Director of Con Edison and Chief Executive Officer and Trustee of CECONY
		1/13 to 11/13 – President and Chief Executive Officer of O&R
Robert Hoglund	56	9/05 to present – Senior Vice President and Chief Financial Officer of Con Edison and CECONY
Timothy P. Cawley	53	1/18 to present – President of CECONY
		12/13 to 12/17 – President and Chief Executive Officer of O&R
		11/13 – Senior Vice President of CECONY
		12/12 to 10/13 – Senior Vice President – Central Operations of CECONY
Robert Sanchez	52	12/17 to present – President and Chief Executive Officer of O&R
		11/17 – Senior Vice President of CECONY
		9/16 to 10/17 – Senior Vice President – Corporate Shared Services of CECONY
		9/14 to 8/16 – Vice President – Brooklyn & Queens Electric Operations of CECONY
		5/11 to 8/14 – Vice President – System & Transmission Operations of CECONY
Mark Noyes	53	12/16 to present – President and Chief Executive Officer of Con Edison Clean Energy Businesses, Inc.
		5/16 to present – President and Chief Executive Officer of Con Edison Solutions
		10/15 to present – President and Chief Executive Officer of Con Edison Development and Con Edison Energy
		10/14 to 9/15 – Senior Vice President and Chief Operating Officer of Con Edison Development and Con Edison Energy
		3/09 to 9/14 – Vice President of Con Edison Development
Joseph P. Oates	56	9/16 to present – President and Chief Executive Officer of Con Edison Transmission, Inc.
		1/16 to 8/16 – President of Con Edison Transmission, Inc.
		9/15 to 8/16 – Senior Vice President – Corporate Shared Services of CECONY
		9/12 to 8/15 – Senior Vice President – Business Shared Services of CECONY
Elizabeth D. Moore	63	5/13 to present – Senior Vice President and General Counsel of Con Edison and CECONY
		5/09 to 4/13 – General Counsel of Con Edison and CECONY
Frances A. Resheske	57	2/02 to present – Senior Vice President – Corporate Affairs (formerly known as Public Affairs) of CECONY
Mary E. Kelly	49	11/17 to present – Senior Vice President – Corporate Shared Services of CECONY
		1/16 to 10/17 – Vice President – Gas Engineering
		1/14 to 12/15 – Vice President – Construction
		5/09 to 12/14 – General Manager – Construction
Saumil P. Shukla	58	9/15 to present – Senior Vice President – Utility Shared Services of CECONY
		10/14 to 8/15 – Vice President – Supply Chain (Shared Services)
		9/07 to 9/14 – Vice President – Steam Operations of CECONY
Robert Muccilo	61	7/09 to present – Vice President and Controller of Con Edison and CECONY
		11/09 to present – Chief Financial Officer and Controller of O&R
Yukari Saegusa	50	9/16 to present – Treasurer of Con Edison and CECONY
		8/16 to present – Vice President of Con Edison and CECONY
		8/13 to present – Treasurer of O&R
		3/13 to 7/16 – Director of Corporate Finance of CECONY
		12/08 to 3/13 – Managing Director, Debt Capital Markets at Barclays Capital
Gurudatta Nadkarni	52	1/08 to present – Vice President of Strategic Planning of CECONY

Part II

Item 5: Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Con Edison

Con Edison's Common Shares ($.10 par value), the only class of common equity of Con Edison, are traded on the New York Stock Exchange. As of January 31, 2018, there were 44,765 holders of record of Con Edison's Common Shares.

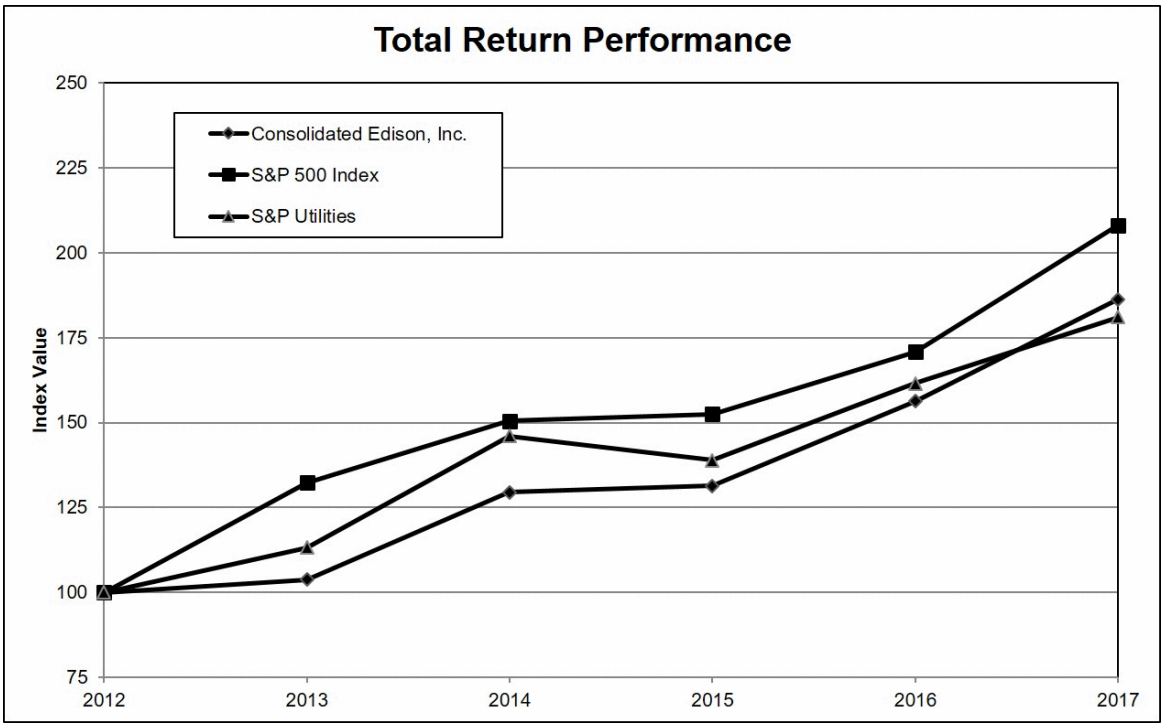
The market price range for Con Edison's Common Shares during 2016 and 2017, as reported in the consolidated reporting system, and the dividends paid by Con Edison in 2016 and 2017 were as follows:

	2016			2017		
	High	Low	Dividends Paid	High	Low	Dividends Paid
1st Quarter	$77.02	$63.47	$0.67	$78.98	$72.13	$0.69
2nd Quarter	$80.44	$70.31	$0.67	$85.13	$77.14	$0.69
3rd Quarter	$81.88	$72.93	$0.67	$86.16	$80.02	$0.69
4th Quarter	$76.03	$68.76	$0.67	$89.70	$80.26	$0.69

On January 18, 2018, Con Edison declared a quarterly dividend of 71.5 cents per Common Share. The first quarter 2018 dividend will be paid on March 15, 2018.

Con Edison expects to pay dividends to its shareholders primarily from dividends and other distributions it receives from its subsidiaries. The payment of future dividends is subject to approval and declaration by Con Edison's Board of Directors and will depend on a variety of factors including business, financial and regulatory considerations. For additional information, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

During 2017, the market price of Con Edison's Common Shares increased by 15.3 percent (from $73.68 at year-end 2016 to $84.95 at year-end 2017). By comparison, the S&P 500 Index increased 19.4 percent and the S&P 500 Utilities Index increased 8.3 percent. The total return to Con Edison's common shareholders during 2017, including both price appreciation and investment of dividends, was 19.3 percent. By comparison, the total returns for the S&P 500 Index and the S&P 500 Utilities Index were 21.8 percent and 12.1 percent, respectively. For the five-year period 2013 through 2017 inclusive, Con Edison's shareholders' total return was 86.3 percent, compared with total returns for the S&P 500 Index and the S&P 500 Utilities Index of 108.1 percent and 81.1 percent, respectively.



	Years Ended December 31,					
Company / Index	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Consolidated Edison, Inc.	100.00	103.79	129.53	131.36	156.23	186.34
S&P 500 Index	100.00	132.39	150.51	152.59	170.84	208.14
S&P Utilities	100.00	113.21	146.02	138.95	161.57	181.13

Based on $100 invested at December 31, 2012, reinvestment of all dividends in equivalent shares of stock and market price changes on all such shares.

CECONY

The outstanding shares of CECONY's Common Stock ($2.50 par value) are the only class of common equity of CECONY. They are held by Con Edison and are not traded.

The dividends declared by CECONY in 2016 and 2017 are shown in its Consolidated Statement of Shareholder's Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by CECONY, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

Item 6: Selected Financial Data

For selected financial data of Con Edison and CECONY, see "Introduction" appearing before Item 1 (which selected financial data is incorporated herein by reference).

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

This combined management's discussion and analysis of financial condition and results of operations relates to the consolidated financial statements included in this report of two separate registrants: Con Edison and CECONY, and should be read in conjunction with the financial statements and the notes thereto. As used in this report, the term the "Companies" refers to Con Edison and CECONY. CECONY is a subsidiary of Con Edison and, as such, information in this management's discussion and analysis about CECONY applies to Con Edison.

Information in any item of this report referred to in this discussion and analysis is incorporated by reference herein. The use of terms such as "see" or "refer to" shall be deemed to incorporate by reference into this discussion and analysis the information to which reference is made.

Corporate Overview

Con Edison's principal business operations are those of the Utilities. Con Edison's business operations also include those of the Clean Energy Businesses and Con Edison Transmission. See "The Utilities," "Clean Energy Businesses" and "Con Edison Transmission" in Item 1, and segment financial information in Note N to the financial statements in Item 8 and "Results of Operations," below. Certain financial data of Con Edison's businesses are presented below:

	For the Year Ended December 31, 2017				At December 31, 2017	
(Millions of Dollars, except percentages)	Operating Revenues		Net Income		Assets	
CECONY	$10,468	87%	$1,104	72%	$40,451	84%
O&R	874	7%	64	4%	2,773	6%
Total Utilities	11,342	94%	1,168	76%	43,224	90%
Clean Energy Businesses (a)(b)	694	6%	332	22%	2,735	6%
Con Edison Transmission (b)	3	—%	44	3%	1,222	2%
Other (b)(c)	(6)	—%	(19)	(1)%	930	2%
Total Con Edison	**$12,033**	**100%**	**$1,525**	**100%**	**$48,111**	**100%**

(a) Net income from the Clean Energy Businesses for the year ended December 31, 2017 includes $1 million net after-tax gain related to the sale of a development stage solar electric production project (see Note U to the financial statements in Item 8). Also includes for the year ended December 31, 2017, $1 million of net after-tax mark-to-market gain.

(b) Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA). As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million and accrued a regulatory liability for future income tax of $3,713 million. The amount recognized in net income for the Clean Energy Businesses, Con Edison Transmission and the parent company was $269 million, $11 million and $(21) million, respectively. See "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

(c) Other includes parent company and consolidation adjustments.

Results of Operations

Net income and earnings per share for the years ended December 31, 2017, 2016 and 2015 were as follows:

(Millions of Dollars, except per share amounts)	Net Income			Earnings per Share		
	2017	2016	2015	2017	2016	2015
CECONY	$1,104	$1,056	$1,084	$3.59	$3.52	$3.70
O&R (a)	64	59	52	0.21	0.20	0.18
Clean Energy Businesses (b)(c)	332	118	59	1.08	0.39	0.20
Con Edison Transmission (c)	44	20	—	0.15	0.07	—
Other (c)(d)	(19)	(8)	(2)	(0.06)	(0.03)	(0.01)
Con Edison (e)	**$1,525**	**$1,245**	**$1,193**	**$4.97**	**$4.15**	**$4.07**

(a) Includes $3 million or $0.01 a share of net loss in 2015 related to the impairment of certain assets held for sale (see Note U to the financial statements in Item 8).

(b) Includes $1 million or $0.00 a share of net after-tax gain on the sale of a solar electric production project in 2017 (see Note U to the financial statements in Item 8). Also includes $56 million or $0.19 a share of net gain related to the sale of the retail electric supply business and $(12) million or $(0.04) a share of net loss related to the goodwill impairment charge on two energy services companies in 2016 (see Notes U and K to the financial statements in Item 8). Includes $1 million or $0.00 a share, $3 million or $0.02 a share and $(73) million or $(0.25) a share of net after-tax mark-to-market gains/(losses) in 2017, 2016 and 2015, respectively.

(c) Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million and accrued a regulatory liability for future income tax of $3,713 million. The amount recognized in net income for the Clean Energy

Businesses, Con Edison Transmission and the parent company was $269 million, $11 million and $(21) million, respectively. See “Other Regulatory Matters” in Note B and Note L to the financial statements in Item 8.

(d) Other includes parent company and consolidation adjustments.

(e) Earnings per share on a diluted basis were $4.94 a share, $4.12 a share and $4.05 a share in 2017, 2016 and 2015, respectively.

The Companies’ results of operations for 2017, as compared with 2016, and for 2016, as compared with 2015, reflect changes in the Utilities' rate plans and regulatory charges and the impact of weather on steam revenues. The results of operations also reflect income from renewable investments at the Clean Energy Businesses. The results of operations for 2017, as compared with 2016, reflect income from equity investments at Con Edison Transmission, and for 2016, as compared with 2015, reflect higher electric retail gross profit at the Clean Energy Businesses. Operations and maintenance expenses for CECONY for 2017, as compared with 2016, primarily reflect lower costs for pensions and other postretirement benefits. For 2016, as compared with 2015, operations and maintenance expenses reflect lower costs for uncollectible expenses; and for the Utilities reflect lower surcharges for assessments and fees that are collected in revenues from customers. In addition, the Utilities' rate plans provide for revenues to cover expected changes in certain operating costs including depreciation, property taxes and other tax matters.

The following tables present the estimated effect on earnings per share and net income for 2017 as compared with 2016, and 2016 as compared with 2015, resulting from these and other major factors:

Variation for the Years Ended December 31, 2017 vs. 2016

	Earnings per Share	Net Income (Millions of Dollars)	
CECONY (a)			
Changes in rate plans and regulatory charges	$0.47	$143	Reflects higher electric net base revenues of $0.10 a share resulting from the increased base rates under the company's new electric rate plan, higher gas net base revenues of $0.21 a share, growth in the number of gas customers of $0.05 a share, incentives earned under the Earnings Adjustment Mechanisms of $0.03 a share and the Energy Efficiency Portfolio Standard of $0.04 a share, a property tax refund incentive of $0.01 a share, lower retention of TCC auction proceeds of $(0.03) a share, and an increase to the regulatory reserve related to certain gas proceedings in 2016 of $0.03 a share.
Weather impact on steam revenues	0.02	6	
Operations and maintenance expenses	0.30	90	Reflects lower pension and other postretirement benefits costs of $0.29 a share.
Depreciation, property taxes and other tax matters	(0.57)	(170)	Reflects higher depreciation and amortization expense of $(0.18) a share, property taxes of $(0.27) a share, and income taxes of $(0.12) a share.
Other	(0.15)	(21)	Includes the dilutive effect of Con Edison's stock issuances.
Total CECONY	0.07	48	
O&R (a)			
Changes in rate plans and regulatory charges	0.06	18	Reflects higher electric and gas net base revenues of $0.01 and $0.04 a share, respectively.
Operations and maintenance expenses	(0.03)	(9)	Reflects higher pension costs.
Depreciation, property taxes and other tax matters	(0.03)	(6)	
Other	0.01	2	Includes the dilutive effect of Con Edison's stock issuances.
Total O&R	0.01	5	
Clean Energy Businesses			
Operating revenues less energy costs	0.33	99	Reflects revenues from the engineering, procurement and construction of Upton 2 and higher revenues from renewable electric production projects, lower revenues and energy costs resulting from the retail electric supply business that was sold in September 2016. Includes $0.01 a share net after-tax mark-to market gains in 2016. Substantially all the mark-to-market effects in the 2016 periods were related to the retail electric business sold in September 2016.
Operations and maintenance expenses	(0.30)	(89)	Reflects Upton 2 engineering, procurement and construction costs and higher energy service costs.
Depreciation	(0.06)	(19)	
Net interest expense	(0.02)	(5)	
Gain on sale of the Clean Energy Businesses' retail electric supply business in 2016	0.19	56	
Goodwill impairment related to the Clean Energy Businesses' energy service business in 2016	(0.04)	(12)	
Gain on sale of the Clean Energy Businesses' solar electric production project	—	(1)	
Enactment of the TCJA	0.88	269	
Other	(0.29)	(84)	Includes the dilutive effect of Con Edison's stock issuances.
Total Clean Energy Businesses	0.69	214	
Con Edison Transmission	0.08	24	Includes the effect of the TCJA of $0.04 a share. Reflects income from equity investments and the dilutive effect of Con Edison's stock issuances.
Other, including parent company expenses	(0.03)	(11)	Includes the effect of the TCJA of $(0.07) a share. Reflects higher state income tax benefits and the dilutive effect of Con Edison's stock issuances.
Total	$0.82	$280	

a. Under the revenue decoupling mechanisms in the Utilities' New York electric and gas rate plans and the weather-normalization clause applicable to their gas businesses, revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. In general, the utilities recover on a current basis the fuel, gas purchased for resale and purchased power costs they incur in supplying energy to their full-service customers. Accordingly, such costs do not generally affect Con Edison's results of operations.

Variation for the Years Ended December 31, 2016 vs. 2015

	Earnings per Share	Net Income (Millions of Dollars)	
CECONY (a)			
Changes in rate plans and regulatory charges	$0.34	$96	Reflects higher electric, gas, and steam net base revenues of $0.07 a share, $0.11 a share, and $0.04 a share, respectively, lower regulatory reserves related to electric and steam earnings sharing of $0.10 a share, and an increase to the regulatory reserve related to certain gas proceedings of $(0.03) a share.
Weather impact on steam revenues	(0.07)	(21)	
Operations and maintenance expenses	0.15	45	Reflects lower regulatory assessments and fees that are collected in revenues from customers.
Depreciation, property taxes and other tax matters	(0.43)	(126)	Reflects higher depreciation and amortization expense of $(0.14) a share, property taxes of $(0.19) a share, and income taxes of $(0.10) a share.
Other	(0.17)	(22)	Includes the dilutive effect of Con Edison's stock issuances.
Total CECONY	(0.18)	(28)	
O&R (a)			
Changes in rate plans and regulatory charges	—	1	
Operations and maintenance expenses	0.06	19	Reflects lower pension costs of $0.04 a share and higher operating costs of $(0.02) a share. Includes the charge-off of certain regulatory assets of $(0.04) a share in 2015.
Depreciation, property taxes and other tax matters	(0.03)	(10)	Reflects primarily higher property taxes of $(0.03) a share.
Other	(0.01)	(3)	Includes the impairment of certain assets held for sale in 2015 of $0.01 a share and the dilutive effect of Con Edison's stock issuances.
Total O&R	0.02	7	
Clean Energy Businesses			
Operating revenues less energy costs	0.14	43	Reflects higher revenues from renewable electric production projects and energy services. Includes $0.01 a share net after-tax mark-to market gains in 2016. Substantially, all the mark-to-market effects in the 2016 periods were related to the retail electric business sold in September 2016.
Gain on sale of the Clean Energy Businesses' retail electric supply business	0.19	56	
Operations and maintenance expenses	(0.06)	(18)	Reflects primarily higher energy service costs.
Net interest expense	(0.05)	(14)	
Other	(0.03)	(8)	Includes the dilutive effect of Con Edison's stock issuances.
Total Clean Energy Businesses	0.19	59	
Con Edison Transmission	0.07	20	Reflects income from equity investments and the dilutive effect of Con Edison's stock issuances.
Other, including parent company expenses	(0.02)	(6)	Reflects primarily certain income tax benefits in 2015.
Total	$0.08	52	

a. Under the revenue decoupling mechanisms in the Utilities' New York electric and gas rate plans and the weather-normalization clause applicable to their gas businesses, revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. In general, the utilities recover on a current basis the fuel, gas purchased for resale and purchased power costs they incur in supplying energy to their full-service customers. Accordingly, such costs do not generally affect Con Edison's results of operations.

The Companies' other operations and maintenance expenses for the years ended December 31, 2017, 2016 and 2015 were as follows:

(Millions of Dollars)	2017	2016	2015
CECONY			
Operations	$1,528	$1,477	$1,464
Pensions and other postretirement benefits	202	348	364
Health care and other benefits	170	160	159
Regulatory fees and assessments (a)	476	469	550
Other	294	352	344
Total CECONY	2,670	2,806	2,881
O&R	316	301	333
Clean Energy Businesses	313	164	134
Con Edison Transmission	10	3	—
Other (b)	(6)	(5)	(4)
Total other operations and maintenance expenses	**$3,303**	**$3,269**	**$3,344**

(a) Includes Demand Side Management, System Benefit Charges and Public Service Law 18A assessments which are collected in revenues.
(b) Includes parent company and consolidation adjustments.

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities, the Clean Energy Businesses and Con Edison Transmission. CECONY's principal business segments are its regulated electric, gas and steam utility activities. A discussion of the results of operations by principal business segment for the years ended December 31, 2017, 2016 and 2015 follows. For additional business segment financial information, see Note N to the financial statements in Item 8.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016
The Companies' results of operations in 2017 compared with 2016 were:

	CECONY		O&R		Clean Energy Businesses		Con Edison Transmission		Other (a)		Con Edison (b)	
(Millions of Dollars)	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent
Operating revenues	$303	3.0 %	$53	6.5 %	$(397)	(36.4)%	$3	— %	$(4)	Large	$(42)	(0.3)%
Purchased power	(153)	(9.8)	(6)	(3.0)	(677)	Large	—	—	(2)	—	(838)	(34.4)
Fuel	44	25.6	—	—	—	—	—	—	—	—	44	25.6
Gas purchased for resale	191	59.9	26	55.3	114	Large	—	—	—	—	331	69.4
Other operations and maintenance	(136)	(4.8)	15	5.0	149	90.9	7	Large	(1)	(20.0)	34	1.0
Depreciation and amortization	89	8.0	4	6.0	32	76.2	1	—	(1)	Large	125	10.3
Taxes, other than income taxes	125	6.5	3	3.8	(4)	(20.0)	—	—	—	—	124	6.1
Gain on sale of retail electric supply business (2016) and solar electric production project (2017)	—	—	—	—	(103)	(99.0)	—	—	—	—	(103)	(99.0)
Operating income	143	6.3	11	8.5	(114)	(62.3)	(5)	Large	—	—	35	1.4
Other income less deductions	7	—	—	—	11	50.0	37	86.0	(3)	Large	52	81.3
Net interest expense	20	3.3	—	—	9	26.5	10	Large	(6)	(35.3)	33	4.7
Income before income tax expense	130	7.8	11	11.6	(112)	(65.5)	22	64.7	3	18.8	54	2.8
Income tax expense	82	13.6	6	16.7	(326)	Large	(2)	(14.3)	14	Large	(226)	(32.4)
Net income	**$48**	**4.5 %**	**$5**	**8.5%**	**$214**	**Large**	**$24**	**Large**	**$(11)**	**Large**	**$280**	**22.5%**

(a) Includes parent company and consolidation adjustments.
(b) Represents the consolidated results of operations of Con Edison and its businesses.

CECONY

	For the Year Ended December 31, 2017				For the Year Ended December 31, 2016				
(Millions of Dollars)	Electric	Gas	Steam	2017 Total	Electric	Gas	Steam	2016 Total	2017-2016 Variation
Operating revenues	$7,972	$1,901	$595	$10,468	$8,106	$1,508	$551	$10,165	$303
Purchased power	1,379	—	36	1,415	1,533	—	35	1,568	(153)
Fuel	127	—	89	216	104	—	68	172	44
Gas purchased for resale	—	510	—	510	—	319	—	319	191
Other operations and maintenance	2,054	436	180	2,670	2,210	408	188	2,806	(136)
Depreciation and amortization	925	185	85	1,195	865	159	82	1,106	89
Taxes, other than income taxes	1,625	298	134	2,057	1,547	265	120	1,932	125
Operating income	**$1,862**	**$472**	**$71**	**$2,405**	**$1,847**	**$357**	**$58**	**$2,262**	**$143**

Electric

CECONY's results of electric operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	Variation
Operating revenues	$7,972	$8,106	$(134)
Purchased power	1,379	1,533	(154)
Fuel	127	104	23
Other operations and maintenance	2,054	2,210	(156)
Depreciation and amortization	925	865	60
Taxes, other than income taxes	1,625	1,547	78
Electric operating income	**$1,862**	**$1,847**	**$15**

CECONY's electric sales and deliveries in 2017 compared with 2016 were:

	Millions of kWh Delivered				Revenues in Millions (a)			
	For the Years Ended				For the Years Ended			
Description	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation
Residential/Religious (b)	9,924	10,400	(476)	(4.6)%	$2,515	$2,591	$(76)	(2.9)%
Commercial/Industrial	9,246	9,429	(183)	(1.9)	1,823	1,803	20	1.1
Retail choice customers	26,136	26,813	(677)	(2.5)	2,712	2,768	(56)	(2.0)
NYPA, Municipal Agency and other sales	10,012	10,103	(91)	(0.9)	633	620	13	2.1
Other operating revenues (c)	—	—	—	—	289	324	(35)	(10.8)
Total	**55,318**	**56,745**	**(1,427)**	**(2.5)% (d)**	**$7,972**	**$8,106**	**$(134)**	**(1.7)%**

(a) Revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which, delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial statements in Item 8.
(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in CECONY's service area decreased 1.1 percent in 2017 compared with 2016.

Operating revenues decreased $134 million in 2017 compared with 2016 due primarily to lower purchased power expenses ($154 million), offset in part by higher fuel expenses ($23 million).

Purchased power expenses decreased $154 million in 2017 compared with 2016 due to lower unit costs ($86 million) and purchased volumes ($68 million).

Fuel expenses increased $23 million in 2017 compared with 2016 due to higher unit costs.

Other operations and maintenance expenses decreased $156 million in 2017 compared with 2016 due primarily to lower costs for pension and other postretirement benefits ($126 million) and other employee benefits related to a rabbi trust ($22 million).

Depreciation and amortization increased $60 million in 2017 compared with 2016 due primarily to higher electric utility plant balances.

Taxes, other than income taxes increased $78 million in 2017 compared with 2016 due primarily to higher property taxes ($97 million) and the absence in 2017 of a favorable state audit settlement in 2016 ($5 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 ($21 million) and lower state and local taxes ($4 million).

Gas

CECONY's results of gas operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**Variation**
Operating revenues	$1,901	$1,508	$393
Gas purchased for resale	510	319	191
Other operations and maintenance	436	408	28
Depreciation and amortization	185	159	26
Taxes, other than income taxes	298	265	33
Gas operating income	**$472**	**$357**	**$115**

CECONY's gas sales and deliveries, excluding off-system sales, in 2017 compared with 2016 were:

	Thousands of Dt Delivered					Revenues in Millions (a)			
	For the Years Ended					For the Years Ended			
Description	**December 31, 2017**	**December 31, 2016**	**Variation**	**Percent Variation**		**December 31, 2017**	**December 31, 2016**	**Variation**	**Percent Variation**
Residential	52,244	47,794	4,450	9.3%		$802	$667	$135	20.2 %
General	30,761	28,098	2,663	9.5		334	266	68	25.6
Firm transportation	71,353	68,442	2,911	4.3		524	426	98	23.0
Total firm sales and transportation	**154,358**	**144,334**	**10,024**	**6.9**	**(b)**	**1,660**	**1,359**	**301**	**22.1**
Interruptible sales (c)	7,553	8,957	(1,404)	(15.7)		35	34	1	2.9
NYPA	37,033	43,101	(6,068)	(14.1)		2	2	—	—
Generation plants	61,800	87,835	(26,035)	(29.6)		25	25	—	—
Other	21,317	21,165	152	0.7		31	32	(1)	(3.1)
Other operating revenues (d)	—	—	—	—		148	56	92	Large
Total	**282,061**	**305,392**	**(23,331)**	**(7.6)%**		**$1,901**	**$1,508**	**$393**	**26.1 %**

(a) Revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) After adjusting for variations, primarily billing days, firm gas sales and transportation volumes in the company's service area increased 5.9 percent in 2017 compared with 2016, reflecting primarily increased volumes attributable to the growth in the number of gas customers.
(c) Includes 3,816 thousands and 4,708 thousands of Dt for 2017 and 2016, respectively, which are also reflected in firm transportation and other.
(d) Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

Operating revenues increased $393 million in 2017 compared with 2016 due primarily to increased gas purchased for resale expense ($191 million) and higher revenues from the gas rate plan and growth in the number of customers ($182 million).

Gas purchased for resale increased $191 million in 2017 compared with 2016 due to higher unit costs ($176 million) and purchased volumes ($15 million).

Other operations and maintenance expenses increased $28 million in 2017 compared with 2016 due primarily to higher pension and other postretirement benefits costs ($12 million), health and life insurance expenses ($7 million) and surcharges for assessments and fees that are collected in revenues from customers ($5 million).

Depreciation and amortization increased $26 million in 2017 compared with 2016 due primarily to higher gas utility plant balances.

Taxes, other than income taxes increased $33 million in 2017 compared with 2016 due primarily to higher property taxes ($25 million), state and local taxes ($7 million) and payroll taxes ($4 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 ($4 million).

Steam

CECONY's results of steam operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**Variation**
Operating revenues	$595	$551	$44
Purchased power	36	35	1
Fuel	89	68	21
Other operations and maintenance	180	188	(8)
Depreciation and amortization	85	82	3
Taxes, other than income taxes	134	120	14
Steam operating income	**$71**	**$58**	**$13**

CECONY's steam sales and deliveries in 2017 compared with 2016 were:

	Millions of Pounds Delivered				Revenues in Millions			
	For the Years Ended				For the Years Ended			
Description	**December 31, 2017**	**December 31, 2016**	**Variation**	**Percent Variation**	**December 31, 2017**	**December 31, 2016**	**Variation**	**Percent Variation**
General	490	465	25	5.4%	$26	$23	$3	13.0%
Apartment house	5,754	5,792	(38)	(0.7)	158	148	10	6.8
Annual power	13,166	13,722	(556)	(4.1)	392	378	14	3.7
Other operating revenues (a)	—	—	—	—	19	2	17	Large
Total	**19,410**	**19,979**	**(569)**	**(2.8)% (b)**	**$595**	**$551**	**$44**	**8.0%**

(a) Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plan. See Note B to the financial statements in Item 8.

(b) After adjusting for variations, primarily weather and billing days, steam sales and deliveries decreased 3.8 percent in 2017 compared with 2016.

Operating revenues increased $44 million in 2017 compared with 2016 due primarily to higher fuel expenses ($21 million), the weather impact on revenues ($10 million), a property tax refund incentive in 2017 ($5 million) and lower regulatory reserve related to steam earnings sharing ($3 million).

Purchased power expenses increased $1 million in 2017 compared with 2016 due to higher unit costs ($4 million), offset by lower purchased volumes ($3 million).

Fuel expenses increased $21 million in 2017 compared with 2016 due to higher unit costs.

Other operations and maintenance expenses decreased $8 million in 2017 compared with 2016 due primarily to lower equipment maintenance expenses ($6 million) and lower municipal infrastructure support costs ($2 million).

Depreciation and amortization increased $3 million in 2017 compared with 2016 due primarily to higher steam utility plant balances.

Taxes, other than income taxes increased $14 million in 2017 compared with 2016 due primarily to higher property taxes ($13 million) and state and local taxes ($1 million).

Taxes, Other Than Income Taxes
At $2,057 million, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

	For the Years Ended December 31,				
(Millions of Dollars)	2017		2016		Variation
Property taxes	$1,692		$1,557		$135
State and local taxes related to revenue receipts	319		315		4
Payroll taxes	67		65		2
Other taxes	(21)		(5)		(16)
Total	**$2,057**	**(a)**	**$1,932**	**(a)**	**$125**

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2017 and 2016 were $2,495 and $2,358 million, respectively.

Other Income (Deductions)
Other income (deductions) increased $7 million in 2017 compared with 2016 due primarily to an increase in investment and other income.

Net Interest Expense
Net interest expense increased $20 million in 2017 compared with 2016 due primarily to higher long-term debt balances in 2017.

Income Tax Expense
Income taxes increased $82 million in 2017 compared with 2016 due primarily to higher income before income tax expense ($52 million), a decrease in tax benefits for plant-related flow through items ($35 million), lower research and development tax credits ($8 million) and a higher reserve for injuries and damages ($5 million), offset in part by lower state income taxes ($7 million) and higher tax credits included in Con Edison's filing of its 2016 consolidated federal tax return in September 2017 ($6 million).

O&R

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016			
(Millions of Dollars)	Electric	Gas	2017 Total	Electric	Gas	2016 Total	2017-2016 Variation
Operating revenues	$642	$232	$874	$637	$184	$821	$53
Purchased power	191	—	191	197	—	197	(6)
Gas purchased for resale	—	73	73	—	47	47	26
Other operations and maintenance	247	69	316	244	57	301	15
Depreciation and amortization	51	20	71	49	18	67	4
Taxes, other than income taxes	53	29	82	52	27	79	3
Operating income	**$100**	**$41**	**$141**	**$95**	**$35**	**$130**	**$11**

Electric
O&R's results of electric operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	Variation
Operating revenues	$642	$637	$5
Purchased power	191	197	(6)
Other operations and maintenance	247	244	3
Depreciation and amortization	51	49	2
Taxes, other than income taxes	53	52	1
Electric operating income	**$100**	**$95**	**$5**

O&R's electric sales and deliveries in 2017 compared with 2016 were:

	Millions of kWh Delivered				Revenues in Millions (a)			
	For the Years Ended				For the Years Ended			
Description	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation
Residential/Religious (b)	1,567	1,654	(87)	(5.3)%	$311	$304	$7	2.3 %
Commercial/Industrial	763	801	(38)	(4.7)	113	114	(1)	(0.9)
Retail choice customers	2,976	3,180	(204)	(6.4)	201	213	(12)	(5.6)
Public authorities	105	100	5	5.0	9	8	1	12.5
Other operating revenues (c)	—	—	—	—	8	(2)	10	Large
Total	**5,411**	**5,735**	**(324)**	**(5.6)% (d)**	**$642**	**$637**	**$5**	**0.8 %**

(a) O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues.
(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's electric rate plan. See Note B to the financial statements in Item 8.
(d) After adjusting for weather and other variations, electric delivery volumes in O&R's service area decreased 2.2 percent in 2017 compared with 2016.

Operating revenues increased $5 million in 2017 compared with 2016 due primarily to higher revenues from the New York electric rate plan ($14 million) and RECO transmission rate relief ($2 million), offset in part by lower purchased power expenses ($6 million) and the absence of revenues in 2017 from Pike County Light & Power Company (Pike), which was sold in 2016 ($4 million).

Purchased power expenses decreased $6 million in 2017 compared with 2016 due to lower purchased volumes ($5 million) and unit costs ($1 million).

Other operations and maintenance expenses increased $3 million in 2017 compared with 2016 due primarily to operating costs related to weather events in 2017 ($2 million) and higher surcharges for assessments and fees that are collected in revenues from customers ($1 million).

Depreciation and amortization increased $2 million in 2017 compared with 2016 due primarily to higher electric utility plant balances.

Taxes, other than income taxes increased $1 million in 2017 compared with 2016 due primarily to higher property taxes ($2 million), offset in part by lower state and local taxes ($1 million).

Gas

O&R's results of gas operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**Variation**
Operating revenues	$232	$184	$48
Gas purchased for resale	73	47	26
Other operations and maintenance	69	57	12
Depreciation and amortization	20	18	2
Taxes, other than income taxes	29	27	2
Gas operating income	**$41**	**$35**	**$6**

O&R's gas sales and deliveries, excluding off-system sales, in 2017 compared with 2016 were:

	Thousands of Dt Delivered				Revenues in Millions (a)			
	For the Years Ended				For the Years Ended			
Description	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation
Residential	8,296	7,872	424	5.4 %	$115	$84	$31	36.9 %
General	2,184	1,851	333	18.0	24	15	9	60.0
Firm transportation	9,873	10,381	(508)	(4.9)	74	70	4	5.7
Total firm sales and transportation	**20,353**	**20,104**	**249**	**1.2 (b)**	**213**	**169**	**44**	**26.0**
Interruptible sales	3,771	3,853	(82)	(2.1)	7	3	4	Large
Generation plants	9	18	(9)	(50.0)	—	—	—	—
Other	896	867	29	3.3	1	—	1	—
Other gas revenues	—	—	—	—	11	12	(1)	(8.3)
Total	**25,029**	**24,842**	**187**	**0.8 %**	**$232**	**$184**	**$48**	**26.1 %**

(a) Revenues from New York gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) After adjusting for weather and other variations, total firm sales and transportation volumes decreased 0.8 percent in 2017 compared with 2016.

Operating revenues increased $48 million in 2017 compared with 2016 due primarily to the increase in gas purchased for resale ($26 million) and higher revenues from the New York gas rate plan ($18 million).

Gas purchased for resale increased $26 million in 2017 compared with 2016 due to higher purchased volumes ($13 million) and unit costs ($13 million).

Other operations and maintenance expenses increased $12 million in 2017 compared with 2016 due primarily to higher pension costs.

Depreciation and amortization increased $2 million in 2017 compared with 2016 due primarily to higher gas utility plant balances.

Taxes, other than income taxes increased $2 million in 2017 compared with 2016 due primarily to higher property taxes ($1 million) and state and local taxes ($1 million).

Taxes, Other Than Income Taxes

Taxes, other than income taxes, increased $3 million in 2017 compared with 2016. The principal components of taxes, other than income taxes, were:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	Variation
Property taxes	$66	$63	$3
State and local taxes related to revenue receipts	9	10	(1)
Payroll taxes	7	6	1
Total	**$82 (a)**	**$79 (a)**	**$3**

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2017 and 2016 were $109 million and $105 million, respectively.

Income Tax Expense

Income taxes increased $6 million in 2017 compared with 2016 due primarily to higher income before income tax expense ($4 million) and a nonrecurring tax benefit in 2016 from a corporate-owned life insurance policy ($3 million), offset in part by an increase in tax benefits for plant-related flow through items ($1 million).

Clean Energy Businesses

The Clean Energy Businesses' results of operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**Variation**
Operating revenues	$694	$1,091	$(397)
Purchased power	(3)	674	(677)
Gas purchased for resale	226	112	114
Other operations and maintenance	313	164	149
Depreciation and amortization	74	42	32
Taxes, other than income taxes	16	20	(4)
Gain on sale of retail electric supply business (2016) and solar electric production project (2017) (a)	1	104	103
Operating income	**$69**	**$183**	**$(114)**

(a) See note U to the financial statements in Item 8.

Operating revenues decreased $397 million in 2017 compared with 2016 due primarily to lower electric retail revenues of $778 million from the sale of the retail electric supply business in September 2016. Renewable revenues increased $229 million due primarily to an increase in renewable electric production projects in operation and revenues from the engineering, procurement and construction of Upton 2 (see Note U to the financial statements in Item 8). Energy services revenues increased $19 million. Wholesale revenues increased $128 million due to higher sales volumes. Net mark-to-market values decreased $6 million, of which $11 million in losses are reflected in purchased power costs and $5 million in gains are reflected in revenues.

Purchased power expenses decreased $677 million in 2017 compared with 2016 due primarily to lower electric costs due to the sale of the retail electric supply business in September 2016 ($687 million), offset by changes in mark-to-market values ($11 million).

Gas purchased for resale increased $114 million in 2017 compared with 2016 due to higher purchased volumes.

Other operations and maintenance expenses increased $149 million in 2017 compared with 2016 due to Upton 2 engineering, procurement and construction costs (see Note U to the financial statements in Item 8) and an increase in energy services costs.

Depreciation and amortization increased $32 million in 2017 compared with 2016 due to an increase in solar electric production projects in operation during 2017.

Taxes, other than income taxes decreased $4 million in 2017 compared with 2016 due to lower gross receipts tax from the sale of the retail electric supply business in September 2016.

Gain on sale of retail electric supply business decreased $103 million in 2017 reflecting the sale of the retail electric supply business in 2016 (see Note U to the financial statements in Item 8).

Other Income (Deductions)

Other income (deductions) increased $11 million in 2017 compared with 2016 due primarily to the impairment of goodwill in 2016 ($15 million) (see Note K to the financial statements in Item 8), offset in part by income from renewable electric production investments ($3 million).

Net Interest Expense

Net interest expense increased $9 million in 2017 compared with 2016 due primarily to increased debt on renewable electric production projects.

Income Tax Expense
Income taxes decreased $326 million in 2017 compared with 2016 due primarily to lower income before income tax expense ($45 million), the re-measurement of the Clean Energy Businesses' deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA ($269 million), a higher favorable 2016 state return-to-provision adjustment recorded in 2017 ($7 million), higher renewable energy tax credits ($1 million) and the increase to deferred state income taxes in 2016 as a result of the sale of the retail electric supply business that increased the Clean Energy Businesses' state apportionment factor on its cumulative temporary differences ($4 million), offset in part by an increase in valuation allowances against state net operating loss carryforwards ($3 million). See Note L to the financial statements in Item 8.

Con Edison Transmission

Other operations and maintenance increased $7 million in 2017 compared with 2016 due primarily to CET having no employees or other direct costs until January 1, 2017.

Net Interest Expense
Net interest expense increased $10 million in 2017 compared with 2016 due primarily to an increased allocation from the parent company of interest expense resulting from a parent company debt issuance in May 2016.

Other Income (Deductions)
Other income (deductions) increased $37 million in 2017 compared with 2016 due primarily to earnings from equity investments in Stagecoach Gas Services, LLC, substantially all of which were made in June 2016.

Income Tax Expense
Income taxes decreased $2 million in 2017 compared with 2016 due primarily to the re-measurement of Con Edison Transmission's deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA ($11 million), offset in part by higher income before income tax expense ($9 million). See Note L to the financial statements in Item 8.

Other

For Con Edison, "Other" includes the increase in income tax expense resulting from the re-measurement of Con Edison's deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA ($21 million). See Note L to the financial statements in Item 8. "Other" also includes intercompany eliminations relating to operating revenues and operating expenses.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015
The Companies' results of operations in 2016 compared with 2015 were:

	CECONY		O&R		Clean Energy Businesses		Con Edison Transmission		Other (a)		Con Edison (b)	
(Millions of Dollars)	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent
Operating revenues	$(163)	(1.6)%	$(24)	(2.8)%	$(292)	(21.1)%	$—	—%	$—	—	$(479)	(3.8)%
Purchased power	(151)	(8.8)	(13)	(6.2)	(370)	(35.4)	—	—	—	—	(534)	(18.0)
Fuel	(76)	(30.6)	—	—	—	—	—	—	—	—	(76)	(30.6)
Gas purchased for resale	(18)	(5.3)	(4)	(7.8)	6	5.7	—	—	(2)	Large	(18)	(3.6)
Other operations and maintenance	(75)	(2.6)	(32)	(9.6)	30	22.4	3	—	(1)	(25.0)%	(75)	(2.2)
Depreciation and amortization	66	6.3	(1)	(1.5)	20	90.9	—	—	1	—	86	7.6
Taxes, other than income taxes	76	4.1	17	27.4	1	5.3	—	—	—	—	94	4.9
Gain on sale of retail electric supply business	—	—	—	—	104	—	—	—	—	—	104	—
Operating income	15	0.7	9	7.4	125	Large	(3)	—	2	Large	148	6.1
Other income less deductions	5	Large	5	Large	(12)	(35.3)	43	—	(1)	Large	40	Large
Net interest expense	19	3.3	1	2.9	23	Large	6	—	(6)	(26.1)	43	6.6
Income before income tax expense	1	0.1	13	15.9	90	Large	34	—	7	30.4	145	8.1
Income tax expense	29	5.1	6	20.0	31	Large	14	—	13	61.9	93	15.4
Net income	**$(28)**	**(2.6)%**	**$7**	**13.5%**	**$59**	**Large**	**$20**	**—%**	**$(6)**	**Large**	**$52**	**4.4%**

(a) Includes parent company and consolidation adjustments.
(b) Represents the consolidated results of operations of Con Edison and its businesses.

CECONY

	For the Year Ended December 31, 2016				For the Year Ended December 31, 2015				
(Millions of Dollars)	Electric	Gas	Steam	2016 Total	Electric	Gas	Steam	2015 Total	2016-2015 Variation
Operating revenues	$8,106	$1,508	$551	$10,165	$8,172	$1,527	$629	$10,328	$(163)
Purchased power	1,533	—	35	1,568	1,684	—	35	1,719	(151)
Fuel	104	—	68	172	118	—	130	248	(76)
Gas purchased for resale	—	319	—	319	—	337	—	337	(18)
Other operations and maintenance	2,210	408	188	2,806	2,259	440	182	2,881	(75)
Depreciation and amortization	865	159	82	1,106	820	142	78	1,040	66
Taxes, other than income taxes	1,547	265	120	1,932	1,493	252	111	1,856	76
Operating income	**$1,847**	**$357**	**$58**	**$2,262**	**$1,798**	**$356**	**$93**	**$2,247**	**$15**

Electric

CECONY's results of electric operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2016	2015	Variation
Operating revenues	$8,106	$8,172	$(66)
Purchased power	1,533	1,684	(151)
Fuel	104	118	(14)
Other operations and maintenance	2,210	2,259	(49)
Depreciation and amortization	865	820	45
Taxes, other than income taxes	1,547	1,493	54
Electric operating income	**$1,847**	**$1,798**	**$49**

CECONY's electric sales and deliveries in 2016 compared with 2015 were:

	Millions of kWh Delivered				Revenues in Millions (a)			
	For the Years Ended				For the Years Ended			
Description	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation
Residential/Religious (b)	10,400	10,543	(143)	(1.4)%	$2,591	$2,771	$(180)	(6.5)%
Commercial/Industrial	9,429	9,602	(173)	(1.8)	1,803	1,974	(171)	(8.7)
Retail choice customers	26,813	26,662	151	0.6	2,768	2,714	54	2.0
NYPA, Municipal Agency and other sales	10,103	10,208	(105)	(1.0)	620	612	8	1.3
Other operating revenues (c)	—	—	—	—	324	101	223	Large
Total	**56,745**	**57,015**	**(270)**	**(0.5)%** (d)	**$8,106**	**$8,172**	**$(66)**	**(0.8)%**

(a) Revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which, delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial statements in Item 8.
(d) After adjusting for variations, principally weather and billing days, electric delivery volumes in CECONY's service area were the same in 2016 compared with 2015.

Operating revenues decreased $66 million in 2016 compared with 2015 due primarily to lower purchased power expenses ($151 million) and lower fuel expenses ($14 million), offset in part by higher revenues from the electric rate plan ($122 million) and changes in regulatory charges ($20 million).

Purchased power expenses decreased $151 million in 2016 compared with 2015 due to lower unit costs ($111 million) and purchased volumes ($40 million).

Fuel expenses decreased $14 million in 2016 compared with 2015 due to lower unit costs ($19 million), offset by higher sendout volumes from the company's electric generating facilities ($5 million).

Other operations and maintenance expenses decreased $49 million in 2016 compared with 2015 due primarily to a decrease in the surcharges for assessments and fees that are collected in revenues from customers ($52 million) and lower uncollectible expense ($12 million), offset in part by higher costs for municipal infrastructure support ($8 million).

Depreciation and amortization increased $45 million in 2016 compared with 2015 due primarily to higher electric utility plant balances.

Taxes, other than income taxes increased $54 million in 2016 compared with 2015 due primarily to higher property taxes ($66 million), offset in part by lower state and local revenue taxes ($4 million), a favorable state audit settlement ($3 million), lower sales and use tax reserve based on a favorable audit settlement ($3 million) and lower payroll taxes ($2 million).

Gas

CECONY's results of gas operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2016**	**2015**	**Variation**
Operating revenues	$1,508	$1,527	$(19)
Gas purchased for resale	319	337	(18)
Other operations and maintenance	408	440	(32)
Depreciation and amortization	159	142	17
Taxes, other than income taxes	265	252	13
Gas operating income	**$357**	**$356**	**$1**

CECONY's gas sales and deliveries, excluding off-system sales, in 2016 compared with 2015 were:

	Thousands of Dt Delivered					Revenues in Millions (a)			
	For the Years Ended					For the Years Ended			
Description	**December 31, 2016**	**December 31, 2015**	**Variation**	**Percent Variation**		**December 31, 2016**	**December 31, 2015**	**Variation**	**Percent Variation**
Residential	47,794	49,024	(1,230)	(2.5)%		$667	$682	$(15)	(2.2)%
General	28,098	28,173	(75)	(0.3)		266	274	(8)	(2.9)
Firm transportation	68,442	72,864	(4,422)	(6.1)		426	458	(32)	(7.0)
Total firm sales and transportation	**144,334**	**150,061**	**(5,727)**	**(3.8)**	**(b)**	**1,359**	**1,414**	**(55)**	**(3.9)**
Interruptible sales (c)	8,957	6,332	2,625	41.5		34	46	(12)	(26.1)
NYPA	43,101	44,038	(937)	(2.1)		2	2	—	—
Generation plants	87,835	83,634	4,201	5.0		25	26	(1)	(3.8)
Other	21,165	21,223	(58)	(0.3)		32	28	4	14.3
Other operating revenues (d)	—	—	—	—		56	11	45	Large
Total	**305,392**	**305,288**	**104**	**— %**		**$1,508**	**$1,527**	**$(19)**	**(1.2)%**

(a) Revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.

(b) After adjusting for variations, principally weather and billing days, firm gas sales and transportation volumes in the company's service area increased 3.9 percent in 2016 compared with 2015, reflecting primarily increased volumes attributable to additional customers that have converted from oil-to-gas as heating fuel for their buildings.

(c) Includes 4,708 thousands and 1,229 thousands of Dt for 2016 and 2015, respectively, which are also reflected in firm transportation and other.

(d) Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

Operating revenues decreased $19 million in 2016 compared with 2015 due primarily to lower gas purchased for resale expense ($18 million).

Gas purchased for resale decreased $18 million in 2016 compared with 2015 due to lower unit costs ($32 million), offset by higher sendout volumes ($14 million).

Other operations and maintenance expenses decreased $32 million in 2016 compared with 2015 due primarily to a decrease in the surcharges for assessments and fees that are collected in revenues from customers ($25 million), lower gas operating costs ($10 million) and lower uncollectible expense ($2 million), offset in part by higher costs for municipal infrastructure support ($5 million).

Depreciation and amortization increased $17 million in 2016 compared with 2015 due primarily to higher gas utility plant balances.

Taxes, other than income taxes increased $13 million in 2016 compared with 2015 due primarily to higher property taxes ($16 million), offset in part by lower state and local revenue taxes ($2 million).

Steam

CECONY's results of steam operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2016**	**2015**	**Variation**
Operating revenues	$551	$629	$(78)
Purchased power	35	35	—
Fuel	68	130	(62)
Other operations and maintenance	188	182	6
Depreciation and amortization	82	78	4
Taxes, other than income taxes	120	111	9
Steam operating income	**$58**	**$93**	**$(35)**

CECONY's steam sales and deliveries in 2016 compared with 2015 were:

	Millions of Pounds Delivered				Revenues in Millions			
	For the Years Ended				For the Years Ended			
Description	**December 31, 2016**	**December 31, 2015**	**Variation**	**Percent Variation**	**December 31, 2016**	**December 31, 2015**	**Variation**	**Percent Variation**
General	465	538	(73)	(13.6)%	$23	$29	$(6)	(20.7)%
Apartment house	5,792	6,272	(480)	(7.7)	148	176	(28)	(15.9)
Annual power	13,722	15,109	(1,387)	(9.2)	378	453	(75)	(16.6)
Other operating revenues (a)	—	—	—	—	2	(29)	31	Large
Total	**19,979**	**21,919**	**(1,940)**	**(8.9)% (b)**	**$551**	**$629**	**$(78)**	**(12.4)%**

(a) Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

(b) After adjusting for variations, principally weather and billing days, steam sales and deliveries decreased 1.2 percent in 2016 compared with 2015.

Operating revenues decreased $78 million in 2016 compared with 2015 due primarily to lower fuel expenses ($62 million) and the weather impact on revenues ($35 million), offset in part by higher revenues from the steam rate plan ($22 million).

Fuel expenses decreased $62 million in 2016 compared with 2015 due to lower unit costs ($57 million) and sendout volumes ($5 million).

Other operations and maintenance expenses increased $6 million in 2016 compared with 2015 due primarily to higher costs for municipal infrastructure support.

Depreciation and amortization increased $4 million in 2016 compared with 2015 due primarily to higher steam utility plant balances.

Taxes, other than income taxes increased $9 million in 2016 compared with 2015 due primarily to higher property taxes ($12 million), offset in part by lower state and local revenue taxes ($2 million).

Taxes, Other Than Income Taxes
At $1,932 million, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

	For the Years Ended December 31,		
(Millions of Dollars)	2016	2015	Variation
Property taxes	$1,557	$1,463	$94
State and local taxes related to revenue receipts	315	323	(8)
Payroll taxes	65	67	(2)
Other taxes	(5)	3	(8)
Total	**$1,932 (a)**	**$1,856 (a)**	**$76**

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2016 and 2015 were $2,358 million and $2,302 million, respectively.

Other Income (Deductions)
Other income (deductions) increased $5 million in 2016 compared with 2015 due primarily to an increase in the allowance for equity funds used during construction ($4 million).

Net Interest Expense
Net interest expense increased $19 million in 2016 compared with 2015 due primarily to new debt issuances in 2016.

Income Tax Expense
Income taxes increased $29 million in 2016 compared with 2015 due primarily to plant-related flow through items ($57 million) and an increase in uncertain tax positions ($2 million), offset in part by lower state income taxes ($15 million) and higher research and development tax credits ($14 million).

O&R

	For the Year Ended December 31, 2016			For the Year Ended December 31, 2015			
(Millions of Dollars)	Electric	Gas	2016 Total	Electric	Gas	2015 Total	2016-2015 Variation
Operating revenues	$637	$184	$821	$663	$182	$845	$(24)
Purchased power	197	—	197	210	—	210	(13)
Gas purchased for resale	—	47	47	—	51	51	(4)
Other operations and maintenance	244	57	301	256	77	333	(32)
Depreciation and amortization	49	18	67	50	18	68	(1)
Taxes, other than income taxes	52	27	79	44	18	62	17
Operating income	**$95**	**$35**	**$130**	**$103**	**$18**	**$121**	**$9**

Electric
O&R's results of electric operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2016	2015	Variation
Operating revenues	$637	$663	$(26)
Purchased power	197	210	(13)
Other operations and maintenance	244	256	(12)
Depreciation and amortization	49	50	(1)
Taxes, other than income taxes	52	44	8
Electric operating income	**$95**	**$103**	**$(8)**

O&R's electric sales and deliveries in 2016 compared with 2015 were:

	Millions of kWh Delivered				Revenues in Millions (a)			
	For the Years Ended				For the Years Ended			
Description	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation
Residential/Religious (b)	1,654	1,597	57	3.6%	$304	$307	$(3)	(1.0)%
Commercial/Industrial	801	802	(1)	(0.1)	114	124	(10)	(8.1)
Retail choice customers	3,180	3,237	(57)	(1.8)	213	213	—	—
Public authorities	100	100	—	—	8	10	(2)	(20.0)
Other operating revenues (c)	—	—	—	—	(2)	9	(11)	Large
Total	**5,735**	**5,736**	**(1)**	**—% (d)**	**$637**	**$663**	**$(26)**	**(3.9)%**

(a) O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues.
(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's electric rate plan. See Note B to the financial statements in Item 8.
(d) After adjusting for weather and other variations, electric delivery volumes in O&R's service area decreased 0.9 percent in 2016 compared with 2015.

Operating revenues decreased $26 million in 2016 compared with 2015 due primarily to lower purchased power expenses ($13 million) and lower revenues from the New York electric rate plan (which includes the reconciliation of certain expenses, see Note B to the financial statements in Item 8) ($7 million).

Purchased power expenses decreased $13 million in 2016 compared with 2015 due to a decrease in unit costs ($18 million), offset by an increase in purchased volumes ($5 million).

Other operations and maintenance expenses decreased $12 million in 2016 compared with 2015 due primarily to regulatory accounting effects of pension costs ($11 million) and the charge-off of certain regulatory assets in 2015 ($4 million), offset by higher operating costs ($3 million).

Depreciation and amortization decreased $1 million in 2016 compared with 2015 due primarily to lower average depreciation rates.

Taxes, other than income taxes increased $8 million in 2016 compared with 2015 due primarily to higher property taxes.

Gas

O&R's results of gas operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2016**	**2015**	**Variation**
Operating revenues	$184	$182	$2
Gas purchased for resale	47	51	(4)
Other operations and maintenance	57	77	(20)
Depreciation and amortization	18	18	—
Taxes, other than income taxes	27	18	9
Gas operating income	**$35**	**$18**	**$17**

O&R's gas sales and deliveries, excluding off-system sales, in 2016 compared with 2015 were:

	Thousands of Dt Delivered				Revenues in Millions (a)			
	For the Years Ended				For the Years Ended			
Description	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation
Residential	7,872	7,664	208	2.7 %	$84	$77	$7	9.1 %
General	1,851	1,684	167	9.9	15	14	1	7.1
Firm transportation	10,381	11,752	(1,371)	(11.7)	70	68	2	2.9
Total firm sales and transportation	**20,104**	**21,100**	**(996)**	**(4.7)** (b)	**169**	**159**	**10**	**6.3**
Interruptible sales	3,853	4,205	(352)	(8.4)	3	3	—	—
Generation plants	18	25	(7)	(28.0)	—	—	—	—
Other	867	906	(39)	(4.3)	—	—	—	—
Other gas revenues	—	—	—	—	12	20	(8)	(40.0)
Total	**24,842**	**26,236**	**(1,394)**	**(5.3)%**	**$184**	**$182**	**$2**	**1.1 %**

(a) Revenues from New York gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) After adjusting for weather and other variations, total firm sales and transportation volumes increased 2.3 percent in 2016 compared with 2015.

Operating revenues increased $2 million in 2016 compared with 2015 due primarily to higher revenues from the New York gas rate plan ($9 million), offset in part by the decrease in gas purchased for resale ($4 million).

Gas purchased for resale decreased $4 million in 2016 compared with 2015 due to a decrease in purchased volumes ($5 million), offset by an increase in unit costs ($1 million).

Other operations and maintenance expenses decreased $20 million in 2016 compared with 2015 due primarily to the charge-off of certain regulatory assets in 2015 ($14 million) and regulatory accounting effects of pension costs ($10 million), offset by higher operating costs ($4 million).

Taxes, other than income taxes increased $9 million in 2016 compared with 2015 due primarily to higher property taxes.

Taxes, Other Than Income Taxes
Taxes, other than income taxes, increased $17 million in 2016 compared with 2015. The principal components of taxes, other than income taxes, were:

	For the Years Ended December 31,		
(Millions of Dollars)	2016	2015	Variation
Property taxes	$63	$46	$17
State and local taxes related to revenue receipts	10	10	—
Payroll taxes	6	6	—
Total	**$79** (a)	**$62** (a)	**$17**

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2016 and 2015 were $105 million and $88 million, respectively.

Other Income (Deductions)
Other income (deductions) increased $5 million in 2016 compared with 2015 due primarily to the impairment of certain assets held for sale in 2015 (see Note U to the financial statements in Item 8).

Income Tax Expense
Income taxes increased $6 million in 2016 compared with 2015 due primarily to higher income before income tax expense ($5 million) and plant-related flow through items ($3 million), offset in part by lower taxable reimbursement in insurance claims ($1 million) and a higher tax benefit from a corporate-owned life insurance policy ($1 million).

Clean Energy Businesses

The Clean Energy Businesses' results of operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2016**	**2015**	**Variation**
Operating revenues	$1,091	$1,383	$(292)
Purchased power	674	1,044	(370)
Gas purchased for resale	112	106	6
Other operations and maintenance	164	134	30
Depreciation and amortization	42	22	20
Taxes, other than income taxes	20	19	1
Gain on sale of retail electric supply business	104	—	104
Operating income	**$183**	**$58**	**$125**

Operating revenues decreased $292 million in 2016 compared with 2015 due primarily to lower electric retail revenues. Electric retail revenues decreased $389 million in 2016 as compared with 2015 due to the sale of the retail electric supply business (see Note U to the financial statements in Item 8). Solar revenues increased $54 million in 2016 as compared with 2015 due primarily to an increase in solar electric production projects in operation. Energy services revenues increased $41 million due to an increase in active projects. Wholesale revenues increased $8 million in 2016 compared with 2015 due primarily to higher sales volumes. Net mark-to-market values increased $6 million in 2016 as compared with 2015, of which $12 million in gains are reflected in purchased power expenses and $6 million in losses are reflected in revenues.

Purchased power expenses decreased $370 million in 2016 compared with 2015 due to the sale of the retail electric supply business ($373 million) (see Note U to the financial statements in Item 8) and changes in mark-to-market gains ($12 million).

Gas purchased for resale increased $6 million in 2016 compared with 2015 due primarily to higher sales volumes.

Other operations and maintenance expenses increased $30 million in 2016 compared with 2015 due primarily to an increase in energy services costs ($28 million) and other general operating expenses ($2 million).

Depreciation and amortization increased $20 million in 2016 compared with 2015 due primarily to an increase in renewable electric production projects in operation during 2016.

Taxes, other than income taxes increased $1 million in 2016 compared with 2015 due primarily to higher property taxes ($5 million), offset by lower gross receipt taxes ($4 million).

Gain on sale of retail electric supply business was $104 million in 2016 reflecting the sale of the retail electric supply business (see Note U to the financial statements in Item 8).

Other Income (Deductions)

Other income (deductions) decreased $12 million in 2016 compared with 2015 due primarily to the impairment of goodwill ($15 million) (see Note K to the financial statements in Item 8), offset in part by income from solar electric production investments ($3 million).

Net Interest Expense

Net interest expense increased $23 million in 2016 compared with 2015 due primarily to new debt issuances for renewable electric production projects.

Income Tax Expense

Income taxes increased $31 million in 2016 compared with 2015 due primarily to higher income before income tax expense ($38 million), an increase to deferred state income taxes as a result of the sale of the retail electric supply business ($4 million) and an increase in valuation allowances against state net operating loss carryforwards ($3 million), offset in part by higher production tax credits ($10 million) and the reversal of uncertain tax positions ($4 million).

Con Edison Transmission

Other Income (Deductions)

Other income (deductions) increased $43 million in 2016 compared with 2015 due primarily to earnings from equity investments in 2016 (see Note U to the financial statements in Item 8).

Income Tax Expense

Income taxes increased $14 million in 2016 compared with 2015 due primarily to higher income before income tax expense.

Other

For Con Edison, “Other” also includes intercompany eliminations relating to operating revenues and operating expenses.

Liquidity and Capital Resources

The Companies’ liquidity reflects cash flows from operating, investing and financing activities, as shown on their respective consolidated statements of cash flows and as discussed below.

The principal factors affecting Con Edison’s liquidity are its investments in the Utilities, the Clean Energy Businesses and Con Edison Transmission, the dividends it pays to its shareholders and the dividends it receives from the Utilities and cash flows from financing activities discussed below.

The principal factors affecting CECONY’s liquidity are its cash flows from operating activities, cash used in investing activities (including construction expenditures), the dividends it pays to Con Edison and cash flows from financing activities discussed below.

The Companies generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Companies repay their short-term borrowings using funds from long-term financings and operating activities. The Utilities’ cost of capital, including working capital, is reflected in the rates they charge to their customers.

Each of the Companies believes that it will be able to meet its reasonably likely short-term and long-term cash requirements. See “The Companies Require Access to Capital Markets to Satisfy Funding Requirements,” "Changes To Tax Laws Could Adversely Affect the Companies" and “The Companies Also Face Other Risks That Are Beyond Their Control” in Item 1A, and “Capital Requirements and Resources” in Item 1.

Changes in the Companies’ cash and temporary cash investments resulting from operating, investing and financing activities for the years ended December 31, 2017, 2016 and 2015 are summarized as follows:

Con Edison

(Millions of Dollars)	2017	2016	Variance 2017 vs. 2016	2015	Variance 2016 vs. 2015
Operating activities	$3,367	$3,459	$(92)	$3,277	$182
Investing activities	(3,703)	(4,976)	1,273	(3,657)	(1,319)
Financing activities	357	1,345	(988)	629	716
Net change for the period	21	(172)	193	249	(421)
Balance at beginning of period	776	944	(168)	699	245
Balance at end of period	797	772	25	948	(176)
Less: Change in cash balances held for sale	—	(4)	4	4	(8)
Balance at end of period excluding held for sale	$797	$776	$21	$944	$(168)

CECONY

(Millions of Dollars)	2017	2016	Variance 2017 vs. 2016	2015	Variance 2016 vs. 2015
Operating activities	$2,866	$3,038	$(172)	$2,819	$219
Investing activities	(3,078)	(2,739)	(339)	(2,638)	(101)
Financing activities	240	(440)	680	17	(457)
Net change for the period	28	(141)	169	198	(339)
Balance at beginning of period	702	843	(141)	645	198
Balance at end of period	$730	$702	$28	$843	$(141)

Cash Flows from Operating Activities

The Utilities' cash flows from operating activities reflect primarily their energy sales and deliveries and cost of operations. The volume of energy sales and deliveries is affected primarily by factors external to the Utilities, such as growth of customer demand, weather, market prices for energy and economic conditions. Measures that promote distributed energy resources, such as distributed generation, demand reduction and energy efficiency, also affect the volume of energy sales and deliveries. See "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," "Competition" and "Environmental Matters – Climate Change" in Item 1. Under the revenue decoupling mechanisms in the Utilities' New York electric and gas rate plans, changes in delivery volumes from levels assumed when rates were approved may affect the timing of cash flows, but generally not net income. The prices at which the Utilities provide energy to their customers are determined in accordance with their rate plans. In general, changes in the Utilities' cost of purchased power, fuel and gas may affect the timing of cash flows, but not net income, because the costs are recovered in accordance with rate plans. See "Recoverable Energy Costs" in Note A to the financial statements in Item 8. Pursuant to their rate plans, the Utilities have recovered from customers a portion of the tax liability they will pay in the future as a result of temporary differences between the book and tax basis of assets and liabilities. These temporary differences affect the timing of cash flows, but not net income, as the Companies are required to record deferred tax assets and liabilities at the current corporate tax rate for the temporary differences. For the Utilities, the reduction of the corporate tax rate to 21 percent under the TCJA is expected to result in decreased cash flows from operating activities as and when the rates the Utilities charge their customers are adjusted to reflect the reduction. See "Changes To Tax Laws Could Adversely Affect the Companies," in Item 1A, "Federal Income Tax" in Note A, "Rate Plans" in Note B, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

Net income is the result of cash and non-cash (or accrual) transactions. Only cash transactions affect the Companies' cash flows from operating activities. Principal non-cash charges or credits include depreciation, deferred income tax expense and amortizations of certain regulatory assets and liabilities. Non-cash charges or credits may also be accrued under the revenue decoupling and cost reconciliation mechanisms in the Utilities' New York electric and gas rate plans. See "Rate Plans – CECONY– Electric and Gas" and "Rate Plans – O&R New York – Electric and Gas" in Note B to the financial statements in Item 8.

Net cash flows from operating activities in 2017 for Con Edison and CECONY were $92 million and $172 million lower, respectively, than in 2016. The change in net cash flows for Con Edison and CECONY reflects primarily higher cash paid for income taxes, net of refunds received, in 2017 as compared with 2016 of $151 million and $270 million, respectively. The income tax refund received in 2016 reflected the extension of bonus depreciation in late 2015, resulting in a refund of the 2015 estimated federal tax payments. See Note L to the financial statements in Item 8. The change in net cash flows for Con Edison and CECONY also reflects higher construction expenditures in accounts payable of $44 million and $56 million, respectively.

Net cash flows from operating activities in 2016 for Con Edison and CECONY were $182 million and $219 million higher, respectively, than in 2015. The increase in net cash flows for Con Edison and CECONY reflects primarily lower income taxes paid, net of refunds received in 2016 as compared with 2015 ($144 million and $325 million, respectively), offset by higher interest payments ($67 million and $27 million, respectively) in 2016. The amount and timing of income tax payments and refunds received reflect, among other things, the extension of bonus depreciation tax provisions. See Note L to the financial statements in Item 8.

The change in net cash flows also reflects the timing of payments for and recovery of energy costs. This timing is reflected within changes to accounts receivable – customers, recoverable and refundable energy costs within other regulatory assets and liabilities and accounts payable balances.

Cash Flows Used in Investing Activities
Net cash flows used in investing activities for Con Edison and CECONY were $1,273 million lower and $339 million higher, respectively, in 2017 than in 2016. The change for Con Edison reflects primarily lower new investments in electric and gas transmission projects ($1,031 million) and renewable electric production projects ($357 million) and a decrease in non-utility construction expenditures ($430 million), offset in part by lower proceeds from the sale and transfer of assets ($340 million) and increased utility construction expenditures ($193 million). The change for CECONY primarily reflects increased utility construction expenditures ($168 million) and the absence of proceeds from the transfer of assets to NY Transco in 2016 ($122 million).

Net cash flows used in investing activities for Con Edison and CECONY were $1,319 million and $101 million higher, respectively, in 2016 than in 2015. The change for Con Edison reflects primarily increased investments in electric and gas transmission projects ($1,076 million), increased utility construction expenditures in 2016 ($273 million) and increased non-utility construction expenditures related to development of renewable electric production projects ($353 million), offset in part by the proceeds from the sale and transfer of assets ($374 million). The change for CECONY reflects primarily increased utility construction expenditures in 2016 ($262 million), offset in part by the proceeds from the transfer of assets to NY Transco ($122 million).

Cash Flows From Financing Activities
Net cash flows from financing activities in 2017 for Con Edison and CECONY were $988 million lower and $680 million higher, respectively, than in 2016. Net cash flows from financing activities in 2016 for Con Edison and CECONY were $716 million higher and $457 million lower, respectively, than in 2015.

Net cash flows from financing activities during the years ended December 31, 2017 and 2016 reflect the following Con Edison transactions:

2017
- Issued 4.1 million common shares resulting in net proceeds of $343 million, after issuance expenses, that were invested by Con Edison in its subsidiaries, principally CECONY and the Clean Energy Businesses, for funding of their construction expenditures and for other general corporate purposes; and
- Issued $400 million aggregate principal amount of 2.00 percent debentures, due 2020, and prepaid the June 2016 $400 million variable rate term loan that was to mature in 2018.

2016
- Issued approximately 10 million common shares resulting in net proceeds of $702 million, after issuance expenses, and $500 million aggregate principal amount of 2.00 percent debentures, due 2021, the net proceeds from the sale of which were used in connection with the acquisition by a CET Gas subsidiary of a 50 percent equity interest in Stagecoach, a gas pipeline and storage joint venture (see "Con Edison Transmission" in Item 1), and for general corporate purposes.

Con Edison had no issuances of long-term debt in 2015.

Con Edison's cash flows from financing activities in 2017, 2016 and 2015 also reflect the proceeds, and reduction in cash used for reinvested dividends, resulting from the issuance of common shares under the company's dividend reinvestment, stock purchase and long-term incentive plans of $97 million, $97 million and $29 million, respectively, net of repurchases in 2015.

Net cash flows from financing activities during the years ended December 31, 2017, 2016 and 2015 reflect the following CECONY transactions:

2017
- Issued $350 million aggregate principal amount of 3.125 percent debentures, due 2027, $350 million aggregate principal amount of 4.00 percent debentures, due 2057, and $500 million aggregate principal amount of 3.875 percent debentures, due 2047, the net proceeds from the sales of which were used to repay short-term borrowings and for other general corporate purposes.

2016
- Issued $250 million aggregate principal amount of 2.90 percent debentures, due 2026, $500 million aggregate principal amount of 4.30 percent debentures, due 2056, and $550 million aggregate principal amount of 3.85 percent debentures, due 2046, the net proceeds from the sales of which were used to repay short-term borrowings and for other general corporate purposes;
- Redeemed at maturity $400 million of 5.50 percent 10-year debentures; and
- Redeemed at maturity $250 million of 5.30 percent 10-year debentures.

2015
- Issued $650 million aggregate principal amount of 4.50 percent debentures, due 2045, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes; and
- Redeemed at maturity $350 million of 5.375 percent 10-year debentures.

Con Edison's net cash flows from financing activities during the years ended December 31, 2016 and 2015 also reflect the following O&R transactions:

O&R had no issuances of long-term debt in 2017.

2016
- Issued $75 million aggregate principal amount of 3.88 percent debentures, due 2046, the net proceeds from the sale of which were used to repay short-term borrowings; and
- Redeemed at maturity $75 million of 5.45 percent 10-year debentures.

2015
- Issued $100 million aggregate principal amount of 4.69 percent debentures, due 2045, and $120 million aggregate principal amount of 4.95 percent debentures, due 2045, the net proceeds from the sales of which were used to repay short-term borrowings and for other general corporate purposes;
- Redeemed at maturity $40 million of 5.30 percent 10-year debentures;
- Redeemed at maturity $55 million of 2.50 percent 5-year debentures; and
- Redeemed at maturity $44 million of variable rate tax-exempt 20-year debt.

Con Edison's net cash flows from financing activities during the years ended December 31, 2017, 2016 and 2015 also reflect the following Clean Energy Businesses transactions:

2017
- Issued $97 million aggregate principal amount of 4.45 percent senior notes, due 2042, secured by Con Edison Development’s Upton County Solar renewable electric production project.

2016
- Borrowed $2 million pursuant to a loan agreement with a New Jersey utility. The borrowing matures in 2026, bears interest of 11.18 percent and may be repaid in cash or project Solar Renewable Energy Certificates;
- Issued $95 million aggregate principal amount of 4.07 percent senior notes, due 2036, secured by the company's California Holdings 3 renewable electric production project; and
- Issued $218 million aggregate principal amount of 4.21 percent senior notes, due 2041, secured by the company's Texas Solar 7 renewable electric production project.

2015
- Issued $118 million aggregate principal amount of 3.94 percent senior notes, due in 2036, secured by the company's California Holdings 2 renewable electric production project; and
- Issued $159 million aggregate principal amount of 4.53 percent senior notes due in 2040, secured by the company's Texas Solar 5 renewable electric production project.

Cash flows from financing activities of the Companies also reflect commercial paper issuance. The commercial paper amounts outstanding at December 31, 2017, 2016 and 2015 and the average daily balances for 2017, 2016 and 2015 for Con Edison and CECONY were as follows:

	2017		2016		2015	
(Millions of Dollars, except Weighted Average Yield)	Outstanding at December 31	Daily average	Outstanding at December 31	Daily average	Outstanding at December 31	Daily average
Con Edison	$577	$566	$1,054	$744	$1,529	$823
CECONY	$150	$251	$600	$362	$1,033	$379
Weighted average yield	1.8%	1.2%	1.0%	0.6%	0.7%	0.4%

Common stock issuances and external borrowings are sources of liquidity that could be affected by changes in credit ratings, financial performance and capital market conditions. For information about the Companies' credit ratings and certain financial ratios, see "Capital Requirements and Resources" in Item 1.

Capital Requirements and Resources

For information about capital requirements, contractual obligations and capital resources, see "Capital Requirements and Resources" in Item 1.

Other Changes in Assets and Liabilities

The following table shows changes in certain assets and liabilities at December 31, 2017, compared with December 31, 2016.

	Con Edison	CECONY
(Millions of Dollars)	2017 vs. 2016 Variance	2017 vs. 2016 Variance
Assets		
Non-utility property, less accumulated depreciation	$294	$—
Non-utility plant - Construction work in progress	(138)	—
Other deferred charges and noncurrent assets	12	18
Regulatory asset - Unrecognized pension and other postretirement costs	(348)	(354)
Regulatory asset - Future income tax	(2,439)	(2,325)
Liabilities		
Deferred income taxes and unamortized investment tax credits	$(4,710)	$(4,144)
Pension and retiree benefits	(404)	(404)
Regulatory liabilities - Future income tax	2,545	2,390
System benefit charge	101	85

Non-Utility Property, Less Accumulated Depreciation

The increase in non-utility property, less accumulated depreciation, for Con Edison reflects the completion of construction of Con Edison Development's Upton County Solar renewable electric production project. See "Clean Energy Businesses – Con Edison Development" and "Capital Requirements and Resources – Capital Requirements" in Item 1.

Non-Utility Plant - Construction Work in Progress

The decrease in construction work in progress for Con Edison reflects projects that have reached commercial operation.

Other Deferred Charges and Noncurrent Assets

The increase in other deferred charges and noncurrent assets for Con Edison reflects deferred costs of $33 million related to aid provided by the Utilities in the restoration of power in Puerto Rico in the aftermath of September 2017 hurricanes.

Regulatory Asset for Unrecognized Pension and Other Postretirement Costs and Liability for Pension and Retiree Benefits
The decrease in the regulatory asset for unrecognized pension and other postretirement costs and the liability for pension and retiree benefits reflects the final actuarial valuation of the pension and other retiree benefit plans as measured at December 31, 2017, in accordance with the accounting rules for retirement benefits. The change in the regulatory asset also reflects the year's amortization of accounting costs. The change in the liability for pension and retiree benefits reflects in part contributions to the plans made by the Utilities in 2017. See Notes B, E and F to the financial statements in Item 8.

Deferred Income Taxes and Unamortized Investment Tax Credits, Regulatory Asset and Liability for Future Income Tax
The decrease in deferred income taxes and unamortized investment tax credits, decrease in regulatory asset for future income tax and increase in regulatory liability for future income tax reflects the re-measurement of the Companies' deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. See "Federal Income Taxes" in Note A, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

System Benefit Charge
The increase in the liability for the system benefit charge reflects amounts collected by the Utilities from their customers that will be required to be paid to NYSERDA. See "Environmental Matters – Climate Change" in Item 1.

Off-Balance Sheet Arrangements
None of the Companies' transactions, agreements or other contractual arrangements meet the SEC definition of off-balance sheet arrangements.

Regulatory Matters
For information about the Utilities' rate plans and other regulatory matters affecting the Companies, see "Utility Regulation" in Item 1 and Note B to the financial statements in Item 8.

Risk Factors
The Companies' businesses are influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition. See "Risk Factors" in Item 1A.

Application of Critical Accounting Policies
The Companies' financial statements reflect the application of their accounting policies, which conform to accounting principles generally accepted in the United States of America. The Companies' critical accounting policies include industry-specific accounting applicable to regulated public utilities and accounting for pensions and other postretirement benefits, contingencies, long-lived assets, goodwill and derivative instruments.

Accounting for Regulated Public Utilities
The Utilities are subject to the accounting rules for regulated operations and the accounting requirements of the FERC and the state public utility regulatory commissions having jurisdiction.

The accounting rules for regulated operations specify the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges, or "regulatory assets," under the accounting rules for regulated operations. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits, or "regulatory liabilities," under the accounting rules for regulated operations.

The Utilities' principal regulatory assets and liabilities are listed in Note B to the financial statements in Item 8. The Utilities are each receiving or being credited with a return on all regulatory assets for which a cash outflow has been made. The Utilities are each paying or being charged with a return on all regulatory liabilities for which a cash inflow has been received. The regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

In the event that regulatory assets of the Utilities were no longer probable of recovery, as required by the accounting rules for regulated operations, these regulatory assets would be charged to earnings. At December 31, 2017, the regulatory assets for Con Edison and CECONY were $4,333 million and $3,925 million, respectively.

Accounting for Pensions and Other Postretirement Benefits
The Utilities provide pensions and other postretirement benefits to substantially all of their employees and retirees. The Clean Energy Businesses and Con Edison Transmission also provide such benefits to certain employees. The Companies account for these benefits in accordance with the accounting rules for retirement benefits. In addition, the Utilities apply the accounting rules for regulated operations to account for the regulatory treatment of these obligations (which, as described in Note B to the financial statements in Item 8, reconciles the amounts reflected in rates for the costs of the benefit to the costs actually incurred). In applying these accounting policies, the Companies have made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, discount rates, health care cost trends and future compensation. See Notes A, E and F to the financial statements in Item 8 for information about the Companies' pension and other postretirement benefits, the actuarial assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2017, 2016 and 2015.

The discount rate for determining the present value of future period benefit payments is determined using a model to match the durations of highly-rated (Aa or higher by either Moody's or S&P) corporate bonds with the projected stream of benefit payments.

In determining the health care cost trend rate, the Companies review actual recent cost trends and projected future trends.

The cost of pension and other postretirement benefits in future periods will depend on actual returns on plan assets, assumptions for future periods, contributions and benefit experience. Con Edison's and CECONY's current estimates for 2018 are increases, compared with 2017, in their pension and other postretirement benefits costs of $59 million and $51 million, respectively.

The following table illustrates the effect on 2018 pension and other postretirement costs of changing the critical actuarial assumptions, while holding all other actuarial assumptions constant:

Actuarial Assumption	Change in Assumption	Pension	Other Postretirement Benefits	Total
			(Millions of Dollars)	
Increase in accounting cost:				
Discount rate				
Con Edison	(0.25)%	$57	$3	$60
CECONY	(0.25)%	$54	$2	$56
Expected return on plan assets				
Con Edison	(0.25)%	$33	$2	$35
CECONY	(0.25)%	$31	$2	$33
Health care trend rate				
Con Edison	1.00%	$—	$3	$3
CECONY	1.00%	$—	$(3)	$(3)
Increase in projected benefit obligation:				
Discount rate				
Con Edison	(0.25)%	$591	$37	$628
CECONY	(0.25)%	$557	$28	$585
Health care trend rate				
Con Edison	1.00%	$—	$13	$13
CECONY	1.00%	$—	$(20)	$(20)

A 5.0 percentage point variation in the actual annual return in 2018, as compared with the expected annual asset return of 7.50 percent, would change pension and other postretirement benefit costs for Con Edison and CECONY by approximately $42 million and $39 million, respectively, in 2019.

Pension benefits are provided through a pension plan maintained by Con Edison to which CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission make contributions for their participating employees. Pension accounting by the Utilities includes an allocation of plan assets.

The Companies' policy is to fund their pension and other postretirement benefit accounting costs to the extent tax deductible, and for the Utilities, to the extent these costs are recovered under their rate plans. The Companies were not required to make cash contributions to the pension plan in 2017 under funding regulations and tax laws. However, CECONY and O&R made discretionary contributions to the pension plan in 2017 of $412 million and $38 million, respectively. In 2018, CECONY and O&R expect to make contributions to the pension plan of $435 million and $37 million, respectively. See "Expected Contributions" in Notes E and F to the financial statements in Item 8.

Accounting for Contingencies
The accounting rules for contingencies apply to an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Known material contingencies, which are described in the notes to the financial statements, include certain regulatory matters (Note B), the Utilities' responsibility for hazardous substances, such as asbestos, PCBs and coal tar that have been used or generated in the course of operations (Note G) and other contingencies (Note H). In accordance with the accounting rules, the Companies have accrued estimates of losses relating to the contingencies as to which loss is probable and can be reasonably estimated and no liability has been accrued for contingencies as to which loss is not probable or cannot be reasonably estimated.

The Utilities recover costs for asbestos lawsuits, workers' compensation and environmental remediation pursuant to their current rate plans. Generally, changes during the terms of the rate plans to the amounts accrued for these contingencies would not impact earnings.

Accounting for Long-Lived and Intangible Assets
The accounting rules for certain long-lived assets and intangible assets with definite lives require testing for recoverability whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. The carrying amount of a long-lived asset or intangible asset with a definite life is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Under the accounting rules, an impairment loss is recognized if the carrying amount is not recoverable from such cash flows, and exceeds its fair value, which approximates market value. In 2015, Con Edison recorded a $5 million impairment charge on Pike assets held for sale. See Note U to the financial statements in Item 8. No impairment charges on long-lived assets were recognized in 2017 or 2016. No impairment charges on intangible assets with definite lives were recognized in 2017, 2016 or 2015. For information about the Companies' intangible assets, see Note K to the financial statements in Item 8.

Accounting for Goodwill
In accordance with the accounting rules for goodwill and intangible assets, Con Edison is required to test goodwill for impairment annually or whenever there is a triggering event. See "Goodwill" in Note A and Note K to the financial statements in Item 8. The company has an option to first make a qualitative assessment that evaluates relevant events and circumstances, such as industry and market conditions, regulatory environment and financial performance. If, after applying the optional qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company then applies a two-step, quantitative goodwill impairment test.

The first step of the quantitative goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill.

Goodwill was $428 million at December 31, 2017, which consists of $406 million related to the 1999 O&R merger, $8 million related to a gas storage company owned by CET Gas and $14 million related to a residential solar company owned by the Clean Energy Businesses.

During 2017, Con Edison elected to perform the optional qualitative assessment for goodwill related to the O&R merger and the gas storage company and determined no quantitative analysis was required and no goodwill impairment was recorded.

The first step of the quantitative analysis was performed for the residential solar company owned by the Clean Energy Businesses. Based on the results, it was determined that the fair value of the reporting unit exceeded the carrying value, and as such, the second step was not required and no goodwill impairment was recorded. The most significant assumptions for the goodwill impairment test relate to the estimates of reporting unit fair values. The company estimated fair values using primarily discounted cash flows. Estimates of future cash flows, projected growth rates and discount rates inherent in the cash flow estimates for Con Edison subsidiaries other than the Utilities may vary significantly from actual results, which could result in a future impairment of goodwill.

During 2016, the impairment tests required a second-step assessment to be performed on goodwill of $15 million related to two energy service companies owned by the Clean Energy Businesses. Based on the results of step two of the impairment test, the Clean Energy Businesses recorded an impairment charge of $15 million ($12 million, net of tax). A second-step assessment of goodwill related to the O&R merger, residential solar company and gas storage company was not required.

Accounting for Derivative Instruments
The Companies apply the accounting rules for derivatives and hedging to their derivative financial instruments. The Companies use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase and sale of electricity and gas. The Utilities are permitted by their respective regulators to reflect in rates all reasonably incurred gains and losses on these instruments. The Clean Energy Businesses have also hedged interest rate risk on certain debt securities. See “Financial and Commodity Market Risks,” below and Note O to the financial statements in Item 8.

Where the Companies are required to make mark-to-market estimates pursuant to the accounting rules, the estimates of gains and losses at a particular period end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of a transaction. Substantially all of the estimated gains or losses are based on prices supplied by external sources such as the fair value of exchange-traded futures and options and the fair value of positions for which price quotations are available through or derived from brokers or other market sources.

Financial and Commodity Market Risks

The Companies are subject to various risks and uncertainties associated with financial and commodity markets. The most significant market risks include interest rate risk, commodity price risk, credit risk and investment risk.

Interest Rate Risk
The Companies' interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including the construction expenditures of the Utilities and maturing debt securities. Con Edison and its businesses manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. Con Edison and CECONY estimate that at December 31, 2017, a 10 percent increase in interest rates applicable to its variable rate debt would result in an increase in annual interest expense of $3 million. Under CECONY’s current electric, gas and steam rate plans, variations in actual variable rate tax-exempt debt interest expense are reconciled to levels reflected in rates.

Commodity Price Risk
Con Edison’s commodity price risk relates primarily to the purchase and sale of electricity, gas and related derivative instruments. The Utilities and the Clean Energy Businesses apply risk management strategies to mitigate their related exposures. See Note O to the financial statements in Item 8.

Con Edison estimates that, as of December 31, 2017, a 10 percent decline in market prices would result in a decline in fair value of $82 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas, of which $74 million is for CECONY and $8 million is for O&R. Con Edison expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In accordance with provisions approved by state regulators, the Utilities generally recover from customers the costs they incur for energy purchased for their customers, including gains and losses on certain

derivative instruments used to hedge energy purchased and related costs. See “Recoverable Energy Costs” in Note A to the financial statements in Item 8.

The Clean Energy Businesses use a value-at-risk (VaR) model to assess the market price risk of their portfolio of electricity and gas commodity fixed-price purchase and sales commitments, physical forward contracts, generating assets and commodity derivative instruments. VaR represents the potential change in fair value of the portfolio due to changes in market prices for a specified time period and confidence level. These businesses estimate VaR across their portfolio using a delta-normal variance/covariance model with a 95 percent confidence level, compare the measured VaR results against performance due to actual prices and stress test the portfolio each quarter using an assumed 30 percent price change from forecast. Since the VaR calculation involves complex methodologies and estimates and assumptions that are based on past experience, it is not necessarily indicative of future results. VaR for the portfolio, assuming a one-day holding period, for the years ended December 31, 2017 and 2016, respectively, was as follows:

95% Confidence Level, One-Day Holding Period	2017	2016
	(Millions of Dollars)	
Average for the period	$—	$2
High	1	4
Low	—	1

Credit Risk
The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the Clean Energy Businesses. See the discussion of credit exposure in Note O to the financial statements in Item 8.

Investment Risk
The Companies’ investment risk relates to the investment of plan assets for their pension and other postretirement benefit plans and to the investments of the Clean Energy Businesses and Con Edison Transmission that are accounted for under the equity method. See “Application of Critical Accounting Policies – Accounting for Pensions and Other Postretirement Benefits,” above and Notes A, E and F to the financial statements in Item 8.

The Companies’ current investment policy for pension plan assets includes investment targets of 53 to 63 percent equities and 35 to 49 percent fixed income and other securities. At December 31, 2017, the pension plan investments consisted of 58 percent equity and 42 percent fixed income and other securities.

For the Utilities’ pension and other postretirement benefit plans, regulatory accounting treatment is generally applied in accordance with the accounting rules for regulated operations. In accordance with the Statement of Policy issued by the NYSPSC and its current electric, gas and steam rate plans, CECONY defers for payment to or recovery from customers the difference between the pension and other postretirement benefit expenses and the amounts for such expenses reflected in rates. Generally, O&R also defers such difference pursuant to its rate plans.

Environmental Matters
For information concerning climate change, environmental sustainability, potential liabilities arising from laws and regulations protecting the environment and other environmental matters, see “Environmental Matters” in Item 1 and Note G to the financial statements in Item 8.

Impact of Inflation
The Companies are affected by the decline in the purchasing power of the dollar caused by inflation. Regulation permits the Utilities to recover through depreciation only the historical cost of their plant assets even though in an inflationary economy the cost to replace the assets upon their retirement will substantially exceed historical costs. The impact is, however, partially offset by the repayment of the Companies’ long-term debt in dollars of lesser value than the dollars originally borrowed.

Material Contingencies
For information concerning potential liabilities arising from the Companies’ material contingencies, see “Application of Critical Accounting Policies – Accounting for Contingencies,” above, and Notes B, G and H to the financial statements in Item 8.

Item 7A: Quantitative and Qualitative Disclosures about Market Risk

Con Edison

For information about Con Edison's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks," in Item 7 (which information is incorporated herein by reference).

CECONY

For information about CECONY's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks" in Item 7 (which information is incorporated herein by reference).

Item 8: Financial Statements and Supplementary Data

All other schedules are omitted because they are not applicable or the required information is shown in financial statements or notes thereto.

Supplementary Financial Information
Selected Quarterly Financial Data for the years ended December 31, 2017 and 2016 (Unaudited)

	2017			
Con Edison	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
	(Millions of Dollars, except per share amounts)			
Operating revenues	$3,228	$2,633	$3,211	$2,961
Operating income	771	423	873	544
Net income	388	175	457	505
Basic earnings per share	$1.27	$0.57	$1.48	$1.63
Diluted earnings per share	$1.27	$0.57	$1.48	$1.62

	2016			
Con Edison	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
	(Millions of Dollars, except per share amounts)			
Operating revenues	$3,156	$2,794	$3,417	$2,707
Operating income	642	515	940	478
Net income	310	232	497	207
Basic earnings per share	$1.05	$0.78	$1.63	$0.68
Diluted earnings per share	$1.05	$0.77	$1.62	$0.67

In the opinion of Con Edison, these quarterly amounts include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. The sum of the quarterly financial information may vary from the annual data due to rounding.

	2017			
CECONY	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
	(Millions of Dollars)			
Operating revenues	$2,856	$2,293	$2,799	$2,520
Operating income	705	387	800	514
Net income	339	143	401	221

	2016			
CECONY	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
	(Millions of Dollars)			
Operating revenues	$2,632	$2,281	$2,828	$2,424
Operating income	640	392	766	463
Net income	310	161	388	197

In the opinion of CECONY, these quarterly amounts include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. The sum of the quarterly financial information may vary from the annual data due to rounding.

Report of Management on Internal Control Over Financial Reporting

Management of Consolidated Edison, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2017, using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* (2013). Based on that assessment, management has concluded that the Company had effective internal control over financial reporting as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

/s/ John McAvoy

John McAvoy
Chairman, President and Chief Executive Officer

/s/ Robert Hoglund

Robert Hoglund
Senior Vice President and Chief Financial Officer

February 15, 2018

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Shareholders of Consolidated Edison, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements, including the related notes and financial statement schedules, of Consolidated Edison, Inc. and its subsidiaries (the Company) as listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 15, 2018
We have served as the Company's or its predecessor's auditor since 1938.

Consolidated Edison, Inc.
Consolidated Income Statement

	For the Years Ended December 31,		
(Millions of Dollars/Except Share Data)	2017	2016	2015
OPERATING REVENUES			
Electric	$8,612	$8,741	$8,832
Gas	2,133	1,692	1,709
Steam	595	551	629
Non-utility	693	1,091	1,384
TOTAL OPERATING REVENUES	12,033	12,075	12,554
OPERATING EXPENSES			
Purchased power	1,601	2,439	2,973
Fuel	216	172	248
Gas purchased for resale	808	477	495
Other operations and maintenance	3,303	3,269	3,344
Depreciation and amortization	1,341	1,216	1,130
Taxes, other than income taxes	2,155	2,031	1,937
TOTAL OPERATING EXPENSES	9,424	9,604	10,127
Gain on sale of retail electric supply business and solar electric production projects	1	104	—
OPERATING INCOME	2,610	2,575	2,427
OTHER INCOME (DEDUCTIONS)			
Investment income	79	47	—
Other income	47	44	35
Allowance for equity funds used during construction	11	10	5
Other deductions	(21)	(37)	(16)
TOTAL OTHER INCOME	116	64	24
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	2,726	2,639	2,451
INTEREST EXPENSE			
Interest on long-term debt	726	678	632
Other interest	11	24	24
Allowance for borrowed funds used during construction	(8)	(6)	(3)
NET INTEREST EXPENSE	729	696	653
INCOME BEFORE INCOME TAX EXPENSE	1,997	1,943	1,798
INCOME TAX EXPENSE	472	698	605
NET INCOME	$1,525	$1,245	$1,193
Net income per common share — basic	$4.97	$4.15	$4.07
Net income per common share — diluted	$4.94	$4.12	$4.05
DIVIDENDS DECLARED PER COMMON SHARE	$2.76	$2.68	$2.60
AVERAGE NUMBER OF SHARES OUTSTANDING — BASIC (IN MILLIONS)	307.1	300.4	293.0
AVERAGE NUMBER OF SHARES OUTSTANDING — DILUTED (IN MILLIONS)	308.8	301.9	294.4

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
Consolidated Statement of Comprehensive Income

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	2015
NET INCOME	$1,525	$1,245	$1,193
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	7	11
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	7	11
COMPREHENSIVE INCOME	$1,526	$1,252	$1,204

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
Consolidated Statement of Cash Flows

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**2015**
OPERATING ACTIVITIES			
Net Income	$1,525	$1,245	$1,193
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME			
Depreciation and amortization	1,341	1,216	1,130
Deferred income taxes	485	783	653
Rate case amortization and accruals	(124)	(210)	(52)
Common equity component of allowance for funds used during construction	(11)	(10)	(5)
Net derivative (gains)/losses	(4)	(6)	3
Pre-tax gain on sale of retail electric supply business and solar electric production projects	(1)	(104)	—
Other non-cash items, net	(49)	142	77
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable - customers	(6)	(69)	96
Materials and supplies, including fuel oil and gas in storage	5	13	22
Other receivables and other current assets	(44)	54	(27)
Taxes receivable	15	87	58
Prepayments	(19)	20	(14)
Accounts payable	95	29	(79)
Pensions and retiree benefits obligations, net	414	609	756
Pensions and retiree benefits contributions	(467)	(515)	(756)
Accrued taxes	44	2	(10)
Accrued interest	(7)	14	4
Superfund and environmental remediation costs, net	(14)	69	22
Distributions from equity investments	108	68	31
System benefit charge	101	244	38
Deferred charges, noncurrent assets and other regulatory assets	2,376	(97)	(111)
Deferred credits and other regulatory liabilities	(2,524)	(68)	182
Other current and noncurrent liabilities	128	(57)	66
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,367	3,459	3,277
INVESTING ACTIVITIES			
Utility construction expenditures	(3,028)	(2,835)	(2,562)
Cost of removal less salvage	(248)	(206)	(219)
Non-utility construction expenditures	(415)	(845)	(492)
Investments in electric and gas transmission projects	(45)	(1,076)	—
Investments in/acquisitions of renewable electric production projects	(45)	(402)	(299)
Proceeds from sale of assets	34	252	—
Restricted cash	7	(17)	(13)
Proceeds from the transfer of assets to NY Transco	—	122	—
Other investing activities	37	31	(72)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(3,703)	(4,976)	(3,657)
FINANCING ACTIVITIES			
Net (payment)/issuance of short-term debt	(477)	(475)	729
Issuance of long-term debt	1,697	2,590	1,147
Retirement of long-term debt	(434)	(735)	(500)
Debt issuance costs	(19)	(24)	(15)
Common stock dividends	(803)	(763)	(733)
Issuance of common shares - public offering	343	702	—
Issuance of common shares for stock plans, net of repurchases	51	51	1
Distribution to noncontrolling interest	(1)	(1)	—
NET CASH FLOWS FROM FINANCING ACTIVITIES	357	1,345	629
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD	21	(172)	249
BALANCE AT BEGINNING OF PERIOD	776	944	699
BALANCE AT END OF PERIOD	797	772	948
LESS: CHANGE IN CASH BALANCES HELD FOR SALE	—	(4)	4
BALANCE AT END OF PERIOD EXCLUDING HELD FOR SALE	$797	$776	$944
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION			
Cash paid/(received) during the period for:			
Interest	$725	$664	$597

Income taxes	$(29)	$(180)	$(36)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION			
Construction expenditures in accounts payable	$432	$388	$279
Issuance of common shares for dividend reinvestment	$46	$46	$28
Debt assumed with business acquisitions	$—	$195	$—

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
Consolidated Balance Sheet

(Millions of Dollars)	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$797	$776
Accounts receivable — customers, less allowance for uncollectible accounts of $63 and $69 in 2017 and 2016, respectively	1,103	1,106
Other receivables, less allowance for uncollectible accounts of $8 and $14 in 2017 and 2016, respectively	160	195
Taxes receivable	64	79
Accrued unbilled revenue	598	447
Fuel oil, gas in storage, materials and supplies, at average cost	334	339
Prepayments	178	159
Regulatory assets	67	100
Restricted cash	47	54
Other current assets	189	151
TOTAL CURRENT ASSETS	3,537	3,406
INVESTMENTS	2,001	1,921
UTILITY PLANT, AT ORIGINAL COST		
Electric	28,994	27,747
Gas	8,256	7,524
Steam	2,473	2,421
General	3,008	2,719
TOTAL	42,731	40,411
Less: Accumulated depreciation	9,063	8,541
Net	33,668	31,870
Construction work in progress	1,605	1,175
NET UTILITY PLANT	35,273	33,045
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of $201 and $140 in 2017 and 2016, respectively	1,776	1,482
Construction work in progress	551	689
NET PLANT	37,600	35,216
OTHER NONCURRENT ASSETS		
Goodwill	428	428
Intangible assets, less accumulated amortization of $15 and $6 in 2017 and 2016, respectively	131	124
Regulatory assets	4,266	7,024
Other deferred charges and noncurrent assets	148	136
TOTAL OTHER NONCURRENT ASSETS	4,973	7,712
TOTAL ASSETS	$48,111	$48,255

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
Consolidated Balance Sheet

(Millions of Dollars)	December 31, 2017	December 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$1,298	$39
Notes payable	577	1,054
Accounts payable	1,286	1,147
Customer deposits	346	352
Accrued taxes	108	64
Accrued interest	143	150
Accrued wages	105	101
Fair value of derivative liabilities	17	77
Regulatory liabilities	101	128
System benefit charge	535	434
Other current liabilities	386	297
TOTAL CURRENT LIABILITIES	4,902	3,843
NONCURRENT LIABILITIES		
Provision for injuries and damages	153	160
Pensions and retiree benefits	1,443	1,847
Superfund and other environmental costs	737	753
Asset retirement obligations	314	246
Fair value of derivative liabilities	38	40
Deferred income taxes and unamortized investment tax credits	5,495	10,205
Regulatory liabilities	4,577	1,905
Other deferred credits and noncurrent liabilities	296	215
TOTAL NONCURRENT LIABILITIES	13,053	15,371
LONG-TERM DEBT	14,731	14,735
EQUITY		
Common shareholders' equity	15,418	14,298
Noncontrolling interest	7	8
TOTAL EQUITY (See Statement of Equity)	15,425	14,306
TOTAL LIABILITIES AND EQUITY	$48,111	$48,255

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
Consolidated Statement of Equity

(In Millions)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest	Total
BALANCE AS OF DECEMBER 31, 2014	293	$32	$4,991	$8,691	23	$(1,032)	$(61)	$(45)	$9	$12,585
Net income				1,193						1,193
Common stock dividends				(761)						(761)
Issuance of common shares for stock plans, net of repurchases	—		39		—	(6)				33
Other comprehensive income								11		11
Noncontrolling interest										—
BALANCE AS OF DECEMBER 31, 2015	293	$32	$5,030	$9,123	23	$(1,038)	$(61)	$(34)	$9	$13,061
Net income				1,245						1,245
Common stock dividends				(809)						(809)
Issuance of common shares - public offering	10	1	723				(22)			702
Issuance of common shares for stock plans	2		101							101
Other comprehensive income								7		7
Noncontrolling interest									(1)	(1)
BALANCE AS OF DECEMBER 31, 2016	305	$33	$5,854	$9,559	23	$(1,038)	$(83)	$(27)	$8	$14,306
Net income				1,525						1,525
Common stock dividends				(849)						(849)
Issuance of common shares - public offering	5	1	344				(2)			343
Issuance of common shares for stock plans			100							100
Other comprehensive income								1		1
Noncontrolling interest									(1)	(1)
BALANCE AS OF DECEMBER 31, 2017	310	$34	$6,298	$10,235	23	$(1,038)	$(85)	$(26)	$7	$15,425

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
Consolidated Statement of Capitalization

	Shares outstanding December 31,		At December 31,	
(In Millions)	2017	2016	2017	2016
TOTAL EQUITY BEFORE ACCUMULATED OTHER COMPREHENSIVE LOSS	310	305	$15,444	$14,325
Pension plan liability adjustments, net of taxes			(23)	(24)
Unrealized losses on derivatives qualified as cash flow hedges, less reclassification adjustment for gains/(losses) included in net income and reclassification adjustment for unrealized losses included in regulatory assets, net of taxes			(3)	(3)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAXES			(26)	(27)
Equity			15,418	14,298
Noncontrolling interest			7	8
TOTAL EQUITY (See Statement of Equity)			$15,425	$14,306

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
Consolidated Statement of Capitalization

LONG-TERM DEBT *(Millions of Dollars)*			At December 31,	
Maturity	**Interest Rate**	**Series**	**2017**	**2016**
DEBENTURES:				
2018	5.85	2008A	600	600
2018	6.15	2008A	50	50
2018	7.125	2008C	600	600
2019	4.96	2009A	60	60
2019	6.65	2009B	475	475
2020	4.45	2010A	350	350
2020	2.00	2017A	400	—
2021	2.00	2016A	500	500
2024	3.30	2014B	250	250
2026	2.90	2016B	250	250
2027	6.50	1997F	80	80
2027	3.125	2017B	350	—
2033	5.875	2003A	175	175
2033	5.10	2003C	200	200
2034	5.70	2004B	200	200
2035	5.30	2005A	350	350
2035	5.25	2005B	125	125
2036	5.85	2006A	400	400
2036	6.20	2006B	400	400
2036	5.70	2006E	250	250
2037	6.30	2007A	525	525
2038	6.75	2008B	600	600
2039	6.00	2009B	60	60
2039	5.50	2009C	600	600
2040	5.70	2010B	350	350
2040	5.50	2010B	115	115
2042	4.20	2012A	400	400
2043	3.95	2013A	700	700
2044	4.45	2014A	850	850
2045	4.50	2015A	650	650
2045	4.95	2015A	120	120
2045	4.69	2015B	100	100
2046	3.85	2016A	550	550
2046	3.88	2016A	75	75
2047	3.875	2017A	500	—
2054	4.625	2014C	750	750
2056	4.30	2016C	500	500
2057	4.00	2017C	350	—
TOTAL DEBENTURES			13,860	12,260

Consolidated Edison, Inc.
Consolidated Statement of Capitalization

LONG-TERM DEBT *(Millions of Dollars)*			At December 31,	
Maturity	**Interest Rate**	**Series**	**2017**	**2016**
TAX-EXEMPT DEBT - Notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds (a):				
2032	2.45%	2004B Series 1	$127	$127
2034	1.834	1999A	293	293
2035	1.68	2004B Series 2	20	20
2036	1.796	2001B	98	98
2036	1.715	2010A	225	225
2039	1.943	2004A	98	98
2039	1.663	2004C	99	99
2039	1.627	2005A	126	126
TOTAL TAX-EXEMPT DEBT			1,086	1,086
PROJECT DEBT:				
2024-2032	Variable - 4.52%	Coram	170	180
2031-2038	5.25 - 4.95	Texas Solar 4	61	64
2036	3.94	California Solar 2	110	114
2036	4.07	California Solar 3	93	95
2040	4.53	Texas Solar 5	155	158
2041	4.21	Texas Solar 7	214	218
2042	4.45	Upton County Solar	97	—
Other project debt			15	16
TOTAL PROJECT DEBT			915	845
Long-term debt - Variable rate term loan			—	400
Other long-term debt			310	317
Unamortized debt expense			(113)	(107)
Unamortized debt discount			(29)	(27)
TOTAL			16,029	14,774
Less: Long-term debt due within one year			1,298	39
TOTAL LONG-TERM DEBT			14,731	14,735
TOTAL CAPITALIZATION			$30,149	$29,033

(a) Rates are to be reset weekly or by auction held every 35 days; December 31, 2017 rates shown.

The accompanying notes are an integral part of these financial statements.

Report of Management on Internal Control Over Financial Reporting

Management of Consolidated Edison Company of New York, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2017, using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* (2013). Based on that assessment, management has concluded that the Company had effective internal control over financial reporting as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

/s/ John McAvoy

John McAvoy
Chairman and Chief Executive Officer

/s/ Robert Hoglund

Robert Hoglund
Senior Vice President and Chief Financial Officer

February 15, 2018

Report of Independent Registered Public Accounting Firm
To the Board of Trustees and Shareholder of Consolidated Edison Company of New York, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements, including the related notes and financial statement schedule, of Consolidated Edison Company of New York, Inc. and its subsidiaries (the Company) as listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements, and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 15, 2018
We have served as the Company's auditor since 1938.

Consolidated Edison Company of New York, Inc.
Consolidated Income Statement

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**2015**
OPERATING REVENUES			
Electric	$7,972	$8,106	$8,172
Gas	1,901	1,508	1,527
Steam	595	551	629
TOTAL OPERATING REVENUES	10,468	10,165	10,328
OPERATING EXPENSES			
Purchased power	1,415	1,568	1,719
Fuel	216	172	248
Gas purchased for resale	510	319	337
Other operations and maintenance	2,670	2,806	2,881
Depreciation and amortization	1,195	1,106	1,040
Taxes, other than income taxes	2,057	1,932	1,856
TOTAL OPERATING EXPENSES	8,063	7,903	8,081
OPERATING INCOME	2,405	2,262	2,247
OTHER INCOME (DEDUCTIONS)			
Investment and other income	14	8	5
Allowance for equity funds used during construction	10	8	4
Other deductions	(17)	(16)	(14)
TOTAL OTHER INCOME (DEDUCTIONS)	7	—	(5)
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	2,412	2,262	2,242
INTEREST EXPENSE			
Interest on long-term debt	615	588	567
Other interest	14	19	19
Allowance for borrowed funds used during construction	(6)	(4)	(2)
NET INTEREST EXPENSE	623	603	584
INCOME BEFORE INCOME TAX EXPENSE	1,789	1,659	1,658
INCOME TAX EXPENSE	685	603	574
NET INCOME	$1,104	$1,056	$1,084

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
Consolidated Statement of Comprehensive Income

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**2015**
NET INCOME	$1,104	$1,056	$1,084
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	2	2
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	2	2
COMPREHENSIVE INCOME	$1,105	$1,058	$1,086

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
Consolidated Statement of Cash Flows

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	2015
OPERATING ACTIVITIES			
Net income	$1,104	$1,056	$1,084
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME			
Depreciation and amortization	1,195	1,106	1,040
Deferred income taxes	575	545	449
Rate case amortization and accruals	(142)	(227)	(74)
Common equity component of allowance for funds used during construction	(10)	(8)	(4)
Other non-cash items, net	(61)	(31)	(27)
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable - customers	15	(23)	87
Materials and supplies, including fuel oil and gas in storage	(17)	18	24
Other receivables and other current assets	8	(11)	38
Accounts receivables from affiliated companies	45	81	(58)
Prepayments	(8)	13	13
Accounts payable	125	20	(51)
Accounts payable to affiliated companies	—	(2)	(11)
Pensions and retiree benefits obligations, net	370	579	714
Pensions and retiree benefits contributions	(420)	(476)	(703)
Superfund and environmental remediation costs, net	(12)	79	19
Accrued taxes	52	1	3
Accrued taxes to affiliated companies	(47)	117	(8)
Accrued interest	2	(7)	1
System benefit charge	85	221	38
Deferred charges, noncurrent assets and other regulatory assets	2,212	(172)	(150)
Deferred credits and other regulatory liabilities	(2,242)	179	379
Other current and noncurrent liabilities	37	(20)	16
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,866	3,038	2,819
INVESTING ACTIVITIES			
Utility construction expenditures	(2,840)	(2,672)	(2,410)
Cost of removal less salvage	(240)	(203)	(212)
Proceeds from the transfer of assets to NY Transco	—	122	—
Restricted cash	2	14	(16)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(3,078)	(2,739)	(2,638)
FINANCING ACTIVITIES			
Net (payment)/issuance of short-term debt	(450)	(433)	583
Issuance of long-term debt	1,200	1,300	650
Retirement of long-term debt	—	(650)	(350)
Debt issuance costs	(15)	(13)	(7)
Capital contribution by parent	301	100	13
Dividend to parent	(796)	(744)	(872)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	240	(440)	17
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD	28	(141)	198
BALANCE AT BEGINNING OF PERIOD	702	843	645
BALANCE AT END OF PERIOD	$730	$702	$843
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION			
Cash paid/(received) during the period for:			
Interest	$602	$581	$554
Income taxes	$108	$(162)	$163
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION			
Construction expenditures in accounts payable	$351	$295	$210

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
Consolidated Balance Sheet

(Millions of Dollars)	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$730	$702
Accounts receivable – customers, less allowance for uncollectible accounts of $58 and $65 in 2017 and 2016, respectively	1,009	1,032
Other receivables, less allowance for uncollectible accounts of $7 and $13 in 2017 and 2016, respectively	92	81
Taxes receivable	19	—
Accrued unbilled revenue	454	399
Accounts receivable from affiliated companies	64	109
Fuel oil, gas in storage, materials and supplies, at average cost	287	270
Prepayments	108	100
Regulatory assets	62	90
Restricted cash	—	2
Other current assets	84	95
TOTAL CURRENT ASSETS	2,909	2,880
INVESTMENTS	383	315
UTILITY PLANT AT ORIGINAL COST		
Electric	27,299	26,122
Gas	7,499	6,814
Steam	2,473	2,421
General	2,753	2,490
TOTAL	40,024	37,847
Less: Accumulated depreciation	8,321	7,836
Net	31,703	30,011
Construction work in progress	1,502	1,104
NET UTILITY PLANT	33,205	31,115
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of $25 in 2017 and 2016	4	4
NET PLANT	33,209	31,119
OTHER NONCURRENT ASSETS		
Regulatory assets	3,863	6,473
Other deferred charges and noncurrent assets	87	69
TOTAL OTHER NONCURRENT ASSETS	3,950	6,542
TOTAL ASSETS	$40,451	$40,856

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
Consolidated Balance Sheet

(Millions of Dollars)	December 31, 2017	December 31, 2016
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$1,200	$—
Notes payable	150	600
Accounts payable	1,057	876
Accounts payable to affiliated companies	10	10
Customer deposits	334	336
Accrued taxes	102	50
Accrued taxes to affiliated companies	72	119
Accrued interest	113	111
Accrued wages	95	91
Fair value of derivative liabilities	12	66
Regulatory liabilities	65	90
System benefit charge	483	398
Other current liabilities	245	242
TOTAL CURRENT LIABILITIES	3,938	2,989
NONCURRENT LIABILITIES		
Provision for injuries and damages	147	154
Pensions and retiree benefits	1,140	1,544
Superfund and other environmental costs	637	655
Asset retirement obligations	287	227
Fair value of derivative liabilities	31	33
Deferred income taxes and unamortized investment tax credits	5,306	9,450
Regulatory liabilities	4,219	1,712
Other deferred credits and noncurrent liabilities	242	190
TOTAL NONCURRENT LIABILITIES	12,009	13,965
LONG-TERM DEBT	12,065	12,073
COMMON SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)	12,439	11,829
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$40,451	$40,856

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
Consolidated Statement of Shareholder's Equity

(In Millions)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Repurchased Con Edison Stock	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2014	235	$589	$4,234	$7,399	$(962)	$(61)	$(11)	$11,188
Net income				1,084				1,084
Common stock dividend to parent				(872)				(872)
Capital contribution by parent			13					13
Other comprehensive income							2	2
BALANCE AS OF DECEMBER 31, 2015	235	$589	$4,247	$7,611	$(962)	$(61)	$(9)	$11,415
Net income				1,056				1,056
Common stock dividend to parent				(744)				(744)
Capital contribution by parent			100					100
Other comprehensive income							2	2
BALANCE AS OF DECEMBER 31, 2016	235	$589	$4,347	$7,923	$(962)	$(61)	$(7)	$11,829
Net income				$1,104				1,104
Common stock dividend to parent				(796)				(796)
Capital contribution by parent			302			(1)		301
Other comprehensive income							1	1
BALANCE AS OF DECEMBER 31, 2017	235	$589	$4,649	$8,231	$(962)	$(62)	$(6)	$12,439

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
Consolidated Statement of Capitalization

	Shares outstanding December 31,		At December 31,	
(In Millions)	2017	2016	2017	2016
TOTAL SHAREHOLDER'S EQUITY BEFORE ACCUMULATED OTHER COMPREHENSIVE LOSS	235	235	$12,445	$11,836
Pension plan liability adjustments, net of taxes			(3)	(4)
Unrealized losses on derivatives qualified as cash flow hedges, less reclassification adjustment for losses included in net income and reclassification adjustment for unrealized losses included in regulatory assets, net of taxes			(3)	(3)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAXES			(6)	(7)
TOTAL SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)			$12,439	$11,829

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
Consolidated Statement of Capitalization

LONG-TERM DEBT *(Millions of Dollars)*			At December 31,	
Maturity	**Interest Rate**	**Series**	**2017**	**2016**
DEBENTURES:				
2018	5.85	2008A	600	600
2018	7.125	2008C	600	600
2019	6.65	2009B	475	475
2020	4.45	2010A	350	350
2024	3.30	2014B	250	250
2026	2.90	2016B	250	250
2027	3.125	2017B	350	—
2033	5.875	2003A	175	175
2033	5.10	2003C	200	200
2034	5.70	2004B	200	200
2035	5.30	2005A	350	350
2035	5.25	2005B	125	125
2036	5.85	2006A	400	400
2036	6.20	2006B	400	400
2036	5.70	2006E	250	250
2037	6.30	2007A	525	525
2038	6.75	2008B	600	600
2039	5.50	2009C	600	600
2040	5.70	2010B	350	350
2042	4.20	2012A	400	400
2043	3.95	2013A	700	700
2044	4.45	2014A	850	850
2045	4.50	2015A	650	650
2046	3.85	2016A	550	550
2047	3.875	2017A	500	—
2054	4.625	2014C	750	750
2056	4.30	2016C	500	500
2057	4.00	2017C	350	—
TOTAL DEBENTURES			12,300	11,100
TAX-EXEMPT DEBT – Notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds (a):				
2032	2.45%	2004B Series 1	127	127
2034	1.834	1999A	293	293
2035	1.68	2004B Series 2	20	20
2036	1.796	2001B	98	98
2036	1.715	2010A	225	225
2039	1.943	2004A	98	98
2039	1.663	2004C	99	99
2039	1.627	2005A	126	126
TOTAL TAX-EXEMPT DEBT			1,086	1,086
Unamortized debt expense			(94)	(87)
Unamortized debt discount			(27)	(26)
TOTAL			13,265	12,073
Less: Long-term debt due within one year			1,200	—
TOTAL LONG-TERM DEBT			12,065	12,073
TOTAL CAPITALIZATION			$24,504	$23,902

(a) Rates are to be reset weekly or by auction held every 35 days; December 31, 2017 rates shown.

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

General

These combined notes accompany and form an integral part of the separate consolidated financial statements of each of the two separate registrants: Consolidated Edison, Inc. and its subsidiaries (Con Edison) and Consolidated Edison Company of New York, Inc. and its subsidiaries (CECONY). CECONY is a subsidiary of Con Edison and as such its financial condition and results of operations and cash flows, which are presented separately in the CECONY consolidated financial statements, are also consolidated, along with those of Orange and Rockland Utilities, Inc. (O&R), Con Edison Clean Energy Businesses, Inc. (together with its subsidiaries, the Clean Energy Businesses) and Con Edison Transmission, Inc. (together with its subsidiaries, Con Edison Transmission) in Con Edison's consolidated financial statements. The term "Utilities" is used in these notes to refer to CECONY and O&R.

As used in these notes, the term "Companies" refers to Con Edison and CECONY and, except as otherwise noted, the information in these combined notes relates to each of the Companies. However, CECONY makes no representation as to information relating to Con Edison or the subsidiaries of Con Edison other than itself.

Con Edison has two regulated utility subsidiaries: CECONY and O&R. CECONY provides electric service and gas service in New York City and Westchester County. The company also provides steam service in parts of Manhattan. O&R, along with its regulated utility subsidiary, provides electric service in southeastern New York and northern New Jersey and gas service in southeastern New York. Con Edison Clean Energy Businesses, Inc. has three subsidiaries: Consolidated Edison Development, Inc. (Con Edison Development), a company that develops, owns and operates renewable and energy infrastructure projects; Consolidated Edison Energy, Inc. (Con Edison Energy), a company that provides energy-related products and services to wholesale customers; and Consolidated Edison Solutions, Inc. (Con Edison Solutions), a company that provides energy-related products and services to retail customers. Con Edison Transmission, Inc. invests in electric transmission facilities through its subsidiary, Consolidated Edison Transmission, LLC (CET Electric), and invests in gas pipeline and storage facilities through its subsidiary Con Edison Gas Pipeline and Storage, LLC (CET Gas). See Note U.

Note A – Summary of Significant Accounting Policies

Principles of Consolidation

The Companies' consolidated financial statements include the accounts of their respective majority-owned subsidiaries, and variable interest entities (see Note Q), as required. All intercompany balances and transactions have been eliminated.

Accounting Policies

The accounting policies of Con Edison and its subsidiaries conform to generally accepted accounting principles in the United States of America (GAAP). For the Utilities, these accounting principles include the accounting rules for regulated operations and the accounting requirements of the Federal Energy Regulatory Commission (FERC) and the state regulators having jurisdiction.

The accounting rules for regulated operations specify the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or "regulatory assets" under the accounting rules for regulated operations. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or "regulatory liabilities" under the accounting rules for regulated operations.

The Utilities' principal regulatory assets and liabilities are detailed in Note B. The Utilities are receiving or being credited with a return on all of their regulatory assets for which a cash outflow has been made, and are paying or being charged with a return on all of their regulatory liabilities for which a cash inflow has been received. The Utilities' regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable state regulators.

Other significant accounting policies of the Companies are referenced below in this Note A and in the notes that follow.

Plant and Depreciation

Utility Plant

Utility plant is stated at original cost. The cost of repairs and maintenance is charged to expense and the cost of betterments is capitalized. The capitalized cost of additions to utility plant includes indirect costs such as engineering, supervision, payroll taxes, pensions, other benefits and an allowance for funds used during construction (AFUDC). The original cost of property is charged to expense over the estimated useful lives of the assets. Upon retirement, the original cost of property is charged to accumulated depreciation. See Note R.

Rates used for AFUDC include the cost of borrowed funds and a reasonable rate of return on the Utilities' own funds when so used, determined in accordance with regulations of the FERC or the state public utility regulatory authority having jurisdiction. The rate is compounded semiannually, and the amounts applicable to borrowed funds are treated as a reduction of interest charges, while the amounts applicable to the Utilities' own funds are credited to other income (deductions). The AFUDC rates for CECONY were 5.5 percent, 4.7 percent and 4.4 percent for 2017, 2016 and 2015, respectively. The AFUDC rates for O&R were 2.5 percent, 3.5 percent and 0.4 percent for 2017, 2016 and 2015, respectively.

The Utilities generally compute annual charges for depreciation using the straight-line method for financial statement purposes, with rates based on average service lives and net salvage factors. The average depreciation rates for CECONY were 3.1 percent for 2017, 2016 and 2015. The average depreciation rates for O&R were 2.9 percent for 2017 and 2016 and 3.0 percent for 2015.

The estimated lives for utility plant for CECONY range from 5 to 95 years for electric, 5 to 100 years for gas, 5 to 80 years for steam and 5 to 55 years for general plant. For O&R, the estimated lives for utility plant range from 5 to 75 years for electric and gas and 5 to 50 years for general plant.

At December 31, 2017 and 2016, the capitalized cost of the Companies' utility plant, net of accumulated depreciation, was as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
Electric				
Generation	$544	$479	$544	$479
Transmission	3,210	3,184	2,990	2,963
Distribution	18,959	18,150	17,996	17,234
Gas (a)	6,976	6,285	6,403	5,749
Steam	1,798	1,882	1,798	1,882
General	2,105	1,816	1,905	1,639
Held for future use	76	74	67	65
Construction work in progress	1,605	1,175	1,502	1,104
Net Utility Plant	$35,273	$33,045	$33,205	$31,115

(a) Primarily distribution.

Under the Utilities' rate plans, the aggregate annual depreciation allowance for the period ended December 31, 2017 was $1,253 million, including $1,184 million under CECONY's electric, gas and steam rate plans that have been approved by the New York State Public Service Commission (NYSPSC).

Non–Utility Plant

Non-utility plant is stated at original cost. For Con Edison, non–utility plant consists primarily of the Clean Energy Businesses' renewable electric production and gas storage. For the Utilities, non–utility plant consists of land and conduit for telecommunication use. Depreciation on these assets is computed using the straight-line method for financial statement purposes over their estimated useful lives, which range from 3 to 30 years.

Goodwill
Con Edison tests goodwill for impairment at least annually or whenever there is a triggering event. There is an option to first make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before applying a two–step, quantitative goodwill impairment test. Con Edison has elected to perform the qualitative assessment for substantially all of its goodwill and, if needed, applies the two-step quantitative approach. The first step of the quantitative goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill. In 2017, Con Edison recorded no impairment charge on goodwill. See Note K.

Long–Lived and Intangible Assets
Con Edison evaluates the impairment of long-lived assets and intangible assets with definite lives, based on projections of undiscounted future cash flows, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. In the event an evaluation indicates that such cash flows cannot be expected to be sufficient to fully recover the assets, the assets are written down to their estimated fair value. In 2015, Con Edison recorded a $5 million impairment charge on the assets held for sale of Pike County Light & Power Company (Pike), a former O&R subsidiary that was sold in August 2016 (see Note U). No impairment charges on long-lived assets were recognized in 2017 or 2016. No impairment charges on intangible assets with definite lives were recognized in 2017, 2016, or 2015. For information about the Companies' intangible assets, see Note K.

Revenues
The Utilities and Con Edison Solutions, until the sale of its retail electric supply business in September 2016 (see Note U), recognize revenues as energy is delivered to customers. The Utilities accrue and Con Edison Solutions accrued revenues at the end of each month for estimated energy not yet billed to customers. The Utilities defer over a 12–month period net interruptible gas revenues, other than those authorized by the NYSPSC to be retained by the Utilities, for refund to firm gas sales and transportation customers. Con Edison Development recognizes revenue for the sale of energy from renewable electric production projects as energy is generated and billed to counterparties. Con Edison Development accrues revenues at the end of each month for energy not yet billed to counterparties. Con Edison Energy recognizes revenue as energy is delivered and services are provided for managing energy supply assets leased from others and managing the dispatch, fuel requirements and risk management activities for generating plants and merchant transmission in the northeastern United States. Con Edison Solutions recognizes revenue for providing energy-efficiency services to government and commercial customers, and Con Edison Development recognizes revenue for the engineering, procurement and construction of Upton 2, under the percentage-of-completion method of revenue recognition.

Sales and profits on each percentage-of-completion contract are recorded based on the ratio of actual cumulative costs incurred to the total estimated costs at completion of the contract, multiplied by the total estimated contract revenue, less cumulative sales recognized in prior periods (the ‘‘cost-to-cost’’ method). The impact of revisions of contract estimates, which may result from contract modifications, performance or other reasons, are recognized on a cumulative catch-up basis in the period in which the revisions are made. Unbilled contract revenues were $58 million and $21 million as of December 31, 2017 and 2016, respectively, and represent accumulated incurred costs and earned profits on contracts (revenue arrangements), which have been recorded as revenues, but have not yet been billed to customers. Substantially all unbilled contract revenues are expected to be collected within one year. Unbilled contract revenues arise from the cost-to-cost method of revenue recognition. Unbilled contract revenues from fixed-price type contracts are converted to billed receivables when amounts are invoiced to customers according to contractual billing terms, which generally occur when deliveries or other performance milestones are completed. Unearned revenue, which reflects a liability for billings to customers in excess of earned revenue was $87 million and $2 million as of December 31, 2017 and 2016, respectively.

Revenues recorded as energy is delivered, generated or services provided and billed to customers are recorded in accounts receivable – customers. Con Edison's and the Utilities' accounts receivable – customers balance also reflects the Utilities' purchase of receivables from energy service companies to support retail choice programs. Accrued revenues not yet billed to customers are recorded as accrued unbilled revenues.

CECONY's electric and gas rate plans and O&R's New York electric and gas rate plans each contain a revenue decoupling mechanism under which the company's actual energy delivery revenues are compared with the authorized delivery revenues and the difference accrued, with interest, for refund to, or recovery from, customers, as applicable. See "Rate Plans" in Note B.

The NYSPSC requires utilities to record gross receipts tax revenues and expenses on a gross income statement presentation basis (i.e., included in both revenue and expense). The recovery of these taxes is generally provided for in the revenue requirement within each of the respective NYSPSC approved rate plans. Total excise taxes (inclusive of gross receipts taxes) recorded in operating revenues were as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**2015**
Con Edison	$302	$336	$354
CECONY	292	316	331

For information about changes to the accounting rules for revenue recognition, see Note T.

Recoverable Energy Costs
The Utilities generally recover all of their prudently incurred fuel, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state public utility regulators. If the actual energy supply costs for a given month are more or less than the amounts billed to customers for that month, the difference in most cases is recoverable from or refundable to customers. Differences between actual and billed electric and steam supply costs and costs of its electric demand management programs are generally deferred for charge or refund to customers during the next billing cycle (normally within one or two months). For the Utilities' gas costs, differences between actual and billed gas costs during the 12–month period ending each August are charged or refunded to customers during a subsequent 12–month period.

New York Independent System Operator (NYISO)
The Utilities purchase electricity through the wholesale electricity market administered by the NYISO. The difference between purchased power and related costs initially billed to the Utilities by the NYISO and the actual cost of power subsequently calculated by the NYISO is refunded by the NYISO to the Utilities, or paid to the NYISO by the Utilities. The reconciliation payments or receipts are recoverable from or refundable to the Utilities' customers.

Certain other payments to or receipts from the NYISO are also subject to reconciliation, with shortfalls or amounts in excess of specified rate allowances recoverable from or refundable to customers. These include proceeds from the sale through the NYISO of transmission rights on CECONY's transmission system (transmission congestion contracts or TCCs).

Temporary Cash Investments
Temporary cash investments are short-term, highly–liquid investments that generally have maturities of three months or less at the date of purchase. They are stated at cost, which approximates market. The Companies consider temporary cash investments to be cash equivalents.

Investments
Investments consist primarily of the investments of Con Edison Transmission and the Clean Energy Businesses that are accounted for under the equity method, and the fair value of the Utilities' supplemental retirement income plan and deferred income plan assets. The following investment assets are included in the Companies' consolidated balance sheets at December 31, 2017 and 2016:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
CET Gas investment in Stagecoach Gas Services, LLC (a)	$971	$992	$—	$—
Con Edison Development equity method investments (b)	467	488	—	—
Supplemental retirement income plan assets (c)	330	273	301	246
CET Gas investment in Mountain Valley Pipeline, LLC (a)	98	48	—	—
Deferred income plan assets	73	60	73	60
CET Electric investment in New York Transco, LLC (a)	53	51	—	—
Other	9	9	9	9
Total investments	$2,001	$1,921	$383	$315

(a) See Note U.
(b) See Note Q.
(c) See Note E.

Pension and Other Postretirement Benefits

The accounting rules for retirement benefits require an employer to recognize an asset or liability for the overfunded or underfunded status of its pension and other postretirement benefit plans. For a pension plan, the asset or liability is the difference between the fair value of the plan's assets and the projected benefit obligation. For any other postretirement benefit plan, the asset or liability is the difference between the fair value of the plan's assets and the accumulated postretirement benefit obligation. The accounting rules generally require employers to recognize all unrecognized prior service costs and credits and unrecognized actuarial gains and losses in accumulated other comprehensive income/(loss) (OCI), net of tax. Such amounts will be adjusted as they are subsequently recognized as components of total periodic benefit cost or income pursuant to the current recognition and amortization provisions.

For the Utilities' pension and other postretirement benefit plans, regulatory accounting treatment is generally applied in accordance with the accounting rules for regulated operations. Unrecognized prior service costs or credits and unrecognized actuarial gains and losses are recorded to regulatory assets or liabilities, rather than OCI. See Notes E and F.

The total periodic benefit costs are recognized in accordance with the accounting rules for retirement benefits. Investment gains and losses are recognized in expense over a 15–year period and other actuarial gains and losses are recognized in expense over a 10–year period, subject to the deferral provisions in the rate plans.

In accordance with the Statement of Policy issued by the NYSPSC and its current electric, gas and steam rate plans, CECONY defers for payment to or recovery from customers the difference between such expenses and the amounts for such expenses reflected in rates. Generally, O&R also defers such difference pursuant to its rate plans. See Note B.

The Companies calculate the expected return on pension and other postretirement benefit plan assets by multiplying the expected rate of return on plan assets by the market-related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. The accounting rules allow the MRV of plan assets to be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. The Companies use a calculated value when determining the MRV of the plan assets that adjusts for 20 percent of the difference between fair value and expected MRV of plan assets. This calculated value has the effect of stabilizing variability in assets to which the Companies apply the expected return.

Federal Income Tax
In accordance with accounting rules for income taxes, the Companies have recorded an accumulated deferred federal income tax liability at current tax rates for temporary differences between the book and tax basis of assets and liabilities. In accordance with rate plans, the Utilities have recovered amounts from customers for a portion of the tax liability they will pay in the future as a result of the reversal or "turn-around" of these temporary differences. As to the remaining deferred tax liability, the Utilities had established regulatory assets for the net revenue requirements to be recovered from customers for the related future tax expense pursuant to the NYSPSC's 1993 Policy Statement approving accounting procedures consistent with accounting rules for income taxes and providing assurances that these future increases in taxes will be recoverable in rates. Upon enactment of the Tax Cuts and Jobs Act of 2017 on December 22, 2017 (the TCJA), the Companies re-measured their deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million (including $4,781 million for CECONY), recognized net income of $259 million, decreased its regulatory asset for future income tax by $1,250 million (including $1,182 million for CECONY), decreased its regulatory asset for revenue taxes by $90 million (including $86 million for CECONY), and accrued a regulatory liability for future income tax of $3,713 million (including $3,513 million for CECONY). See "Other Regulatory Matters" and "Regulatory Assets and Liabilities" in Note B and Note L.

Accumulated deferred investment tax credits are amortized ratably over the lives of the related properties and applied as a reduction to future federal income tax expense.

Con Edison and its subsidiaries file a consolidated federal income tax return. The consolidated income tax liability is allocated to each member of the consolidated group using the separate return method. Each member pays or receives an amount based on its own taxable income or loss in accordance with a consolidated tax allocation agreement. Tax loss and tax credit carryforwards are allocated among members in accordance with consolidated tax return regulations.

State Income Tax
Con Edison and its subsidiaries file a combined New York State Corporation Business Franchise Tax Return. Similar to a federal consolidated income tax return, the income of all entities in the combined group is subject to New York State taxation, after adjustments for differences between federal and New York law and apportionment of income among the states in which the company does business. Each member's share of the New York State tax is based on its own New York State taxable income or loss.

Research and Development Costs
Research and development costs are charged to operating expenses as incurred. Research and development costs were as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2017**	**2016**	**2015**
Con Edison	$24	$24	$23
CECONY	23	22	22

Reclassification
Certain prior year amounts have been reclassified to conform with the current year presentation.

Earnings Per Common Share
Con Edison presents basic and diluted earnings per share on the face of its consolidated income statement. Basic earnings per share (EPS) are calculated by dividing earnings available to common shareholders ("Net income" on Con Edison's consolidated income statement) by the weighted average number of Con Edison common shares outstanding during the period. In the calculation of diluted EPS, weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock.

Potentially dilutive securities for Con Edison consist of restricted stock units and deferred stock units for which the average market price of the common shares for the period was greater than the exercise price. See Note M.

Basic and diluted EPS for Con Edison are calculated as follows:

	For the Years Ended December 31,		
(Millions of Dollars, except per share amounts/Shares in Millions)	2017	2016	2015
Net income	$1,525	$1,245	$1,193
Weighted average common shares outstanding – basic	307.1	300.4	293.0
Add: Incremental shares attributable to effect of potentially dilutive securities	1.7	1.5	1.4
Adjusted weighted average common shares outstanding – diluted	308.8	301.9	294.4
Net Income per common share – basic	$4.97	$4.15	$4.07
Net Income per common share – diluted	$4.94	$4.12	$4.05

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

Changes to accumulated other comprehensive income/(loss) (OCI) for Con Edison and CECONY are as follows:

(Millions of Dollars)	Con Edison	CECONY
Accumulated OCI, net of taxes, at December 31, 2014 (a)	$(45)	$(11)
OCI before reclassifications, net of tax of $(3) for Con Edison	5	1
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(4) and $(1) for Con Edison and CECONY, respectively(a)(b)	6	1
Total OCI, net of taxes, at December 31, 2015	11	2
Accumulated OCI, net of taxes, at December 31, 2015 (a)	$(34)	$(9)
OCI before reclassifications, net of tax of $(1) for Con Edison and CECONY	2	1
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(3) and $(1) for Con Edison and CECONY, respectively(a)(b)	5	1
Total OCI, net of taxes, at December 31, 2016	7	2
Accumulated OCI, net of taxes, at December 31, 2016 (a)	$(27)	$(7)
OCI before reclassifications, net of tax of $3 and $1 for Con Edison and CECONY, respectively	(4)	—
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(3) and $(1) for Con Edison and CECONY, respectively(a)(b)	5	1
Total OCI, net of taxes, at December 31, 2017	1	1
Accumulated OCI, net of taxes, at December 31, 2017 (a)	$(26)	$(6)

(a) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the consolidated income statement.

(b) For the portion of unrecognized pension and other postretirement benefit costs relating to the Utilities, costs are recorded into, and amortized out of, regulatory assets instead of OCI. The net actuarial losses and prior service costs recognized during the period are included in the computation of total periodic pension and other postretirement benefit cost. See Notes E and F.

Note B – Regulatory Matters

Rate Plans

The Utilities provide service to New York customers according to the terms of tariffs approved by the NYSPSC. Tariffs for service to customers of Rockland Electric Company (RECO), O&R's New Jersey regulated utility subsidiary, are approved by the New Jersey Board of Public Utilities (NJBPU). The tariffs include schedules of rates for service that limit the rates charged by the Utilities to amounts that recover from their customers costs approved by the regulator, including capital costs, of providing service to customers as defined by the tariff. The tariffs implement rate plans adopted by state utility regulators in rate orders issued at the conclusion of rate proceedings. Pursuant to the Utilities' rate plans, there generally can be no change to the charges to customers during the respective terms of the rate plans other than specified adjustments provided for in the rate plans. The Utilities' rate plans each cover specified periods, but rates determined pursuant to a plan generally continue in effect until a new rate plan is approved by the state utility regulator.

Common provisions of the Utilities' New York rate plans include:

Recoverable energy costs that allow the Utilities to recover on a current basis the costs for the energy they supply with no mark-up to their full-service customers.

Cost reconciliations that reconcile pension and other postretirement benefit costs, environmental remediation costs, property taxes, variable rate tax-exempt debt and certain other costs to amounts reflected in delivery rates for such costs. In addition, changes in the Utilities' costs not reflected in rates, in excess of certain amounts, resulting from changes in tax or other law, rule, regulation, order, or other requirement or interpretation are deferred as a regulatory asset or regulatory liability to be reflected in the Utilities' next rate plan or in a manner to be determined by the NYSPSC. See "Other Regulatory Matters," below. Also, the Utilities generally retain the right to petition for recovery or accounting deferral of extraordinary and material cost increases and provision is sometimes made for the utility to retain a share of cost reductions, for example, property tax refunds.

Revenue decoupling mechanisms that reconcile actual energy delivery revenues to the authorized delivery revenues approved by the NYSPSC. The difference is accrued with interest for refund to, or recovery from customers, as applicable.

Earnings sharing that require the Utilities to defer for customer benefit a portion of earnings over specified rates of return on common equity. There is no symmetric mechanism for earnings below specified rates of return on common equity.

Negative revenue adjustments for failure to meet certain performance standards relating to service, reliability, safety and other matters.

Positive revenue adjustments for achievement of performance standards related to achievement of clean energy goals, safety and other matters.

Net utility plant reconciliations that require deferral as a regulatory liability of the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates. There is generally no symmetric mechanism if actual average net utility plant balances are more than amounts reflected in rates.

Rate base, as reflected in the rate plans, is, in general, the sum of the Utilities' net plant, working capital and certain regulatory assets less deferred taxes and certain regulatory liabilities. For each rate plan, the NYSPSC uses a forecast of the average rate base for each year that new rates would be in effect ("rate year").

Weighted average cost of capital is determined based on the authorized common equity ratio, return on common equity, cost of long-term debt and customer deposits reflected in each rate plan. For each rate plan, the revenues designed to provide the utility a return on invested capital for each rate year are determined by multiplying each utility rate base by its pre–tax weighted average cost of capital. The Utilities' actual return on common equity will reflect their actual operations for each rate year, and may be more or less than the authorized return on equity reflected in their rate plans (and if more, may be subject to earnings sharing).

The following tables contain a summary of the Utilities' rate plans:

CECONY – Electric

Effective period	January 2014 – December 2016	January 2017 – December 2019 (b)
Base rate changes	Yr. 1 – $(76.2) million (a) Yr. 2 – $124.0 million (a) Yr. 3 – None	Yr. 1 – $195 million (c) Yr. 2 – $155 million (c) Yr. 3 – $155 million (c)
Amortizations to income of net regulatory (assets) and liabilities	Yr. 1 and 2 – $(37) million (d) Yr. 3 – $123 million (d)	Yr. 1 – $84 million Yr. 2 – $83 million Yr. 3 – $69 million
Other revenue sources	Retention of $90 million of annual transmission congestion revenues.	Retention of $75 million of annual transmission congestion revenues. Potential earnings adjustment mechanism incentives for energy efficiency and other potential incentives of up to: Yr. 1 – $28 million Yr. 2 – $47 million Yr. 3 – $64 million In 2017, the company recorded $13 million of earnings adjustment mechanism incentives for energy efficiency. The company also achieved other incentives of $5 million that, pursuant to the rate plan, will be recorded ratably in earnings from 2018 to 2020.
Revenue decoupling mechanisms	In 2014, 2015 and 2016, the company deferred for customer benefit $146 million, $98 million and $101 million of revenues, respectively.	Continuation of reconciliation of actual to authorized electric delivery revenues. In 2017, the company deferred $45 million for customer benefits.
Recoverable energy costs (e)	Current rate recovery of purchased power and fuel costs.	Continuation of current rate recovery of purchased power and fuel costs.
Negative revenue adjustments	Potential penalties (up to $400 million annually) if certain performance targets are not met. In 2014, the company recorded a $5 million negative revenue adjustment. In 2015 and 2016, the company did not record any negative revenue adjustments.	Potential penalties if certain performance targets relating to service, reliability, safety and other matters are not met: Yr. 1 – $376 million Yr. 2 – $341 million Yr. 3 – $352 million In 2017, the company did not record any negative revenue adjustments.
Cost reconciliations	In 2014, 2015 and 2016, the company deferred $57 million, $26 million and $68 million of net regulatory liabilities, respectively (f).	Continuation of reconciliation of expenses for pension and other postretirement benefits, variable-rate tax-exempt debt, major storms, property taxes (f), municipal infrastructure support costs (g), the impact of new laws and environmental site investigation and remediation to amounts reflected in rates (h). In 2017, the company deferred $35 million of net regulatory assets.
Net utility plant reconciliations	Target levels reflected in rates were: Transmission and distribution: Yr. 1 – $16,869 million Yr. 2 – $17,401 million Yr. 3 – $17,929 million Storm hardening: Yr. 1 – $89 million; Yr. 2 – $177 million; Yr. 3 – $268 million Other: Yr. 1 – $2,034 million; Yr. 2 – $2,102 million; Yr. 3 – $2,069 million The company deferred $6 million and $17 million as a regulatory liability in 2014 and 2015, respectively. In 2016, $9 million was deferred as a regulatory asset.	Target levels reflected in rates: Electric average net plant target excluding advanced metering infrastructure (AMI): Yr. 1 – $21,689 million Yr. 2 – $22,338 million Yr. 3 – $23,002 million AMI: Yr. 1 – $126 million Yr. 2 – $257 million Yr. 3 – $415 million The company deferred $0.4 million as a regulatory asset in 2017.
Average rate base	Yr. 1 – $17,323 million Yr. 2 – $18,113 million Yr. 3 – $18,282 million	Yr. 1 – $18,902 million Yr. 2 – $19,530 million Yr. 3 – $20,277 million
Weighted average cost of capital (after-tax)	Yr. 1 – 7.05 percent Yr. 2 – 7.08 percent Yr. 3 – 6.91 percent	Yr. 1 – 6.82 percent Yr. 2 – 6.80 percent Yr. 3 – 6.73 percent
Authorized return on common equity	Yrs. 1 and 2 – 9.2 percent Yr. 3 – 9.0 percent	9.0 percent
Actual return on common equity	Yr. 1 – 9.04 percent Yr. 2 – 10.16 percent Yr. 3 – 9.66 percent	Yr. 1 – 9.3 percent

Earnings sharing	Most earnings above an annual earnings threshold of 9.8 percent for Yrs. 1 and 2 and 9.6 percent for Yr. 3 are to be applied to reduce regulatory assets for environmental remediation and other costs. In 2014 the company had no earnings above the threshold. Actual earnings were $44.4 million and $6.5 million above the threshold for 2015 and 2016, respectively.	Most earnings above an annual earnings threshold of 9.5 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year. In 2017, the company had no earnings above the threshold but recorded a positive adjustment related to 2016 of $5.7 million in earnings.
Cost of long-term debt	Yr. 1 – 5.17 percent Yr. 2 – 5.23 percent Yr. 3 – 5.09 percent	Yr. 1 – 4.93 percent Yr. 2 – 4.88 percent Yr. 3 – 4.74 percent
Common equity ratio	48 percent	48 percent

(a) The impact of these base rate changes was deferred which resulted in a $30 million regulatory liability at December 31, 2015; this amount has been amortized to $0 at December 31, 2016.

(b) In January 2017, the NYSPSC approved the September 2016 Joint Proposal for CECONY's electric rate plan for January 2017 through December 2019. If at the end of any year, Con Edison's investments in its non-utility businesses exceed 15 percent of Con Edison's total consolidated revenues, assets or cash flow, or if the ratio of holding company debt to total consolidated debt rises above 20 percent, CECONY is required to notify the NYSPSC and submit a ring-fencing plan or a demonstration why additional ring-fencing measures are not necessary.

(c) The electric base rate increases are in addition to a $48 million increase resulting from the December 2016 expiration of a temporary credit under the prior rate plan. At the NYSPSC's option, these increases are being implemented with increases of $199 million in each rate year. Base rates reflect recovery by the company of certain costs of its energy efficiency, system peak reduction and electric vehicle programs (Yr. 1 - $20.5 million; Yr. 2 - $49 million; and Yr. 3 - $107.5 million) over a ten-year period, including the overall pre-tax rate of return on such costs.

(d) Amounts reflect annual amortization of $107 million of the regulatory asset for deferred Superstorm Sandy and other major storm costs. The costs recoverable from customers were reduced by $4 million. The costs are no longer subject to NYSPSC staff review and the recovery of the costs is no longer subject to refund. In 2016, an additional $123 million of net regulatory liabilities were amortized to income.

(e) For transmission service provided pursuant to the open access transmission tariff of PJM Interconnection LLC (PJM), unless and until changed by the NYSPSC, the company will recover all charges incurred associated with the transmission service. Starting in January 2014, PJM submitted to the FERC a series of requests that substantially increase the charges for the transmission service. CECONY has challenged each of these requests. To date, FERC has rejected all but one of CECONY's protests. In June 2015 and May 2016, CECONY filed appeals of certain FERC decisions with the U.S. Court of Appeals. In April 2017, the transmission service terminated because CECONY did not exercise its option to continue the service.

(f) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a maximum number of basis points (5.0, 7.5 or 10.0 basis points, depending on the year).

(g) In general, if actual expenses for municipal infrastructure support (other than company labor) are below the amounts reflected in rates the company will defer the difference for credit to customers, and if the actual expenses are above the amount reflected in rates the company will defer for recovery from customers 80 percent of the difference subject to a maximum deferral of 30 percent of the amount reflected in rates.

(h) In addition, amounts reflected in rates relating to the regulatory asset for future income tax and the excess deferred federal income tax liability are subject to reconciliation. The NYSPSC staff is to audit the regulatory asset and the tax liability. Differences resulting from the NYSPSC staff review will be deferred for NYSPSC determination of any amounts to be refunded or collected from customers. See "Other Regulatory Matters," below.

CECONY – Gas

Effective period	January 2014 – December 2016	January 2017 - December 2019 (b)
Base rate changes	Yr. 1 – $(54.6) million (a) Yr. 2 – $38.6 million (a) Yr. 3 – $56.8 million (a)	Yr. 1 – $(5) million (b) Yr. 2 – $92 million (b) Yr. 3 – $90 million (b)
Amortizations to income of net regulatory (assets) and liabilities	$4 million over three years	Yr. 1 – $39 million Yr. 2 – $37 million Yr. 3 – $36 million
Other revenue sources	Retention of revenues from non-firm customers of up to $65 million and 15 percent of any such revenues above $65 million. The company retained $70 million, $66 million and $65 million of such revenues in 2014, 2015 and 2016, respectively.	Retention of annual revenues from non-firm customers of up to $65 million and 15 percent of any such revenues above $65 million. Potential incentives if performance targets related to gas leak backlog, leak prone pipe and service terminations are met: Yr. 1 – $7 million Yr. 2 – $8 million Yr. 3 – $8 million In 2017, the company achieved incentives of $7 million that, pursuant to the rate plan, will be recorded ratably in earnings from 2018 to 2020.
Revenue decoupling mechanisms	In 2014, 2015 and 2016, the company deferred $28 million, $54 million and $71 million of regulatory liabilities, respectively.	Continuation of reconciliation of actual to authorized gas delivery revenues. In 2017, the company deferred $3 million of regulatory liabilities.
Recoverable energy costs	Current rate recovery of purchased gas costs.	Continuation of current rate recovery of purchased gas costs.
Negative revenue adjustments	Potential penalties (up to $33 million in 2014, $44 million in 2015, and $56 million in 2016) if certain gas performance targets are not met. In 2014, 2015 and 2016, the company did not record any negative revenue adjustments.	Potential penalties if performance targets relating to service, safety and other matters are not met: Yr. 1 – $68 million Yr. 2 – $63 million Yr. 3 – $70 million In 2017, the company recorded a $5 million negative revenue adjustment.
Cost reconciliations	In 2014, 2015 and 2016, the company deferred $38 million, $11 million, and $32 million of net regulatory liabilities, respectively. (c)	Continuation of reconciliation of expenses for pension and other postretirement benefits, variable-rate tax-exempt debt, major storms, property taxes, municipal infrastructure support costs, the impact of new laws and environmental site investigation and remediation to amounts reflected in rates. (d) In 2017, the company deferred $2 million of net regulatory liabilities.
Net utility plant reconciliations	Target levels reflected in rates were: Gas delivery Yr. 1 – $3,899 million; Yr. 2 – $4,258 million; Yr. 3 – $4,698 million Storm hardening: Yr. 1 – $3 million; Yr. 2 – $8 million; Yr. 3 – $30 million In 2015 $1 million was deferred as a regulatory liability. In 2014 and 2016 the company deferred an immaterial amount.	Target levels reflected in rates: Gas average net plant target excluding AMI: Yr. 1 – $5,844 million Yr. 2 – $6,512 million Yr. 3 – $7,177 million AMI: Yr. 1 – $27 million Yr. 2 – $57 million Yr. 3 – $100 million In 2017 $2.2 million was deferred a regulatory liability.
Average rate base	Yr. 1 – $3,521 million Yr. 2 – $3,863 million Yr. 3 – $4,236 million	Yr. 1 – $4,841 million Yr. 2 – $5,395 million Yr. 3 – $6,005 million
Weighted average cost of capital (after-tax)	Yr. 1 – 7.10 percent Yr. 2 – 7.13 percent Yr. 3 – 7.21 percent	Yr. 1 – 6.82 percent Yr. 2 – 6.80 percent Yr. 3 – 6.73 percent
Authorized return on common equity	9.3 percent	9.0 percent
Actual return on common equity	Yr. 1 – 8.02 percent Yr. 2 – 8.13 percent Yr. 3 – 7.83 percent	Yr. 1 – 9.22 percent
Earnings sharing	Most earnings above an annual earnings threshold of 9.9 percent are to be applied to reduce regulatory assets for environmental remediation and other costs. In 2014, 2015 and 2016, the company had no earnings above the threshold.	Most earnings above an annual earnings threshold of 9.5 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year. In 2017, the company had no earnings above the threshold.
Cost of long-term debt	Yr. 1 – 5.17 percent Yr. 2 – 5.23 percent Yr. 3 – 5.39 percent	Yr. 1 – 4.93 percent Yr. 2 – 4.88 percent Yr. 3 – 4.74 percent

Common equity ratio	48 percent	48 percent

(a) The impact of these base rate changes was deferred which resulted in a $32 million regulatory liability at December 31, 2016.
(b) In January 2017, the NYSPSC approved the September 2016 Joint Proposal for CECONY's gas rate plan for January 2017 through December 2019. The gas base rate decrease is offset by a $41 million increase resulting from the December 2016 expiration of a temporary credit under the prior rate plan.
(c) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a 10 basis point impact on return on common equity
(d) See footnotes (e), (f), (g) and (h) to the table under "CECONY - Electric" above.

CECONY – Steam

Effective period	January 2014 – December 2016 (a)
Base rate changes	Yr. 1 – $(22.4) million (b) Yr. 2 – $19.8 million (b) Yr. 3 – $20.3 million (b) Yr. 4 – None
Amortizations to income of net regulatory (assets) and liabilities	$37 million over three years
Recoverable energy costs	Current rate recovery of purchased power and fuel costs.
Negative revenue adjustments	Potential penalties (up to $1 million annually) if certain steam performance targets are not met. In 2014, 2015, 2016 and 2017, the company did not record any negative revenue adjustments.
Cost reconciliations (c)	In 2014, 2015, 2016 and 2017, the company deferred $42 million of net regulatory liabilities, $17 million of net regulatory assets, $8 million and $14 million of net regulatory liabilities, respectively.
Net utility plant reconciliations	Target levels reflected in rates were: Production: Yr. 1 – $1,752 million; Yr. 2 – $1,732 million; Yr. 3 – $1,720 million Distribution: Yr. 1 – $6 million; Yr. 2 – $11 million; Yr. 3 – $25 million The company reduced its regulatory liability by $0.1 million in 2014 and immaterial amounts in 2015 and 2016 and no deferrals were recorded in 2017.
Average rate base	Yr. 1 – $1,511 million Yr. 2 – $1,547 million Yr. 3 – $1,604 million
Weighted average cost of capital (after-tax)	Yr. 1 – 7.10 percent Yr. 2 – 7.13 percent Yr. 3 – 7.21 percent
Authorized return on common equity	9.3 percent
Actual return on common equity	Yr. 1 – 9.82 percent Yr. 2 – 10.88 percent Yr. 3 – 10.54 percent Yr. 4 – 9.51 percent
Earnings sharing	Weather normalized earnings above an annual earnings threshold of 9.9 percent are to be applied to reduce regulatory assets for environmental remediation and other costs. In 2014, the company had no earnings above the threshold. Actual earnings were $11.5 million and $7.8 million above the threshold in 2015 and 2016, respectively. In 2017, actual earnings were $8.5 million above the threshold, offset in part by a positive adjustment related to 2016 of $4 million.
Cost of long-term debt	Yr. 1 – 5.17 percent Yr. 2 – 5.23 percent Yr. 3 – 5.39 percent
Common equity ratio	48 percent

(a) Rates determined pursuant to this rate plan continue in effect until a new rate plan is approved by the NYSPSC.
(b) The impact of these base rate changes was deferred which resulted in an $8 million regulatory liability at December 31, 2016.
(c) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a 10 basis point impact on return on common equity.

O&R New York – Electric

Effective period	July 2012 – October 2015	November 2015 - October 2017 (a)
Base rate changes	Yr. 1 – $19.4 million Yr. 2 – $8.8 million Yr. 3 – $15.2 million	Yr. 1 – $9.3 million Yr. 2 – $8.8 million
Amortizations to income of net regulatory (assets) and liabilities	$(32.2) million over three years	Yr. 1 – $(8.5) million (b) Yr. 2 – $(9.4) million (b)
Revenue decoupling mechanisms	In 2012, 2013 and 2014, the company deferred for the customer's benefit $2.6 million, $3.2 million and $(3.4) million, respectively.	In 2015, 2016 and 2017, the company deferred for the customer's benefit an immaterial amount, $6.3 million as regulatory liabilities and $11.2 million as regulatory asset, respectively.
Recoverable energy costs	Current rate recovery of purchased power and fuel costs.	Continuation of current rate recovery of purchased power costs.
Negative revenue adjustments	Potential penalties (up to $3 million annually) if certain customer service and system reliability performance targets are not met. In 2012, 2013 and 2014, the company did not record any negative revenue adjustments.	Potential penalties (up to $4 million annually) if certain performance targets are not met. In 2015 the company recorded $1.25 million in negative revenue adjustments. In 2016 and 2017, the company did not record any negative revenue adjustments.
Cost reconciliations	In 2012, 2013 and 2014, the company deferred $7.8 million, $4.1 million and $(0.2) million as a net increase/(decrease) to regulatory assets, respectively.	In 2015, 2016 and 2017, the company deferred $0.3 million, $7.4 million and $3.2 million as net decreases to regulatory assets, respectively.
Net utility plant reconciliations	Target levels reflected in rates were: Yr. 1 – $678 million; Yr. 2- $704 million; Yr. 3 – $753 million The company increased its regulatory liability by $4.2 million in 2012. The company reduced its regulatory liability by $1.1 million and $2.3 million in 2013 and 2014, respectively.	Target levels reflected in rates are: Yr. 1 – $928 million (c) Yr. 2 – $970 million (c) The company increased/(reduced) its regulatory asset by $2.2 million, $(1.9) million and $(1.9) million in 2015, 2016 and 2017, respectively.
Average rate base	Yr. 1 – $671 million Yr. 2 – $708 million Yr. 3 – $759 million	Yr. 1 – $763 million Yr. 2 – $805 million
Weighted average cost of capital (after-tax)	Yr. 1 – 7.61 percent Yr. 2 – 7.65 percent Yr. 3 – 7.48 percent	Yr. 1 – 7.10 percent Yr. 2 – 7.06 percent
Authorized return on common equity	Yr. 1 – 9.4 percent Yr. 2 – 9.5 percent Yr. 3 – 9.6 percent	9.0 percent
Actual return on common equity	Yr. 1 – 12.9 percent Yr. 2 – 8.7 percent Yr. 3 – 9.4 percent	Yr. 1 – 10.8 percent Yr. 2 – 9.7 percent
Earnings sharing	The company recorded a regulatory liability of $1 million for earnings above the sharing threshold under the rate plan as of December 31, 2014.	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets. In 2015, earnings did not exceed the earnings threshold. Actual earnings were $6.1 million and $0.3 million above the threshold for 2016 and 2017, respectively.
Cost of long-term debt	Yr. 1 – 6.07 percent Yr. 2 – 6.07 percent Yr. 3 – 5.64 percent	Yr. 1 – 5.42 percent Yr. 2 – 5.35 percent
Common equity ratio	48 percent	48 percent

(a) Rates determined pursuant to this rate plan continue in effect until a new rate plan is approved by the NYSPSC.
(b) $59.3 million of the regulatory asset for deferred storm costs is to be recovered from customers over a five year period, including $11.85 million in each of years 1 and 2, $1 million of the regulatory asset for such costs will not be recovered from customers, and all outstanding issues related to Superstorm Sandy and other past major storms prior to November 2014 are resolved. Approximately $4 million of regulatory assets for property tax and interest rate reconciliations will not be recovered from customers. Amounts that will not be recovered from customers were charged-off in June 2015.
(c) Excludes electric AMI as to which the company will be required to defer as a regulatory liability the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates: $1 million in year 1 and $9 million in year 2.

In January 2018, O&R filed a request with the NYSPSC for an increase in the rates it charges for electric service rendered in New York, effective January 1, 2019, of $20.3 million. The filing reflects a return on common equity of 9.75 percent and a common equity ratio of 48 percent. The filing proposes continuation of the provisions with respect to recovery from customers of the cost of purchased power, and the reconciliation of actual expenses allocable to the electric business to the amounts for such costs reflected in electric rates for storm costs, pension and other postretirement benefit costs, environmental remediation and property taxes.

O&R New York – Gas

Effective period	November 2009 – October 2015	November 2015 – October 2018
Base rate changes	Yr. 1 – $9 million Yr. 2 – $9 million Yr. 3 – $4.6 million Yr. 3 – $4.3 million collected through a surcharge Yr. 4 – None Yr. 5 – None	Yr. 1 – $16.4 million Yr. 2 – $16.4 million Yr. 3 – $5.8 million Yr. 3 – $10.6 million collected through a surcharge
Amortization to income of net regulatory (assets) and liabilities	$(2) million over three years	Yr. 1 – $(1.7) million (a) Yr. 2 – $(2.1) million (a) Yr. 3 – $(2.5) million (a)
Revenue decoupling mechanisms	In 2012, 2013 and 2014, the company deferred $4.7 million, $0.7 million and $(0.1) million of regulatory liabilities, respectively.	In 2015 and 2016, the company deferred $0.8 million regulatory assets and $6.2 million of regulatory liabilities, respectively. In 2017, the company deferred $1.7 million in regulatory liabilities.
Recoverable energy costs	Current rate recovery of purchased gas costs.	Current rate recovery of purchased gas costs.
Negative revenue adjustments	Potential penalties (up to $1.4 million annually) if certain operations and customer service requirements are not met. In 2012, 2013 and 2014, the company did not record any negative revenue adjustments.	Potential penalties (up to $3.7 million in Yr. 1, $4.7 million in Yr. 2 and $4.9 million in Yr. 3) if certain performance targets are not met. In 2015, 2016 and 2017, the company did not record any negative revenue adjustments.
Cost reconciliations	In 2012, 2013 and 2014, the company deferred $0.7 million, $8.3 million and $8.3 million as net regulatory assets, respectively.	In 2015 and 2016, the company deferred $4.5 million and $6.6 million as net regulatory liabilities and assets, respectively. In 2017, the company deferred $3.5 million as net regulatory liabilities.
Net utility plant reconciliations	The company deferred $0.7 million in 2012 as a regulatory asset and no deferrals were recorded for 2013 or 2014.	Target levels reflected in rates are: Yr. 1 – $492 million (b) Yr. 2 – $518 million (b) Yr. 3 – $546 million (b) No deferral was recorded for 2015 and immaterial amounts were recorded as regulatory liabilities in 2016 and 2017.
Average rate base	Yr. 1 – $280 million Yr. 2 – $296 million Yr. 3 – $309 million	Yr. 1 – $366 million Yr. 2 – $391 million Yr. 3 – $417 million
Weighted average cost of capital (after-tax)	8.49 percent	Yr. 1 – 7.10 percent Yr. 2 – 7.06 percent Yr. 3 – 7.06 percent
Authorized return on common equity	10.4 percent	9.0 percent
Actual return on common equity	Yr. 1 – 10.2 percent Yr. 2 – 9.6 percent Yr. 3 – 12.6 percent Yr. 4 – 10.2 percent Yr. 5 – 6.1 percent	Yr. 1 – 11.2 percent Yr. 2 – 9.7 percent
Earnings sharing	Earnings above an annual earnings threshold of 11.4 percent are to be applied to reduce regulatory assets. In 2012, 2013 and 2014, earnings did not exceed the earnings threshold.	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets. In 2015, earnings did not exceed the earnings threshold. Actual earnings were $4 million and $0.2 million above the threshold for 2016 and 2017, respectively.
Cost of long-term debt	6.81 percent	Yr. 1 – 5.42 percent Yr. 2 – 5.35 percent Yr. 3 – 5.35 percent
Common equity ratio	48 percent	48 percent

(a) Reflects that the company will not recover from customers a total of approximately $14 million of regulatory assets for property tax and interest rate reconciliations. Amounts that will not be recovered from customers were charged-off in June 2015.

(b) Excludes gas AMI as to which the company will be required to defer as a regulatory liability the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates: $0.5 million in year 1, $4.2 million in year 2 and $7.2 million in year 3.

In January 2018, O&R filed a request with the NYSPSC for an increase in the rates it charges for gas service rendered in New York, effective January 1, 2019, of $4.5 million. The filing reflects a return on common equity of 9.75 percent and a common equity ratio of 48 percent. The filing proposes continuation of the provisions with respect to recovery from customers of the cost of purchased gas, and the reconciliation of actual expenses allocable to the gas business to the amounts for such costs reflected in gas rates for pension and other postretirement benefit costs, environmental remediation and property taxes.

RECO

Effective period	August 2014 – February 2017	March 2017 (a)
Base rate changes	Yr. 1 – $13.0 million	Yr. 1 – $1.7 million
Amortization to income of net regulatory (assets) and liabilities	$0.4 million over three years and $(25.6) million of deferred storm costs over four years	$0.2 million over three years and continuation of $(25.6) million of deferred storm costs over four years expiring July 31, 2018 (b)
Recoverable energy costs	Current rate recovery of purchased power costs.	Current rate recovery of purchased power costs.
Cost reconciliations	None	None
Average rate base	$172.2 million	Yr. 1 – $178.7 million
Weighted average cost of capital (after-tax)	7.83 percent	7.47 percent
Authorized return on common equity	9.75 percent	9.6 percent
Actual return on common equity	Yr. 1 – 9.2 percent Yr. 2 – 8.7 percent	(c)
Cost of long-term debt	5.89 percent	5.37 percent
Common equity ratio	50 percent	49.7 percent

(a) Effective until a new rate plan approved by the NJBPU goes into effect.
(b) In January 2016, the NJBPU approved RECO's plan to spend $15.7 million in capital over three years to harden its electric system against storms, the costs of which RECO, beginning in 2017, is collecting through a customer surcharge.
(c) Actual return on common equity for first rate year of current rate plan not determinable until March 31, 2018 end of rate year.

In November 2017, FERC approved a September 2017 settlement agreement among RECO, the New Jersey Division of Rate Counsel and the NJBPU that increases RECO's annual transmission revenue requirement from $11.8 million to $17.7 million, effective April 2017. The revenue requirement reflects a return on common equity of 10.0 percent.

Other Regulatory Matters

In August and November 2017, the NYSPSC issued orders in its proceeding investigating an April 21, 2017 Metropolitan Transportation Authority (MTA) subway power outage. The orders indicated that the investigation determined that the outage was caused by a failure of CECONY's electricity supply to a subway station, which led to a loss of the subway signals, and that one of the secondary services to the MTA facility had been improperly rerouted and was not properly documented by the company. The orders also indicated that the loss of power to the subway station affected multiple subway lines and caused widespread delays across the subway system. Pursuant to the orders, the company is required to take certain actions, including inspecting, repairing and installing certain electrical equipment that serves the subway system, analyzing power supply and power quality events affecting the MTA's signaling services, and filing monthly reports with the NYSPSC on all of the company's activities related to the subway system. In July 2017, the Chairman of the NYSPSC notified the company that the April 21, 2017 subway power outage incident will likely result in a prudence review of the reasonableness of CECONY's actions and conduct. The orders did not commence a prudence review. The company incurred costs related to this matter in 2017 of $65 million. Included in this amount is $15 million in capital and operating and maintenance costs reflected in the company's electric rate plan and $50 million deferred as a regulatory asset pursuant to the rate plan. The company, which plans to complete the required actions in 2018, expects to incur costs related to this matter in 2018 of $137 million. Included in this amount is $10 million in expected capital and operating and maintenance costs reflected in the rate plan and $127 million expected to be deferred as a regulatory asset pursuant to the rate plan.

In December 2017, the NYSPSC issued an order initiating a proceeding to study the potential effects of the TCJA on the tax expenses and liabilities of New York State utilities and the regulatory treatment to preserve the resulting benefits for customers. In January 2018, the NJBPU issued an order initiating a proceeding to consider the TCJA. Upon enactment of the TCJA, CECONY, O&R and RECO re-measured their deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, CECONY, O&R and RECO, decreased their net deferred tax liabilities by $4,781 million, $216 million and $45 million, respectively, decreased their regulatory asset for future income tax by $1,182 million, $51 million and $17 million, respectively, decreased their regulatory asset for revenue taxes by $86 million, $4 million and $0 million, respectively, and accrued regulatory liabilities for future income tax of $3,513 million, $161 million and $28 million, respectively. See Note L. In January 2018, the NYSPSC issued an order initiating a focused operations audit of the income tax accounting of certain utilities, including CECONY and O&R. See footnote (h) to the table under "CECONY – Electric," above.

Regulatory Assets and Liabilities
Regulatory assets and liabilities at December 31, 2017 and 2016 were comprised of the following items:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
Regulatory assets				
Unrecognized pension and other postretirement costs	$2,526	$2,874	$2,376	$2,730
Future income tax*	—	2,439	—	2,325
Environmental remediation costs	793	823	677	711
Revenue taxes	260	295	248	280
Pension and other postretirement benefits deferrals	79	38	58	7
Recoverable energy costs	60	42	52	38
Municipal infrastructure support costs	56	44	56	44
Property tax reconciliation	51	37	25	—
MTA power reliability deferral	50	—	50	—
Deferred derivative losses	44	48	37	42
Deferred storm costs	38	56	—	3
Brooklyn Queens demand management program	37	29	37	29
Unamortized loss on reacquired debt	37	43	35	41
Indian Point Energy Center program costs	29	50	29	50
Preferred stock redemption	24	25	24	25
Workers' compensation	10	13	10	13
Net electric deferrals	9	24	9	24
O&R transition bond charges	9	15	—	—
Surcharge for New York State assessment	2	28	2	26
Other	152	101	138	85
Regulatory assets – noncurrent	4,266	7,024	3,863	6,473
Deferred derivative losses	40	91	37	86
Recoverable energy costs	27	9	25	4
Regulatory assets – current	67	100	62	90
Total Regulatory Assets	$4,333	$7,124	$3,925	$6,563
Regulatory liabilities				
Future income tax*	$2,545	$—	$2,390	$—
Allowance for cost of removal less salvage	846	755	719	641
Pension and other postretirement benefit deferrals	207	193	181	162
Net unbilled revenue deferrals	183	145	183	145
Energy efficiency portfolio standard unencumbered funds	127	—	122	—
Property tax reconciliation	107	178	107	178
Unrecognized other postretirement costs	92	60	92	60
Settlement of prudence proceeding	66	95	66	95
Property tax refunds	44	1	44	1
Carrying charges on repair allowance and bonus depreciation	43	68	42	67
New York State income tax rate change	36	61	35	60
Variable-rate tax-exempt debt - cost rate reconciliation	30	55	26	48
Earnings sharing - electric, gas and steam	29	39	19	28
Settlement of gas proceedings	27	27	27	27
Base rate change deferrals	21	40	21	40
Net utility plant reconciliations	12	16	8	15
Other	162	172	137	145
Regulatory liabilities – noncurrent	4,577	1,905	4,219	1,712
Refundable energy costs	41	29	16	5
Deferred derivative gains	31	28	28	24
Revenue decoupling mechanism	29	71	21	61
Regulatory liabilities—current	101	128	65	90
Total Regulatory Liabilities	$4,678	$2,033	$4,284	$1,802

` * See "Federal Income Tax" in Note A, "Other Regulatory Matters," above, and Note L.

Unrecognized pension and other postretirement costs represent the net regulatory asset associated with the accounting rules for retirement benefits. See Note A.

Revenue taxes represent the timing difference between taxes collected and paid by the Utilities to fund mass transportation.

Deferred storm costs represent response and restoration costs, other than capital expenditures, in connection with Superstorm Sandy and other major storms that were deferred by the Utilities.

Net electric deferrals represent the remaining unamortized balance of certain regulatory assets and liabilities of CECONY that were combined effective April 1, 2010 and are being amortized to income through March 31, 2018.

Settlement of prudence proceeding represents the remaining amount to be credited to customers pursuant to a Joint Proposal, approved by the NYSPSC in April 2016, with respect to the prudence of certain CECONY expenditures and related matters.

Settlement of gas proceedings represents the amount to be credited to customers pursuant to a settlement agreement approved by the NYSPSC in February 2017 related to CECONY's practices of qualifying persons to perform plastic fusions on gas facilities and alleged violations of gas safety violations identified by the NYSPSC staff in its investigation of a March 2014 Manhattan explosion and fire (see Note H).

The NYSPSC has authorized CECONY to accrue unbilled electric, gas and steam revenues. CECONY has deferred the net margin on the unbilled revenues for the future benefit of customers by recording a regulatory liability of $183 million and $145 million at December 31, 2017 and 2016, respectively, for the difference between the unbilled revenues and energy cost liabilities.

Note C – Capitalization

Common Stock

At December 31, 2017 and 2016, Con Edison owned all of the issued and outstanding shares of common stock of the Utilities, the Clean Energy Businesses and Con Edison Transmission. CECONY owns 21,976,200 shares of Con Edison stock, which it purchased prior to 2001 in connection with Con Edison's stock repurchase plan. CECONY presents in the financial statements the cost of the Con Edison stock it owns as a reduction of common shareholder's equity.

Capitalization of Con Edison

The outstanding capitalization for each of the Companies is shown on its Consolidated Statement of Capitalization, and for Con Edison includes outstanding debt of the Utilities and the Clean Energy Businesses.

Dividends

In accordance with NYSPSC requirements, the dividends that the Utilities generally pay are limited to not more than 100 percent of their respective income available for dividends calculated on a two–year rolling average basis. Excluded from the calculation of "income available for dividends" are non-cash charges to income resulting from accounting changes or charges to income resulting from significant unanticipated events. The restriction also does not apply to dividends paid in order to transfer to Con Edison proceeds from major transactions, such as asset sales, or to dividends reducing each utility subsidiary's equity ratio to a level appropriate to its business risk.

Long-term Debt

Long-term debt maturing in the period 2018-2022 is as follows:

(Millions of Dollars)	Con Edison	CECONY
2018	$1,298	$1,200
2019	578	475
2020	791	350
2021	544	—
2022	335	—

CECONY has issued $450 million of tax–exempt debt through the New York State Energy Research and Development Authority (NYSERDA) that currently bear interest at a rate determined weekly and is subject to tender by bondholders for purchase by the company.

The carrying amounts and fair values of long-term debt at December 31, 2017 and 2016 are:

(Millions of Dollars)	2017		2016	
Long-Term Debt (including current portion) (a)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Con Edison	$16,029	$18,147	$14,774	$16,093
CECONY	$13,265	$15,163	$12,073	$13,268

(a) Amounts shown are net of unamortized debt expense and unamortized debt discount of $142 million and $121 million for Con Edison and CECONY, respectively, as of December 31, 2017 and $134 million and $113 million for Con Edison and CECONY, respectively, as of December 31, 2016.

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, $17,511 million and $636 million of the fair value of long-term debt at December 31, 2017 are classified as Level 2 and Level 3, respectively. For CECONY, $14,527 million and $636 million of the fair value of long-term debt at December 31, 2017 are classified as Level 2 and Level 3, respectively (see Note P). The $636 million of long-term debt classified as Level 3 is CECONY's tax-exempt, auction-rate securities for which the market is highly illiquid and there is a lack of observable inputs.

At December 31, 2017 and 2016, long–term debt of Con Edison included $915 million and $845 million, respectively, of non-recourse debt secured by the pledge of the applicable renewable energy production projects of the Clean Energy Businesses. At December 31, 2017 and 2016, long-term debt of Con Edison included $7 million and $11 million, respectively, of Transition Bonds issued in 2004 by O&R's New Jersey utility subsidiary through a special purpose entity.

Significant Debt Covenants

The significant debt covenants under the financing arrangements for the Companies' debentures and Con Edison's notes include obligations to pay principal and interest when due and covenants not to consolidate with or merge into any other corporation unless certain conditions are met. In addition, Con Edison's notes include covenants that the company shall continue its utility business in New York City and shall not permit its ratio of consolidated debt to consolidated capital to exceed 0.675 to 1 and include cross default provisions with respect to other indebtedness of the company or its material subsidiaries having a then outstanding principal balance in excess of $100 million. The Companies' debentures have no cross default provisions. The tax–exempt financing arrangements of CECONY are subject to covenants for the debentures discussed above and the covenants discussed below. The Companies were in compliance with their significant debt covenants at December 31, 2017.

The tax-exempt financing arrangements involved the issuance of uncollateralized promissory notes of CECONY to NYSERDA in exchange for the net proceeds of a like amount of tax–exempt bonds with substantially the same terms sold to the public by NYSERDA. The tax-exempt financing arrangements include covenants with respect to the tax–exempt status of the financing, including covenants with respect to the use of the facilities financed. The arrangements include provisions for the maintenance of liquidity and credit facilities, the failure to comply with which would, except as otherwise provided, constitute an event of default for the debt to which such provisions applied.

The failure to comply with debt covenants would, except as otherwise provided, constitute an event of default for the debt to which such provisions applied. If an event of default were to occur, the principal and accrued interest on the debt to which such event of default applied and, in the case of the Con Edison notes, a make-whole premium might and, in the case of certain events of default would, become due and payable immediately.

The liquidity and credit facilities currently in effect for the tax–exempt financing include covenants that the ratio of debt to total capital of CECONY will not at any time exceed 0.65 to 1 and that, subject to certain exceptions, CECONY will not mortgage, lien, pledge or otherwise encumber its assets. Certain of the facilities also include as events of default, defaults in payments of other debt obligations in excess of specified levels ($150 million or $100 million, depending on the facility).

Note D – Short-Term Borrowing

In December 2016, Con Edison and the Utilities entered into a credit agreement (Credit Agreement), under which banks are committed to provide loans and letters of credit on a revolving credit basis. The Credit Agreement expires in December 2022. There is a maximum of $2,250 million of credit available. The full amount is available to CECONY and $1,000 million (subject to increase up to $1,500 million) is available to Con Edison, including up to $1,200 million of letters of credit. The Credit Agreement supports the Companies' commercial paper programs. The Companies have not borrowed under the Credit Agreement. At December 31, 2017, Con Edison had $577 million of commercial paper outstanding, of which $150 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2017 was 1.8 percent for both Con Edison and CECONY. At December 31, 2016, Con Edison had $1,054 million of commercial paper outstanding of which $600 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2016 was 1.0 percent for both Con Edison and CECONY.

At December 31, 2017 and 2016, no loans were outstanding under the credit agreement (Credit Agreement). An immaterial amount and $2 million (including $2 million for CECONY) of letters of credit were outstanding under the Credit Agreement as of December 31, 2017 and 2016, respectively.

The banks' commitments under the Credit Agreement are subject to certain conditions, including that there be no event of default. The commitments are not subject to maintenance of credit rating levels or the absence of a material adverse change. Upon a change of control of, or upon an event of default by one of the Companies, the banks may terminate their commitments with respect to that company, declare any amounts owed by that company under the Credit Agreement immediately due and payable and require that company to provide cash collateral relating to the letters of credit issued for it under the Credit Agreement. Events of default include the exceeding at any time of a ratio of consolidated debt to consolidated total capital of 0.65 to 1 (at December 31, 2017 this ratio was 0.51 to 1 for Con Edison and 0.52 to 1 for CECONY); having liens on its assets in an aggregate amount exceeding five percent of its consolidated total capital, subject to certain exceptions; and the failure, following any applicable notice period, to meet certain other customary covenants. Interest and fees charged for the revolving credit facilities and any loans made or letters of credit issued under the Credit Agreement reflect the Companies' respective credit ratings. The Companies were in compliance with their covenants at December 31, 2017.

See Note S for information about short-term borrowing between related parties.

Note E – Pension Benefits

Con Edison maintains a tax-qualified, non-contributory pension plan that covers substantially all employees of CECONY, O&R, Con Edison Transmission and certain employees of the Clean Energy Businesses. The plan is designed to comply with the Internal Revenue Code and the Employee Retirement Income Security Act of 1974. In addition, Con Edison maintains additional non–qualified supplemental pension plans.

Total Periodic Benefit Cost

The components of the Companies' total periodic benefit costs for 2017, 2016 and 2015 were as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2017	2016	2015	2017	2016	2015
Service cost – including administrative expenses	$263	$275	$297	$246	$258	$279
Interest cost on projected benefit obligation	591	596	575	554	559	538
Expected return on plan assets	(968)	(947)	(886)	(917)	(898)	(840)
Recognition of net actuarial loss	595	596	775	563	565	734
Recognition of prior service costs	(17)	4	4	(19)	2	2
NET PERIODIC BENEFIT COST	$464	$524	$765	$427	$486	$713
Amortization of regulatory asset (a)	—	—	1	—	—	1
TOTAL PERIODIC BENEFIT COST	$464	$524	$766	$427	$486	$714
Cost capitalized	(181)	(214)	(301)	(169)	(203)	(285)
Reconciliation to rate level	(34)	54	(74)	(41)	58	(74)
Cost charged to operating expenses	$249	$364	$391	$217	$341	$355

(a) Relates to an increase in CECONY's pension obligation of $45 million from a 1999 special retirement program.

Funded Status
The funded status at December 31, 2017, 2016 and 2015 was as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2017	2016	2015	2017	2016	2015
CHANGE IN PROJECTED BENEFIT OBLIGATION						
Projected benefit obligation at beginning of year	$14,095	$14,377	$15,081	$13,203	$13,482	$14,137
Service cost – excluding administrative expenses	259	271	293	241	254	274
Interest cost on projected benefit obligation	591	596	575	554	559	538
Net actuarial loss/(gain)	1,231	(302)	(996)	1,171	(282)	(931)
Plan amendments	6	(256)	—	—	(259)	—
Benefits paid	(646)	(591)	(576)	(602)	(551)	(536)
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	$15,536	$14,095	$14,377	$14,567	$13,203	$13,482
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	$12,472	$11,759	$11,495	$11,815	$11,141	$10,897
Actual return on plan assets	2,041	829	126	1,935	787	118
Employer contributions	450	508	750	412	469	697
Benefits paid	(646)	(591)	(576)	(602)	(551)	(536)
Administrative expenses	(43)	(33)	(36)	(41)	(31)	(35)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$14,274	$12,472	$11,759	$13,519	$11,815	$11,141
FUNDED STATUS	$(1,262)	$(1,623)	$(2,618)	$(1,048)	$(1,388)	$(2,341)
Unrecognized net loss	$2,760	$3,157	$3,909	$2,624	$2,995	$3,704
Unrecognized prior service costs	(223)	(244)	16	(242)	(258)	3
Accumulated benefit obligation	13,897	12,655	12,909	12,972	11,806	12,055

The increase in the pension plan's fair value of plan assets was the primary cause of the decreased pension liability at Con Edison and CECONY of $361 million and $340 million, respectively, compared with December 31, 2016. For Con Edison, this decrease in pension liability corresponds with a decrease to regulatory assets of $368 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations, a credit to OCI of $4 million (net of taxes) for the unrecognized net losses, and an immaterial change to OCI (net of taxes) for the unrecognized prior service costs associated with the Clean Energy Businesses, Con Edison Transmission, and RECO.

For CECONY, the decrease in pension liability corresponds with a decrease to regulatory assets of $353 million for unrecognized net losses and unrecognized prior service costs consistent with the accounting rules for regulated operations, a credit to OCI of $1 million (net of taxes) for unrecognized net losses, and an immaterial change to OCI (net of taxes) for the unrecognized prior service costs associated with the Clean Energy Businesses and Con Edison Transmission.

A portion of the unrecognized net loss and prior service cost for the pension plan, equal to $689 million and $(17) million, respectively, will be recognized from accumulated OCI and the regulatory asset into net periodic benefit cost over the next year for Con Edison. Included in these amounts are $654 million and $(19) million, respectively, for CECONY.

At December 31, 2017 and 2016, Con Edison's investments include $330 million and $273 million, respectively, held in external trust accounts for benefit payments pursuant to the supplemental retirement plans. Included in these amounts for CECONY were $301 million and $246 million, respectively. See Note P. The accumulated benefit obligations for the supplemental retirement plans for Con Edison and CECONY were $331 million and $297 million as of December 31, 2017 and $303 million and $268 million as of December 31, 2016, respectively.

Assumptions

The actuarial assumptions were as follows:

	2017	2016	2015
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount rate	3.70%	4.25%	4.25%
Rate of compensation increase			
CECONY	4.25%	4.25%	4.25%
O&R	4.00%	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	4.25%	4.25%	3.90%
Expected return on plan assets	7.50%	7.80%	7.80%
Rate of compensation increase			
CECONY	4.25%	4.25%	4.25%
O&R	4.00%	4.00%	4.00%

The expected return assumption reflects anticipated returns on the plan's current and future assets. The Companies' expected return was based on an evaluation of the current environment, market and economic outlook, relationships between the economy and asset class performance patterns, and recent and long-term trends in asset class performance. The projections were based on the plan's target asset allocation.

Discount Rate Assumption

To determine the assumed discount rate, the Companies use a model that produces a yield curve based on yields on selected highly rated (Aa or higher by either Moody's or Standard & Poor's) corporate bonds. Bonds with insufficient liquidity, bonds with questionable pricing information and bonds that are not representative of the overall market are excluded from consideration. For example, the bonds used in the model cannot be callable (with the exception of "make whole" callable bonds), and the amount of the bond issue outstanding must be in excess of $50 million. The spot rates defined by the yield curve and the plan's projected benefit payments are used to develop a weighted average discount rate.

Expected Benefit Payments

Based on current assumptions, the Companies expect to make the following benefit payments over the next ten years:

(Millions of Dollars)	2018	2019	2020	2021	2022	2023-2027
Con Edison	$728	$738	$753	$765	$778	$4,083
CECONY	677	686	700	712	724	3,804

Expected Contributions

Based on estimates as of December 31, 2017, the Companies expect to make contributions to the pension plans during 2018 of $473 million (of which $435 million is to be contributed by CECONY). The Companies' policy is to fund the total periodic benefit cost of the qualified plan to the extent tax deductible and to also contribute to the non-qualified supplemental plans.

Plan Assets

The asset allocations for the pension plan at the end of 2017, 2016 and 2015, and the target allocation for 2018 are as follows:

	Target Allocation Range	Plan Assets at December 31,		
Asset Category	**2018**	**2017**	**2016**	**2015**
Equity Securities	53% - 63%	58%	58%	57%
Debt Securities	28% - 38%	33%	33%	33%
Real Estate	7% -11%	9%	9%	10%
Total	100%	100%	100%	100%

Con Edison has established a pension trust for the investment of assets to be used for the exclusive purpose of providing retirement benefits to participants and beneficiaries and payment of plan expenses.

Pursuant to resolutions adopted by Con Edison's Board of Directors, the Management Development and Compensation Committee of the Board of Directors (the Committee) has general oversight responsibility for Con Edison's pension and other employee benefit plans. The pension plan's named fiduciaries have been granted the authority to control and manage the operation and administration of the plans, including overall responsibility for the investment of assets in the trust and the power to appoint and terminate investment managers.

The investment objectives of the Con Edison pension plan are to maintain a level and form of assets adequate to meet benefit obligations to participants, to achieve the expected long-term total return on the trust assets within a prudent level of risk and maintain a level of volatility that is not expected to have a material impact on the company's expected contribution and expense or the company's ability to meet plan obligations. The assets of the plan have no significant concentration of risk in one country (other than the United States), industry or entity.

The strategic asset allocation is intended to meet the objectives of the pension plan by diversifying its funds across asset classes, investment styles and fund managers. An asset/liability study typically is conducted every few years to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal asset allocation for the plan. The target asset allocation for 2018 reflects the results of such a study conducted in 2016.

Individual fund managers operate under written guidelines provided by Con Edison, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. Con Edison management regularly monitors, and the named fiduciaries review and report to the Committee regarding, asset class performance, total fund performance, and compliance with asset allocation guidelines. Management changes fund managers and rebalances the portfolio as appropriate. At the direction of the named fiduciaries, such changes are reported to the Committee.

Assets measured at fair value on a recurring basis are summarized below as defined by the accounting rules for fair value measurements (see Note P).

The fair values of the pension plan assets at December 31, 2017 by asset category are as follows:

(Millions of Dollars)	Level 1	Level 2	Total
Investments within the fair value hierarchy			
U.S. Equity (a)	$3,872	$28	$3,900
International Equity (b)	4,132	—	4,132
U.S. Government Issued Debt (c)	—	1,786	1,786
Corporate Bonds Debt (d)	—	2,450	2,450
Structured Assets Debt (e)	—	3	3
Other Fixed Income Debt (f)	—	125	125
Cash and Cash Equivalents (g)	124	352	476
Futures (h)	308	—	308
Total investments within the fair value hierarchy	$8,436	$4,744	$13,180
Investments measured at NAV per share (n)			
Private Equity (i)			336
Real Estate (j)			1,214
Hedge Funds (k)			251
Total investments valued using NAV per share			$1,801
Funds for retiree health benefits (l)	(168)	(94)	(262)
Funds for retiree health benefits measured at NAV per share (l)(n)			(36)
Total funds for retiree health benefits			$(298)
Investments (excluding funds for retiree health benefits)	$8,268	$4,650	$14,683
Pending activities (m)			(409)
Total fair value of plan net assets			$14,274

(a) U.S. Equity includes both actively- and passively-managed assets with investments in domestic equity index funds and actively-managed small-capitalization equities.
(b) International Equity includes international equity index funds and actively-managed international equities.
(c) U.S. Government Issued Debt includes agency and treasury securities.
(d) Corporate Bonds Debt consists of debt issued by various corporations.
(e) Structured Assets Debt includes commercial-mortgage-backed securities and collateralized mortgage obligations.
(f) Other Fixed Income Debt includes municipal bonds, sovereign debt and regional governments.
(g) Cash and Cash Equivalents include short term investments, money markets, foreign currency and cash collateral.
(h) Futures consist of exchange-traded financial contracts encompassing U.S. Equity, International Equity and U.S. Government indices.
(i) Private Equity consists of global equity funds that are not exchange-traded.
(j) Real Estate investments include real estate funds based on appraised values that are broadly diversified by geography and property type.
(k) Hedge Funds are within a commingled structure which invests in various hedge fund managers who can invest in all financial instruments.
(l) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan's obligations and are included in the Companies' other postretirement benefit obligation. See Note F.
(m) Pending activities include security purchases and sales that have not settled, interest and dividends that have not been received and reflects adjustments for available estimates at year end.
(n) In accordance with ASU 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The fair values of the pension plan assets at December 31, 2016 by asset category are as follows:

(Millions of Dollars)	Level 1	Level 2	Total
Investments within the fair value hierarchy			
U.S. Equity (a)	$3,466	$—	$3,466
International Equity (b)	3,187	371	3,558
U.S. Government Issued Debt (c)	—	1,337	1,337
Corporate Bonds Debt (d)	—	2,140	2,140
Structured Assets Debt (e)	—	1	1
Other Fixed Income Debt (f)	—	200	200
Cash and Cash Equivalents (g)	147	389	536
Futures (h)	296	68	364
Total investments within the fair value hierarchy	$7,096	$4,506	$11,602
Investments measured at NAV per share (n)			
Private Equity (i)			247
Real Estate (j)			1,139
Hedge Funds (k)			229
Total investments valued using NAV per share			$1,615
Funds for retiree health benefits (l)	(165)	(105)	(270)
Funds for retiree health benefits measured at NAV per share (l)(n)			(37)
Total funds for retiree health benefits			$(307)
Investments (excluding funds for retiree health benefits)	$6,931	$4,401	$12,910
Pending activities (m)			(438)
Total fair value of plan net assets			$12,472

(a) - (n) Reference is made to footnotes (a) through (n) in the above table of pension plan assets at December 31, 2017 by asset category.

The Companies also offer a defined contribution savings plan that covers substantially all employees and made contributions to the plan as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	2015
Con Edison	$40	$36	$34
CECONY	35	32	29

Note F – Other Postretirement Benefits

The Utilities and Con Edison Transmission currently have contributory comprehensive hospital, medical and prescription drug programs for eligible retirees, their dependents and surviving spouses.

CECONY also has a contributory life insurance program for bargaining unit employees and provides basic life insurance benefits up to a specified maximum at no cost to certain retired management employees. O&R has a non-contributory life insurance program for retirees. Certain employees of the Clean Energy Businesses and Con Edison Transmission are eligible to receive benefits under these programs.

Total Periodic Benefit Cost

The components of the Companies' total periodic postretirement benefit costs for 2017, 2016 and 2015 were as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2017	2016	2015	2017	2016	2015
Service cost	$20	$18	$20	$13	$13	$15
Interest cost on accumulated other postretirement benefit obligation	46	48	51	38	40	43
Expected return on plan assets	(69)	(77)	(78)	(61)	(67)	(68)
Recognition of net actuarial loss	2	5	31	(3)	3	28
Recognition of prior service cost	(17)	(20)	(20)	(11)	(14)	(14)
TOTAL PERIODIC POSTRETIREMENT BENEFIT COST	$(18)	$(26)	$4	$(24)	$(25)	$4
Cost capitalized	8	11	(2)	10	10	(2)
Reconciliation to rate level	(4)	22	14	(2)	22	6
Cost charged to operating expenses	$(14)	$7	$16	$(16)	$7	$8

Funded Status

The funded status of the programs at December 31, 2017, 2016 and 2015 were as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2017	2016	2015	2017	2016	2015
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at beginning of year	$1,198	$1,287	$1,411	$1,007	$1,093	$1,203
Service cost	20	18	20	13	13	15
Interest cost on accumulated postretirement benefit obligation	46	48	51	38	40	43
Amendments	—	—	—	—	—	—
Net actuarial loss/(gain)	53	(57)	(103)	16	(52)	(85)
Benefits paid and administrative expenses	(134)	(134)	(127)	(124)	(122)	(117)
Participant contributions	36	36	35	35	35	34
BENEFIT OBLIGATION AT END OF YEAR	$1,219	$1,198	$1,287	$985	$1,007	$1,093
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	$975	$994	$1,084	$851	$870	$950
Actual return on plan assets	150	60	(6)	130	52	(4)
Employer contributions	17	7	6	8	7	6
EGWP payments	34	35	28	30	33	26
Participant contributions	35	36	35	35	35	34
Benefits paid	(172)	(157)	(153)	(161)	(146)	(142)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$1,039	$975	$994	$893	$851	$870
FUNDED STATUS	$(180)	$(223)	$(293)	$(92)	$(156)	$(223)
Unrecognized net loss/(gain)	$(47)	$(24)	$28	$(85)	$(42)	$4
Unrecognized prior service costs	(14)	(31)	(51)	(7)	(18)	(32)

The increase in the fair value of plan assets was the primary cause of the decreased liability for other postretirement benefits at Con Edison and CECONY of $43 million and $64 million, respectively, compared with December 31, 2016. For Con Edison, this decreased liability corresponds with an increase to regulatory liabilities of $11 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations, a debit to OCI of $3 million (net of taxes) for the unrecognized net losses and an immaterial change to OCI (net of taxes) for the unrecognized prior service costs associated with the Clean Energy Businesses, Con Edison Transmission, and RECO.

For CECONY, the decrease in liability corresponds with an increase to regulatory liabilities of $32 million for unrecognized net losses and unrecognized prior service costs associated with the company consistent with the accounting rules for regulated operations, and an immaterial change to OCI (net of taxes) for the unrecognized net losses and unrecognized prior service costs associated with the Clean Energy Businesses and Con Edison Transmission.

A portion of the unrecognized net losses and prior service costs for the other postretirement benefits, equal to $8 million and $(6) million, respectively, will be recognized from accumulated OCI and the regulatory asset into net periodic benefit cost over the next year for Con Edison. Included in these amounts are $1 million and $(2) million, respectively, for CECONY.

Assumptions

The actuarial assumptions were as follows:

	2017	2016	2015
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount Rate			
CECONY	3.55%	4.00%	4.05%
O&R	3.70%	4.20%	4.20%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount Rate			
CECONY	4.00%	4.05%	3.75%
O&R	4.20%	4.20%	3.85%
Expected Return on Plan Assets	7.50%	7.00%	7.75%

Refer to Note E for descriptions of the basis for determining the expected return on assets, investment policies and strategies and the assumed discount rate.

The health care cost trend rate used to determine net periodic benefit cost for the year ended December 31, 2017 was 5.80 percent, which is assumed to decrease gradually to 4.50 percent by 2024 and remain at that level thereafter. The health care cost trend rate used to determine benefit obligations as of December 31, 2017 was 5.60 percent, which is assumed to decrease gradually to 4.50 percent by 2024 and remain at that level thereafter.

A one-percentage point change in the assumed health care cost trend rate would have the following effects at December 31, 2017:

	Con Edison		CECONY	
	1-Percentage-Point			
(Millions of Dollars)	Increase	Decrease	Increase	Decrease
Effect on accumulated other postretirement benefit obligation	$13	$11	$(20)	$35
Effect on service cost and interest cost components for 2017	2	—	(1)	1

Expected Benefit Payments

Based on current assumptions, the Companies expect to make the following benefit payments over the next ten years, net of receipt of governmental subsidies:

(Millions of Dollars)	2018	2019	2020	2021	2022	2023-2027
Con Edison	$83	$81	$78	$76	$75	$363
CECONY	73	70	67	65	64	303

Expected Contributions

Based on estimates as of December 31, 2017, Con Edison and CECONY expect to make a contribution of $7 million (substantially all of which is to be contributed by CECONY) to the other postretirement benefit plans in 2018. The Companies' policy is to fund the total periodic benefit cost of the plans to the extent tax deductible.

Plan Assets
The asset allocations for CECONY's other postretirement benefit plans at the end of 2017, 2016 and 2015, and the target allocation for 2018 are as follows:

	Target Allocation Range	Plan Assets at December 31,		
Asset Category	**2018**	**2017**	**2016**	**2015**
Equity Securities	50%-80%	60%	60%	59%
Debt Securities	20%-50%	40%	40%	41%
Total	100%	100%	100%	100%

Con Edison has established postretirement health and life insurance benefit plan trusts for the investment of assets to be used for the exclusive purpose of providing other postretirement benefits to participants and beneficiaries.

Refer to Note E for a discussion of Con Edison's investment policy for its benefit plans.

The fair values of the plan assets at December 31, 2017 by asset category as defined by the accounting rules for fair value measurements (see Note P) are as follows:

(Millions of Dollars)	Level 1	Level 2	Total
Equity (a)	$—	$420	$420
Other Fixed Income Debt (b)	—	286	286
Cash and Cash Equivalents (c)	—	16	16
Total investments	$—	$722	$722
Funds for retiree health benefits (d)	168	94	262
Investments (including funds for retiree health benefits)	$168	$816	$984
Funds for retiree health benefits measured at net asset value (d)(e)			36
Pending activities (f)			19
Total fair value of plan net assets			$1,039

(a) Equity includes a passively managed commingled index fund benchmarked to the MSCI All Country World Index.
(b) Other Fixed Income Debt includes a passively managed commingled index fund benchmarked to the Barclays Capital Aggregate Index.
(c) Cash and Cash Equivalents include short term investments and money markets.
(d) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan's obligations and are included in the Companies' other postretirement benefit obligation. See Note E.
(e) In accordance with ASU 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(f) Pending activities include security purchases and sales that have not settled, interest and dividends that have not been received, and reflects adjustments for available estimates at year end.

The fair values of the plan assets at December 31, 2016 by asset category (see Note P) are as follows:

(Millions of Dollars)	Level 1	Level 2	Total
Equity (a)	$—	$391	$391
Other Fixed Income Debt (b)	—	250	250
Cash and Cash Equivalents (c)	—	13	13
Total investments	$—	$654	$654
Funds for retiree health benefits (d)	165	105	270
Investments (including funds for retiree health benefits)	$165	$759	$924
Funds for retiree health benefits measured at net asset value (d)(e)			37
Pending activities (f)			14
Total fair value of plan net assets			$975

(a) - (f) Reference is made to footnotes (a) through (f) in the above table of other postretirement benefit plan assets at December 31, 2017 by asset category.

Note G – Environmental Matters

Superfund Sites

Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or generated in the course of operations of the Utilities and their predecessors and are present at sites and in facilities and equipment they currently or previously owned, including sites at which gas was manufactured or stored.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation and remediation costs (which include costs of demolition, removal, disposal, storage, replacement, containment and monitoring) and natural resource damages. Liability under these laws can be material and may be imposed for contamination from past acts, even though such past acts may have been lawful at the time they occurred. The sites at which the Utilities have been asserted to have liability under these laws, including their manufactured gas plant sites and any neighboring areas to which contamination may have migrated, are referred to herein as “Superfund Sites.”

For Superfund Sites where there are other potentially responsible parties and the Utilities are not managing the site investigation and remediation, the accrued liability represents an estimate of the amount the Utilities will need to pay to investigate and, where determinable, discharge their related obligations. For Superfund Sites (including the manufactured gas plant sites) for which one of the Utilities is managing the investigation and remediation, the accrued liability represents an estimate of the company’s share of the undiscounted cost to investigate the sites and, for sites that have been investigated in whole or in part, the cost to remediate the sites, if remediation is necessary and if a reasonable estimate of such cost can be made. Remediation costs are estimated in light of the information available, applicable remediation standards and experience with similar sites.

The accrued liabilities and regulatory assets related to Superfund Sites at December 31, 2017 and 2016 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
Accrued Liabilities:				
Manufactured gas plant sites	$651	$664	$551	$567
Other Superfund Sites	86	89	86	88
Total	$737	$753	$637	$655
Regulatory assets	$793	$823	$677	$711

Most of the accrued Superfund Site liability relates to sites that have been investigated, in whole or in part. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As investigations progress and information pertaining to the required remediation becomes available,

the Utilities expect that additional liability may be accrued, the amount of which is not presently determinable but may be material. The Utilities are permitted to recover or defer as regulatory assets (for subsequent recovery through rates) prudently incurred site investigation and remediation costs.

Environmental remediation costs incurred related to Superfund Sites at December 31, 2017 and 2016 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
Remediation costs incurred	$24	$34	$19	$21

Insurance and other third party recoveries received by Con Edison or CECONY were immaterial in 2017. Con Edison and CECONY received $1 million in insurance and other third party recoveries in 2016.

Con Edison and CECONY estimate that in 2018 they will incur costs for remediation of approximately $47 million and $34 million, respectively. The Companies are unable to estimate the time period over which the remaining accrued liability will be incurred because, among other things, the required remediation has not been determined for some of the sites.

In 2017, Con Edison and CECONY estimated that for their manufactured gas plant sites (including CECONY's Astoria site), the aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other environmental contaminants could range up to $2.7 billion and $2.5 billion, respectively. These estimates were based on the assumption that there is contamination at all sites, including those that have not yet been fully investigated and additional assumptions about the extent of the contamination and the type and extent of the remediation that may be required. Actual experience may be materially different.

Asbestos Proceedings

Suits have been brought in New York State and federal courts against the Utilities and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the Utilities. The suits that have been resolved, which are many, have been resolved without any payment by the Utilities, or for amounts that were not, in the aggregate, material to them. The amounts specified in all the remaining thousands of suits total billions of dollars; however, the Utilities believe that these amounts are greatly exaggerated, based on the disposition of previous claims. At December 31, 2017, Con Edison and CECONY have accrued their estimated aggregate undiscounted potential liabilities for these suits and additional suits that may be brought over the next 15 years as shown in the following table. These estimates were based upon a combination of modeling, historical data analysis and risk factor assessment. Courts have begun, and unless otherwise determined on appeal may continue, to apply different standards for determining liability in asbestos suits than the standard that applied historically. As a result, the Companies currently believe that there is a reasonable possibility of an exposure to loss in excess of the liability accrued for the suits. The Companies are unable to estimate the amount or range of such loss. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. CECONY is permitted to defer as regulatory assets (for subsequent recovery through rates) costs incurred for its asbestos lawsuits and workers' compensation claims.

The accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) and the amounts deferred as regulatory assets for the Companies at December 31, 2017 and 2016 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
Accrued liability – asbestos suits	$8	$8	$7	$7
Regulatory assets – asbestos suits	$8	$8	$7	$7
Accrued liability – workers' compensation	$84	$88	$80	$83
Regulatory assets – workers' compensation	$10	$13	$10	$13

Note H – Other Material Contingencies

Manhattan Explosion and Fire

On March 12, 2014, two multi-use five-story tall buildings located on Park Avenue between 116th and 117th Streets in Manhattan were destroyed by an explosion and fire. CECONY had delivered gas to the buildings through service lines from a distribution main located below ground on Park Avenue. Eight people died and more than 50 people were injured. Additional buildings were also damaged. The National Transportation Safety Board (NTSB) investigated. The parties to the investigation included the company, the City of New York, the Pipeline and Hazardous Materials Safety Administration and the NYSPSC. In June 2015, the NTSB issued a final report concerning the incident, its probable cause and safety recommendations. The NTSB determined that the probable cause of the incident was (1) the failure of a defective fusion joint at a service tee (which joined a plastic service line to a plastic distribution main) installed by the company that allowed gas to leak from the distribution main and migrate into a building where it ignited and (2) a breach in a City sewer line that allowed groundwater and soil to flow into the sewer, resulting in a loss of support for the distribution main, which caused it to sag and overstressed the defective fusion joint. The NTSB also made safety recommendations, including recommendations to the company that addressed its procedures for the preparation and examination of plastic fusions, training of its staff on conditions for notifications to the City's Fire Department and extension of its gas main isolation valve installation program. In February 2017, the NYSPSC approved a settlement agreement with the company related to the NYSPSC's investigations of the incident and the practices of qualifying persons to perform plastic fusions. Pursuant to the agreement, the company will provide $27 million of future benefits to customers (for which it has accrued a regulatory liability, see Note B) and will not recover from customers $126 million of costs for gas emergency response activities that it had previously incurred and expensed. Approximately eighty suits are pending against the company seeking generally unspecified damages and, in some cases, punitive damages, for wrongful death, personal injury, property damage and business interruption. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover the company's costs, in excess of a required retention (the amount of which is not material), to satisfy any liability it may have for damages in connection with the incident. The company is unable to estimate the amount or range of its possible loss for damages related to the incident. At December 31, 2017, the company had not accrued a liability for damages related to the incident.

Other Contingencies

See "Other Regulatory Matters" in Note B and "Uncertain Tax Positions" in Note L.

Guarantees

Con Edison and its subsidiaries enter into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. Maximum amounts guaranteed by Con Edison totaled $2,073 million and $2,370 million at December 31, 2017 and 2016, respectively.

A summary, by type and term, of Con Edison's total guarantees at December 31, 2017 is as follows:

Guarantee Type	0 – 3 years	4 – 10 years	> 10 years	Total
		(Millions of Dollars)		
Con Edison Transmission	$643	$404	$—	$1,047
Energy transactions	431	27	211	669
Renewable electric production projects	210	—	24	234
Other	123	—	—	123
Total	$1,407	$431	$235	$2,073

Con Edison Transmission – Con Edison has guaranteed payment by CET Electric of the contributions CET Electric agreed to make to New York Transco LLC (NY Transco). CET Electric acquired a 45.7 percent interest in NY Transco when it was formed in 2014. In May 2016, the transmission owners transferred certain projects to NY Transco, for which CET Electric made its required contributions. NY Transco has proposed other transmission projects in the New York Independent System Operator's competitive bidding process. These other projects are subject to certain authorizations from the NYSPSC, the FERC and, as applicable, other federal, state and local agencies. Guarantee amount shown is for the maximum possible required amount of CET Electric's contributions for these other projects as calculated based on the assumptions that the projects are completed at 175 percent of their estimated costs and NY Transco does not use any debt financing for the projects. Guarantee term shown is

assumed as the selection of the projects and resulting timing of the contributions is not certain. Also included within the table above is a guarantee for $25 million from Con Edison on behalf of CET Gas in relation to a proposed gas transmission project in West Virginia and Virginia. See Note U.

Energy Transactions — Con Edison guarantees payments on behalf of the Clean Energy Businesses in order to facilitate physical and financial transactions in electricity, gas, pipeline capacity, transportation, oil, renewable energy credits and energy services. To the extent that liabilities exist under the contracts subject to these guarantees, such liabilities are included in Con Edison's consolidated balance sheet.

Renewable Electric Production Projects – Con Edison, Con Edison Development and Con Edison Solutions guarantee payments on behalf of their wholly-owned subsidiaries associated with their investment in, or development for others of, solar and wind energy facilities.

Other – Other guarantees include $70 million in guarantees provided by Con Edison to Travelers Insurance Company for indemnity agreements for surety bonds in connection with operation of solar energy facilities and energy service projects of Con Edison Development and Con Edison Solutions, respectively. Other guarantees also include Con Edison's guarantee (subject to a $53 million maximum amount) of certain obligations of Con Edison Solutions under the agreement pursuant to which it sold its retail electric supply business. See Note U.

Note I – Electricity Purchase Agreements

The Utilities have electricity purchase agreements with non-utility generators and others for generating capacity. The Utilities recover their purchased power costs in accordance with provisions approved by the applicable state public utility regulators. See "Recoverable Energy Costs" in Note A.

At December 31, 2017, the significant terms of the electricity purchase agreements with non-utility generators were as follows:

Facility	Equity Owner	Plant Output (MW)	Contracted Output (MW)	Contract Start Date	Contract Term (Years)
Brooklyn Navy Yard	Brooklyn Navy Yard Cogeneration Partners, LP	322	303	November 1996	40
Indian Point (a)	Entergy Nuclear Power Marketing, LLC	2,150	500	August 2001	16

(a) A portion of this contract ended in 2017 and a portion ends in 2018.

The Utilities also conducted auctions and have entered into various other electricity purchase agreements. Assuming performance by the parties to the electricity purchase agreements, the Utilities are obligated over the terms of the agreements to make capacity and other fixed payments.

The future capacity and other fixed payments under the contracts are estimated to be as follows:

(Millions of Dollars)	2018	2019	2020	2021	2022	All Years Thereafter
Con Edison	$257	$202	$114	$65	$54	$656
CECONY	255	198	111	64	54	656

For energy delivered under most of the electricity purchase agreements, CECONY is obligated to pay variable prices. The company's payments under the significant terms of the agreements for capacity, energy and other fixed payments in 2017, 2016 and 2015 were as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	2015
Linden Cogeneration (a)	$114	$304	$323
Indian Point	211	203	226
Astoria Energy (b)	—	50	178
Astoria Generating Company	92	16	—
Brooklyn Navy Yard	117	119	113
Indeck Corinth (c)	—	—	25
Cogen Technologies	18	—	—
Total	$552	$692	$865

(a) Contract term ended in 2017.
(b) Contract term ended in 2016.
(c) Contract term ended in 2015.

Note J – Leases

Con Edison's subsidiaries lease electric transmission facilities, gas distribution facilities, land, office buildings and equipment. In accordance with the accounting rules for leases, these leases are classified as either capital leases or operating leases. Most of the operating leases provide the option to renew at the fair rental value for future periods. Generally, it is expected that leases will be renewed or replaced in the normal course of business.

Capital leases: For ratemaking purposes capital leases are treated as operating leases; therefore, in accordance with the accounting rules for regulated operations, the amortization of the leased asset is based on the rental payments recovered from customers. The following assets under capital leases are included in the Companies' consolidated balance sheets at December 31, 2017 and 2016:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
UTILITY PLANT				
Common	$2	$3	$1	$2

The accumulated amortization of the capital leases for Con Edison and CECONY was $3 million and $2 million, respectively at December 31, 2017, and $3 million and $1 million, respectively at December 31, 2016.

Operating leases: The future minimum lease commitments under the Companies' operating lease agreements that are not cancellable by the Companies are as follows:

(Millions of Dollars)	Con Edison	CECONY
2018	$63	$55
2019	63	56
2020	63	55
2021	62	54
2022	59	53
All years thereafter	746	645
Total	$1,056	$918

Substantially all of the amounts shown in the above table are estimated amounts payable under CECONY's revocable consent agreement with New York City for the use of streets and public places for installation and operation of transformers and associated vaults and equipment. Under the agreement, payments by CECONY increase 2.18 percent annually and are subject to decrease if CECONY's transformer installations decrease by ½ of 1 percent or more from the prior year. For information about changes to the accounting rules for leases, see Note T.

Note K – Goodwill and Other Intangible Assets

In 2017, Con Edison elected to perform the optional qualitative assessment for goodwill related to the O&R merger and the gas storage company, and the first step of the quantitative test for the residential solar company. In 2016

Con Edison performed the first step of the quantitative analysis for the goodwill related to the O&R merger, the gas storage company, and the residential solar company and deemed that the second step assessment was not required.

In 2017 and 2016, Con Edison completed impairment tests for its goodwill of $406 million related to the O&R merger, and determined that it was not impaired. For the impairment test, $245 million and $161 million of goodwill were allocated to CECONY and O&R, respectively. In 2017 and 2016, Con Edison completed impairment tests for goodwill of $8 million related to a gas storage company acquired by CET Gas from Con Edison Development and determined that it was not impaired. In 2016, Con Edison completed impairment tests for goodwill of $15 million related to two energy services companies owned by the Clean Energy Businesses and determined that goodwill was impaired and, upon calculating the implied fair value of goodwill using fair values based primarily on discounted cash flows, recorded a corresponding impairment charge of $15 million ($12 million, net of tax). Additionally, in 2016, the Clean Energy Businesses acquired a residential solar company and recorded $14 million of goodwill as part of the preliminary purchase price allocation. In 2017, Con Edison determined that goodwill related to the residential solar company was not impaired. Estimates of future cash flows, projected growth rates, and discount rates inherent in the cash flow estimates for Con Edison subsidiaries other than the Utilities may vary significantly from actual results, which could result in a future impairment of goodwill.

For information about changes to the accounting rules for goodwill, see Note T.

Con Edison's other intangible assets consist primarily of power purchase agreements, which were identified as part of purchase price allocations associated with acquisitions made by Con Edison Development in 2016. At December 31, 2017 and 2016, intangible assets arising from power purchase agreements were $131 million and $119 million, net of accumulated amortization of $9 million and $1 million, respectively, and are being amortized over the life of each agreement. Excluding power purchase agreements, Con Edison's other intangible assets were an immaterial amount and $5 million, net of accumulated amortization of $6 million and $5 million, at December 31, 2017 and 2016, respectively. CECONY's other intangible assets were immaterial at December 31, 2017 and 2016. Con Edison recorded amortization expense related to its intangible assets of $9 million in 2017, $2 million in 2016 and an immaterial amount in 2015. Con Edison expects amortization expense to be $9 million per year over the next five years.

Note L – Income Tax

The components of income tax are as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2017	2016	2015	2017	2016	2015
State						
Current	$(2)	$(42)	$38	$37	$(1)	$48
Deferred	103	188	93	75	114	82
Federal						
Current	(11)	(43)	(86)	73	59	77
Deferred	391	604	569	504	435	372
Amortization of investment tax credits	(9)	(9)	(9)	(4)	(4)	(5)
Total income tax expense	$472	$698	$605	$685	$603	$574

The tax effects of temporary differences, which gave rise to deferred tax assets and liabilities, are as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
Deferred tax liabilities:				
Property basis differences	$6,555	$9,446	$5,968	$8,620
Regulatory assets:				
Unrecognized pension and other postretirement costs	697	1,162	656	1,104
Future income tax	—	986	—	940
Environmental remediation costs	219	333	187	287
Deferred storm costs	11	23	—	1
Other regulatory assets	269	371	241	321
Equity investments	263	363	—	—
Total deferred tax liabilities	$8,014	$12,684	$7,052	$11,273
Deferred tax assets:				
Accrued pension and other postretirement costs	$264	$581	$187	$467
Regulatory liabilities:				
Future income tax	698	—	660	—
Other regulatory liabilities	593	822	524	728
Superfund and other environmental costs	203	304	176	265
Asset retirement obligations	86	99	79	92
Loss carryforwards	95	59	—	—
Tax credits carryforward	658	498	—	—
Valuation allowance	(33)	(16)	—	—
Other	112	303	148	312
Total deferred tax assets	2,676	2,650	1,774	1,864
Net deferred tax liabilities	$5,338	$10,034	$5,278	$9,409
Unamortized investment tax credits	157	171	28	41
Net deferred tax liabilities and unamortized investment tax credits	$5,495	$10,205	$5,306	$9,450

The TCJA includes significant changes affecting the taxation of regulated public utilities, such as CECONY and O&R, and Con Edison's other businesses. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA reduces the corporate federal income tax rate from 35 percent to 21 percent. The specific provisions related to regulated public utilities in the TCJA generally allow for the continued deductibility of interest expense, do not allow for full expensing for tax purposes of certain property acquired after September 27, 2017, and continue certain rate normalization requirements for accelerated depreciation benefits. For other businesses, TCJA provides for full expensing of property acquired after September 27, 2017 and limits a deduction for interest expense to 30 percent of adjusted taxable income (which resembles earnings before interest, taxes, depreciation and amortization or "EBITDA").

In accordance with the accounting rules for income taxes (see "Federal Income Tax" in Note A), the tax effects of changes in tax laws are to be recognized in the period in which the law is enacted and deferred tax assets and liabilities are to be re-measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For CECONY and O&R, in accordance with their New York rate plans and the accounting rules for regulated operations the change in deferred taxes was recorded as either an offset to a regulatory asset or a regulatory liability. See "Accounting Policies" in Note A and "Rate Plans" in Note B. For Con Edison's other businesses, the change in deferred taxes was reflected as a decrease in income tax expense, which increased Con Edison's net income.

Upon enactment of the TCJA, the Companies re-measured their deferred tax assets and liabilities based upon the TCJA's 21 percent corporate federal income tax rate. As a result, Con Edison, decreased its net deferred tax liabilities by $5,312 million (including $4,781 million for CECONY), recognized $259 million in net income, decreased its regulatory asset for future income tax by $1,250 million (including $1,182 million for CECONY), decreased the regulatory asset for revenue taxes by $90 million (including $86 million for CECONY), and accrued a

regulatory liability for future income tax of $3,713 million (including $3,513 million for CECONY). Since the Companies are in a net regulatory liability position with respect to these income tax matters, the Companies netted the regulatory asset for future income tax against the regulatory liability for future income tax. Under the rate normalization requirements continued by the TCJA, $2,684 million of the net regulatory liability (including $2,542 million for CECONY) related to certain accelerated tax depreciation benefits is to be amortized over the remaining lives of the related assets. The remainder of the net regulatory liability is to be refunded (or credited) to customers as determined by the NYSPSC or NJBPU, as applicable. See "Other Regulatory Matters" in Note B. The amount recognized in net income included $269 million for the Clean Energy Businesses, $11 million for Con Edison Transmission and $(21) million for the parent company. The re-measurement had no impact on the Companies' cash flows for 2017.

SEC Staff Accounting Bulletin 118 (SAB 118), issued when the TCJA was enacted, clarifies accounting for income taxes if information is not yet available or complete and provides for up to a one year period in which to complete the required analyses and accounting. SAB 118 describes three scenarios associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply the accounting rules for income taxes, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The Companies have completed the required analysis and accounting for substantially all the effects of the TCJA's enactment and have made a reasonable estimate as to the other effects, and have reflected the measurement and accounting of the effects in their 2017 consolidated financial statements. The items reflected as provisional amounts include tax depreciation and amortization and other book/tax differences. The Companies have accounted for these items based on its interpretation of the TCJA. Further interpretive guidance on the TCJA from the IRS, U.S. Treasury Department, or the Joint Committee on Taxation may require adjustments to the Companies' accounting. In accordance with SAB 118, adjustments, if any, will be recorded in 2018. The Companies did not identify any effects of the TCJA for which they were not able to either complete the required analysis or make a reasonable estimate.

Reconciliation of the difference between income tax expense and the amount computed by applying the prevailing statutory income tax rate to income before income taxes is as follows:

	Con Edison			CECONY		
(% of Pre-tax income)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
STATUTORY TAX RATE						
Federal	35%	35%	35%	35%	35%	35%
Changes in computed taxes resulting from:						
State income tax	4	4	5	4	4	5
Cost of removal	1	(1)	(5)	1	(1)	(5)
Other plant-related items	(1)	—	—	(1)	(1)	—
TCJA tax rate reduction	(13)	—	—	—	—	—
Renewable energy credits	(1)	(1)	(1)	—	—	—
Research and development credits	—	(1)	—	—	(1)	—
Other	(2)	—	—	(1)	—	—
Effective tax rate	23%	36%	34%	38%	36%	35%

In 2017, Con Edison had a federal net operating loss of approximately $121 million, due primarily to bonus depreciation. Con Edison expects to carryback approximately $53 million of its 2017 net operating loss to 2007, which will result in recovery of $19 million of income tax. The remaining 2017 federal net operating loss of $68 million will be carried forward to future years and will not expire until 2037. General business tax credits that were generated in 2017 ($176 million) will be carried forward to future years. Con Edison has $658 million in general business tax credit (primarily renewable energy tax credits), which if unused will begin to expire in 2032. A deferred tax asset for these tax attribute carryforwards was recorded, and no valuation allowance has been provided, as it is more likely than not that the deferred tax asset will be realized.

For New York State income tax purposes, Con Edison has a net operating loss carryforward available from 2017 of $137 million, primarily as a result of accelerated tax deductions on renewable energy projects. A deferred tax asset has been recognized for this New York State net operating loss that will not expire until 2037. A valuation allowance has not been provided; as it is more likely than not that the deferred tax asset will be realized.

Con Edison recorded a full valuation allowance of $3 million in 2015 against its charitable contribution carryforward from 2011. Due to the expiration of this charitable contribution carryforward in 2016, Con Edison wrote off the deferred tax asset and corresponding valuation allowance. Charitable contributions carryforward of $5 million, $5 million and $4 million for 2015, 2016 and 2017, respectively, that will expire in 2020, 2021 and 2022, respectively, were recorded as a deferred tax asset and no valuation allowance has been provided, as it is more likely than not that the deferred tax asset will be realized. In addition, a $21 million valuation allowance for New York City net operating loss carryforward and a $12 million valuation allowance for state net operating losses carryforward has been provided; as it is not more likely than not that the deferred tax asset will be realized.

The Protecting Americans from Tax Hikes Act of 2015 extended bonus depreciation for property acquired and placed in service during 2015 through 2019. The bonus depreciation percentage is 50 percent for property placed in service during 2015, 2016 and 2017 and phases down to 40 percent in 2018, and 30 percent in 2019. As a result of the extension of bonus depreciation to 2015, Con Edison, in February 2016, received a refund of 2015 estimated taxes paid in the amount of $160 million ($143 million for CECONY). The TCJA does not allow bonus depreciation for property acquired and placed into service by regulated public utilities after September 27, 2017, but provides for full expensing for Con Edison's other businesses.

Uncertain Tax Positions

Under the accounting rules for income taxes, the Companies are not permitted to recognize the tax benefit attributable to a tax position unless such position is more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals and litigation processes, based solely on the technical merits of the position.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for Con Edison and CECONY follows:

	Con Edison			CECONY		
(Millions of Dollars)	2017	2016	2015	2017	2016	2015
Balance at January 1,	$42	$34	$34	$21	$2	$2
Additions based on tax positions related to the current year	1	2	—	1	2	—
Additions based on tax positions of prior years	1	19	1	1	19	—
Reductions for tax positions of prior years	(24)	(13)	—	(18)	(2)	—
Reductions from expiration of statute of limitations	(2)	—	(1)	—	—	—
Settlements	(6)	—	—	—	—	—
Balance at December 31,	$12	$42	$34	$5	$21	$2

In 2017, Con Edison reached a settlement with New York State on tax years 2006 through 2009 and on two significant items through 2015 and reversed $30 million in uncertain tax positions. Of this amount, $6 million ($4 million, net of federal taxes) reduced Con Edison’s effective tax rate. The amount related to CECONY was $18 million ($12 million, net of federal taxes), all of which reduced CECONY’s unamortized state investment tax credits. Current and prior year additions in 2017 are for tax credits.

As of December 31, 2017, Con Edison reasonably expects to resolve within the next twelve months approximately $8 million ($7 million, net of federal taxes) of various federal and state uncertainties due to the expected completion of ongoing tax examinations and expiration of statute of limitations, of which the entire amount, if recognized, would reduce Con Edison’s effective tax rate. The amount related to CECONY is approximately $4 million, of which the entire amount, if recognized, would reduce CECONY’s effective tax rate.

The Companies recognize interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in the Companies’ consolidated income statements. In 2017, 2016 and

2015, the Companies recognized an immaterial amount of interest and no penalties for uncertain tax positions in their consolidated income statements. At December 31, 2017 and 2016, the Companies reflected an immaterial amount of interest and no penalties in their consolidated balance sheets.

At December 31, 2017, the total amount of unrecognized tax benefits that, if recognized, would reduce the Companies' effective tax rate is $12 million ($11 million, net of federal taxes) with $5 million attributable to CECONY.

Federal tax returns for 2012 through 2016 remain under examination, with tax refunds for tax years 2012 through 2015 waiting for approval by the Joint Committee on Taxation. State income tax returns remain open for examination in New York for tax years 2010 through 2016 and in New Jersey for tax years 2008 through 2016.

Note M – Stock-Based Compensation

The Companies may compensate employees and directors with, among other things, stock options, stock units, restricted stock units and contributions to the stock purchase plan. The Long Term Incentive Plan, which was approved by Con Edison's shareholders in 2003 (2003 LTIP), and the Long Term Incentive Plan, which was approved by Con Edison's shareholders in 2013 (2013 LTIP), are collectively referred to herein as the LTIP. The LTIP provides for, among other things, awards to employees of restricted stock units and stock options and, to Con Edison's non-employee directors, stock units. Existing awards under the 2003 LTIP continue in effect, however no new awards may be issued under the 2003 LTIP. The 2013 LTIP provides for awards for up to five million shares of common stock.

Shares of Con Edison common stock used to satisfy the Companies' obligations with respect to stock-based compensation may be new (authorized, but unissued) shares, treasury shares or shares purchased in the open market. The shares used during the year ended December 31, 2017 were new shares. The Companies intend to use new shares to fulfill their stock-based compensation obligations for 2018.

The Companies recognized stock-based compensation expense using a fair value measurement method. The following table summarizes stock-based compensation expense recognized by the Companies in the years ended December 31, 2017, 2016 and 2015:

	Con Edison			CECONY		
(Millions of Dollars)	2017	2016	2015	2017	2016	2015
Performance-based restricted stock	$53	$42	$27	$45	$36	$23
Time-based restricted stock	2	2	1	2	2	1
Non-employee director deferred stock compensation	2	2	2	2	2	2
Stock purchase plan	6	4	4	6	4	3
Total	$63	$50	$34	$55	$44	$29
Income tax benefit	$25	$20	$14	$22	$18	$12

Stock Options

The Companies last granted stock options in 2006. The stock options generally vested over a three-year period and had a term of 10 years. Options were granted at an exercise price equal to the fair market value of a common share when the option was granted. The Companies generally recognized compensation expense (based on the fair value of stock option awards) over the vesting period. At December 31, 2017 and 2016, there were no outstanding options.

The aggregate intrinsic value of options exercised in 2016 for Con Edison and CECONY was $2 million. Aggregate intrinsic value represents the changes in the fair value of all outstanding options from their grant dates to December 31, 2016. Cash received by Con Edison for payment of the exercise price for Con Edison and CECONY options in 2016 was $3 million. No options were exercised in 2017.

The income tax benefit Con Edison realized from stock options exercised in the years ended December 31, 2016 and 2015 was $1 million.

Restricted Stock and Stock Units
Restricted stock and stock unit awards under the LTIP have been made as follows: (i) awards that provide for adjustment of the number of units (performance-restricted stock units or Performance RSUs) to certain officers and employees; (ii) time-based awards to certain employees; and (iii) awards to non-employee directors. Restricted stock and stock units awarded represents the right to receive, upon vesting, shares of Con Edison common stock, or, except for units awarded under the directors' plan, the cash value of shares or a combination thereof.

The number of units in each annual Performance RSU award is subject to adjustment as follows: (i) 50 percent of the units awarded will be multiplied by a factor that may range from 0 to 200 percent, based on Con Edison's total shareholder return relative to a specified peer group during a specified performance period (the TSR portion); and (ii) 50 percent of the units awarded will be multiplied by factors that may range from 0 to 200 percent, based on determinations made in connection with the Companies' annual incentive plans or, for certain executive officers, actual performance as compared to certain performance measures during a specified performance period (the non-TSR portion). Performance RSU awards generally vest upon completion of the performance period.

Performance against the established targets is recomputed each reporting period as of the earlier of the reporting date and the vesting date. The TSR portion applies a Monte Carlo simulation model, and the non-TSR portion is the product of the market price at the end of the period and the average non-TSR determination over the vesting period. Performance RSUs are "liability awards" because each Performance RSU represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, changes in the fair value of the Performance RSUs are reflected in net income. The assumptions used to calculate the fair value of the awards were as follows:

	2017	2016	2015
Risk-free interest rate (a)	1.76% - 1.89%	0.85% - 1.20%	0.64% - 3.28%
Expected term (b)	3 years	3 years	3 years
Expected share price volatility (c)	11.01% - 14.70%	17.72% - 18.22%	15.82%

(a) The risk-free rate is based on the U.S. Treasury zero-coupon yield curve.
(b) The expected term of the Performance RSUs equals the vesting period. The Companies do not expect significant forfeitures to occur.
(c) Based on historical experience.

A summary of changes in the status of the Performance RSUs' TSR and non-TSR portions during the year ended December 31, 2017 is as follows:

	Con Edison			CECONY		
		Weighted Average Grant Date Fair Value (a)			Weighted Average Grant Date Fair Value (a)	
	Units	TSR Portion (b)	Non-TSR Portion (c)	Units	TSR Portion (b)	Non-TSR Portion (c)
Non-vested at December 31, 2016	1,087,137	$55.45	$63.03	848,342	$54.92	$63.00
Granted	368,150	73.13	74.54	277,318	72.78	74.72
Vested	(375,684)	25.36	53.66	(293,842)	25.32	53.66
Forfeited	(50,671)	76.29	72.23	(46,226)	76.41	72.31
Transferred (d)	—	—	—	(1,426)	53.01	72.52
Non-vested at December 31, 2017	1,028,932	$71.74	$70.11	784,166	$71.06	$70.08

(a) The TSR and non-TSR Portions each account for 50 percent of the awards' value.
(b) Fair value is determined using the Monte Carlo simulation described above. Weighted average grant date fair value does not reflect any accrual or payment of dividends prior to vesting.
(c) Fair value is determined using the market price of one share of Con Edison common stock on the grant date. The market price has not been discounted to reflect that dividends do not accrue and are not payable on Performance RSUs until vesting.
(d) Represents allocation to another Con Edison subsidiary of a portion of the Performance RSUs that had been awarded to a CECONY officer who transferred to the other subsidiary.

The total expense to be recognized by Con Edison in future periods for unvested Performance RSUs outstanding at December 31, 2017 is $38 million, including $31 million for CECONY, and is expected to be recognized over a weighted average period of one year for both Con Edison and CECONY.

In accordance with the accounting rules for stock compensation, for time-based awards, the Companies are accruing a liability and recognizing compensation expense based on the market value of a common share throughout the vesting period. The vesting period for awards is three years and is based on the employee's continuous service to Con Edison. Prior to vesting, the awards are subject to forfeiture in whole or in part under certain circumstances. The awards are "liability awards" because each restricted stock unit represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, prior to vesting, changes in the fair value of the units are reflected in net income.

A summary of changes in the status of time-based awards during the year ended December 31, 2017 is as follows:

	Con Edison		CECONY	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2016	65,980	$64.04	62,580	$64.03
Granted	23,000	77.66	21,800	77.66
Vested	(21,359)	53.77	(20,359)	53.77
Forfeited	(2,751)	71.62	(2,601)	71.93
Non-vested at December 31, 2017	64,870	$71.93	61,420	$71.93

The total expense to be recognized by Con Edison in future periods for unvested time-based awards outstanding at December 31, 2017 for Con Edison and CECONY was $2 million and is expected to be recognized over a weighted average period of one year.

Under the LTIP, each non-employee director receives stock units, which are deferred until the director's separation from service or another date specified by the director. Each director may also elect to defer all or a portion of their cash compensation into additional stock units, which are deferred until the director's termination of service or another date specified by the director. Non-employee directors' stock units issued under the LTIP are considered "equity awards," because they may only be settled in shares. Directors immediately vest in units issued to them. The fair value of the units is determined using the closing price of Con Edison's common stock on the business day immediately preceding the date of issue. In the year ended December 31, 2017, approximately 28,100 units were issued at a weighted average grant date price of $81.15.

Stock Purchase Plan

The Stock Purchase Plan, which was approved by shareholders in 2004 and 2014, provides for the Companies to contribute up to $1 for each $9 invested by their directors, officers or employees to purchase Con Edison common stock under the plan. Eligible participants may invest up to $25,000 during any calendar year (subject to an additional limitation for officers and employees of not more than 20 percent of their pay). Dividends paid on shares held under the plan are reinvested in additional shares unless otherwise directed by the participant.

Participants in the plan immediately vest in shares purchased by them under the plan. The fair value of the shares of Con Edison common stock purchased under the plan was calculated using the average of the high and low composite sale prices at which shares were traded at the New York Stock Exchange on the trading day immediately preceding such purchase dates. During 2017, 2016 and 2015, 719,125, 720,268 and 761,784 shares were purchased under the Stock Purchase Plan at a weighted average price of $79.57, $72.67 and $62.75 per share, respectively.

Note N – Financial Information by Business Segment

The business segments of each of the Companies, which are its operating segments, were determined based on management's reporting and decision-making requirements in accordance with the accounting rules for segment reporting.

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities, the Clean Energy Businesses and Con Edison Transmission. CECONY's principal business segments are its regulated electric, gas and steam utility activities. Con Edison Transmission, which had begun investing in electric transmission and gas pipeline and storage assets (see Note U), was added in June 2016 as a separate reportable

segment based on management's reporting and decision-making, including performance evaluation and resource allocation. For comparison purposes, the previously reported financial information by business segments was reclassified to reflect the current business segment presentation.

All revenues of these business segments are from customers located in the United States of America. Also, all assets of the business segments are located in the United States of America. The accounting policies of the segments are the same as those described in Note A.

Common services shared by the business segments are assigned directly or allocated based on various cost factors, depending on the nature of the service provided.

The financial data for the business segments are as follows:

As of and for the Year Ended December 31, 2017 *(Millions of Dollars)*	Operating revenues	Inter-segment revenues	Depreciation and amortization	Operating income	Other Income (deductions)	Interest charges	Income taxes on operating income (a)	Total assets	Capital expenditures
CECONY									
Electric	$7,972	$16	$925	$1,862	$7	$472	$511	$29,661	$1,905
Gas	1,901	6	185	472	—	113	152	8,387	909
Steam	595	75	85	71	—	38	25	2,403	90
Consolidation adjustments	—	(97)	—	—	—	—	—	—	—
Total CECONY	$10,468	$—	$1,195	$2,405	$7	$623	$688	$40,451	$2,904
O&R									
Electric	$642	$—	$51	$100	$1	$24	$30	$1,949	$128
Gas	232	—	20	41	—	12	12	824	61
Other	—	—	—	—	—	—	—	—	—
Total O&R	$874	$—	$71	$141	$1	$36	$42	$2,773	$189
Clean Energy Businesses	$694	$—	$74	$69	$33	$43	$(273)	$2,735	$447
Con Edison Transmission	2	—	1	(8)	80	16	(11)	1,222	66
Other (b)	(5)	—	—	3	(5)	11	13	930	—
Total Con Edison	$12,033	$—	$1,341	$2,610	$116	$729	$459	$48,111	$3,606

As of and for the Year Ended December 31, 2016 *(Millions of Dollars)*	Operating revenues	Inter-segment revenues	Depreciation and amortization	Operating income	Other Income (deductions)	Interest charges	Income taxes on operating income (a)	Total assets	Capital expenditures
CECONY									
Electric	$8,106	$17	$865	$1,847	$2	$459	$495	$30,708	$1,819
Gas	1,508	6	159	357	(1)	105	92	7,553	811
Steam	551	88	82	58	(1)	39	30	2,595	126
Consolidation adjustments	—	(111)	—	—	—	—	—	—	—
Total CECONY	$10,165	$—	$1,106	$2,262	$—	$603	$617	$40,856	$2,756
O&R									
Electric	$637	$—	$49	$95	$1	$24	$30	$1,949	$114
Gas	184	—	18	35	—	12	10	809	52
Other	—	—	—	—	—	—	—	—	—
Total O&R	$821	$—	$67	$130	$1	$36	$40	$2,758	$166
Clean Energy Businesses	$1,091	$7	$42	$183	$21	$34	$53	$2,551	$1,235
Con Edison Transmission	—	—	—	(3)	43	6	—	1,150	1,078
Other (b)	(2)	(7)	1	3	(1)	17	4	940	—
Total Con Edison	$12,075	$—	$1,216	$2,575	$64	$696	$714	$48,255	$5,235

As of and for the Year Ended December 31, 2015 *(Millions of Dollars)*	Operating revenues	Inter-segment revenues	Depreciation and amortization	Operating income	Other Income (deductions)	Interest charges	Income taxes on operating income (a)	Total assets	Capital expenditures
CECONY									
Electric	$8,172	$18	$820	$1,798	$(2)	$447	$447	$30,603	$1,658
Gas	1,527	6	142	356	(2)	96	100	6,974	671
Steam	629	86	78	93	(1)	41	41	2,653	106
Consolidation adjustments	—	(110)	—	—	—	—	—	—	—
Total CECONY	$10,328	$—	$1,040	$2,247	$(5)	$584	$588	$40,230	$2,435
O&R									
Electric	$663	$—	$50	$103	$(2)	$23	$31	$2,140	$114
Gas	182	—	18	18	(2)	12	2	579	46
Other	—	—	—	—	—	—	—	—	—
Total O&R	$845	$—	$68	$121	$(4)	$35	$33	$2,719	$160
Clean Energy Businesses	$1,383	$(2)	$22	$58	$35	$11	$22	$1,680	$823
Con Edison Transmission	—	—	—	—	—	—	—	3	—
Other (b)	(2)	2	—	1	(2)	23	1	1,010	—
Total Con Edison	$12,554	$—	$1,130	$2,427	$24	$653	$644	$45,642	$3,418

(a) For Con Edison, the income tax expense/(benefit) on non-operating income was $13 million, $(16) million and $(40) million in 2017, 2016 and 2015, respectively. For CECONY, the income tax expense/(benefit) on non-operating income was $(3) million, $(14) million and $(14) million in 2017, 2016 and 2015, respectively. At December 31, 2017, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison, decreased its federal income tax expense by $259 million ($269 million, $11 million and $(21) million, respectively, for Clean Energy Businesses, Con Edison Transmission and the parent company). See “Other Regulatory Matters” in Note B and Note L to the financial statements in Item 8.

(b) Parent company and consolidation adjustments. Other does not represent a business segment.

Note O – Derivative Instruments and Hedging Activities

Commodity Derivatives

Con Edison’s subsidiaries hedge market price fluctuations associated with physical purchases and sales of electricity, natural gas, steam and, to a lesser extent, refined fuels by using derivative instruments including futures, forwards, basis swaps, options, transmission congestion contracts and financial transmission rights contracts. Derivatives are recognized on the consolidated balance sheet at fair value (see Note P), unless an exception is available under the accounting rules for derivatives and hedging. Qualifying derivative contracts that have been designated as normal purchases or normal sales contracts are not reported at fair value under the accounting rules.

The fair values of the Companies' commodity derivatives including the offsetting of assets and liabilities on the consolidated balance sheet at December 31, 2017 and 2016 were:

(Millions of Dollars)	2017			2016		
Balance Sheet Location	**Gross Amounts of Recognized Assets/ (Liabilities)**	**Gross Amounts Offset**	**Net Amounts of Assets/(Liabilities) (a)**	**Gross Amounts of Recognized Assets/ (Liabilities)**	**Gross Amounts Offset**	**Net Amounts of Assets/(Liabilities) (a)**
Con Edison						
Fair value of derivative assets						
Current	$83	$(51)	$32 (b)	$81	$(64)	$17 (b)
Noncurrent	10	(4)	6	49	(43)	6
Total fair value of derivative assets	$93	$(55)	$38	$130	$(107)	$23
Fair value of derivative liabilities						
Current	$(67)	$50	$(17)	$(138)	$61	$(77)
Noncurrent	(43)	5	(38)	(91)	52	(39) (c)
Total fair value of derivative liabilities	$(110)	$55	$(55)	$(229)	$113	$(116)
Net fair value derivative assets/(liabilities)	$(17)	$—	$(17) (b)	$(99)	$6	$(93) (b)(c)
CECONY						
Fair value of derivative assets						
Current	$39	$(15)	$24 (b)	$52	$(45)	$7 (b)
Noncurrent	9	(4)	5	41	(35)	6
Total fair value of derivative assets	$48	$(19)	$29	$93	$(80)	$13
Fair value of derivative liabilities						
Current	$(26)	$14	$(12)	$(111)	$45	$(66)
Noncurrent	(36)	4	(32)	(77)	44	(33)
Total fair value of derivative liabilities	$(62)	$18	$(44)	$(188)	$89	$(99)
Net fair value derivative assets/(liabilities)	$(14)	$(1)	$(15) (b)	$(95)	$9	$(86) (b)

(a) Derivative instruments and collateral were offset on the consolidated balance sheet as applicable under the accounting rules. The Companies enter into master agreements for their commodity derivatives. These agreements typically provide offset in the event of contract termination. In such case, generally the non-defaulting party's payable will be offset by the defaulting party's payable. The non-defaulting party will customarily notify the defaulting party within a specific time period and come to an agreement on the early termination amount.

(b) At December 31, 2017 and 2016, margin deposits for Con Edison ($12 million and $7 million, respectively) and CECONY ($11 million and $7 million, respectively) were classified as derivative assets on the consolidated balance sheet, but not included in the table. Margin is collateral, typically cash, that the holder of a derivative instrument is required to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

(c) Does not include ($1) million for interest rate swap (see below).

The Utilities generally recover their prudently incurred fuel, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility regulators. See "Recoverable Energy Costs" in Note A. In accordance with the accounting rules for regulated operations, the Utilities record a regulatory asset or liability to defer recognition of unrealized gains and losses on their electric and gas derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power, gas and fuel costs in the Companies' consolidated income statements. The Clean Energy Businesses record realized and unrealized gains and losses on their derivative contracts in purchased power, gas purchased for resale and non-utility revenue in the reporting period in which they occur. Management believes that these derivative instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices.

The following table presents the realized and unrealized gains or losses on commodity derivatives that have been deferred or recognized in earnings for the years ended December 31, 2017 and 2016:

		Con Edison		CECONY	
(Millions of Dollars)	**Balance Sheet Location**	**2017**	**2016**	**2017**	**2016**
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:					
Current	Deferred derivative gains	$3	$23	$4	$18
Noncurrent	Deferred derivative gains	—	1	—	2
Total deferred gains/(losses)		$3	$24	$4	$20
Current	Deferred derivative losses	$51	$22	$49	$18
Current	Recoverable energy costs	(154)	(212)	(144)	(194)
Noncurrent	Deferred derivative losses	4	2	5	4
Total deferred gains/(losses)		$(99)	$(188)	$(90)	$(172)
Net deferred gains/(losses)		$(96)	$(164)	$(86)	$(152)
	Income Statement Location				
Pre-tax gain/(loss) recognized in income					
	Purchased power expense	$—	$(101) (b)	$—	$—
	Gas purchased for resale	3	(112)	—	—
	Non-utility revenue	5 (a)	9 (b)	—	—
	Other operations and maintenance expense	—	1 (c)	—	1 (c)
Total pre-tax gain/(loss) recognized in income		$8	$(203)	$—	$1

(a) For the year ended December 31, 2017, Con Edison recorded an immaterial unrealized pre-tax gain in non-utility operating revenue.
(b) For the year ended December 31, 2016, Con Edison recorded unrealized pre-tax gains and losses in non-utility operating revenue ($5 million loss) and purchased power expense ($11 million gain).
(c) For the year ended December 31, 2016, Con Edison and CECONY recorded an unrealized gain in other operations and maintenance expense ($1 million).

The following table presents the hedged volume of Con Edison's and CECONY's derivative transactions at December 31, 2017:

	Electric Energy (MWh) (a)(b)	Capacity (MW) (a)	Natural Gas (Dt) (a)(b)	Refined Fuels (gallons)
Con Edison	31,741,652	10,275	177,433,144	3,780,000
CECONY	29,696,600	5,100	169,790,000	3,780,000

(a) Volumes are reported net of long and short positions, except natural gas collars where the volumes of long positions are reported.
(b) Excludes electric congestion and gas basis swap contracts which are associated with electric and gas contracts and hedged volumes.

The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the Clean Energy Businesses. Credit risk relates to the loss that may result from a counterparty's nonperformance. The Companies use credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements, collateral or prepayment arrangements, credit insurance and credit default swaps. The Companies measure credit risk exposure as the replacement cost for open energy commodity and derivative positions plus amounts owed from counterparties for settled transactions. The replacement cost of open positions represents unrealized gains, net of any unrealized losses where the Companies have a legally enforceable right to offset.

At December 31, 2017, Con Edison and CECONY had $103 million and $28 million of credit exposure in connection with energy supply and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of $39 million with investment-grade counterparties, $29 million with independent system operators, $22 million with commodity exchange brokers, and $13 million with non-investment grade/non-rated counterparties. CECONY's net credit exposure consisted of $17 million with investment-grade counterparties and $11 million with commodity exchange brokers.

The collateral requirements associated with, and settlement of, derivative transactions are included in net cash flows from operating activities in the Companies' consolidated statement of cash flows. Most derivative instrument

contracts contain provisions that may require a party to provide collateral on its derivative instruments that are in a net liability position. The amount of collateral to be provided will depend on the fair value of the derivative instruments and the party's credit ratings.

The following table presents the aggregate fair value of the Companies' derivative instruments with credit-risk-related contingent features that are in a net liability position, the collateral posted for such positions and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade at December 31, 2017:

(Millions of Dollars)	Con Edison (a)	CECONY (a)
Aggregate fair value – net liabilities	$39	$31
Collateral posted	68	63
Additional collateral (b) (downgrade one level from current ratings)	—	—
Additional collateral (b)(c) (downgrade to below investment grade from current ratings)	29	22

(a) Non-derivative transactions for the purchase and sale of electricity and gas and qualifying derivative instruments, which have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Utilities and the Clean Energy Businesses were no longer extended unsecured credit for such purchases, the Companies would be required to post additional collateral of $8 million at December 31, 2017. For certain other such non-derivative transactions, the Companies could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.

(b) The Companies measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liabilities position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Companies have a legally enforceable right to offset.

(c) Derivative instruments that are net assets have been excluded from the table. At December 31, 2017, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of $18 million.

Interest Rate Swap

In December 2016, the Clean Energy Businesses acquired Coram Wind which holds an interest rate swap that terminates in June 2024, pursuant to which it pays a fixed-rate of 2.0855 percent and receives a LIBOR-based variable rate. The fair value of this interest rate swap was immaterial as of December 31, 2017 and a liability of $1 million as of December 31, 2016 on Con Edison's consolidated balance sheet.

Note P – Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Companies often make certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Companies use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting rules for fair value measurements and disclosures established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Companies classify fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.
- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement

date. The industry standard models consider observable assumptions including time value, volatility factors and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.

- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

Assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016 are summarized below.

	2017					2016				
(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustment (e)	Total	Level 1	Level 2	Level 3	Netting Adjustment (e)	Total
Con Edison										
Derivative assets:										
Commodity (a)(b)(c)	$5	$77	$7	$(39)	$50	$14	$33	$7	$(24)	$30
Other (a)(b)(d)	283	120	—	—	403	222	111	—	—	333
Total assets	$288	$197	$7	$(39)	$453	$236	$144	$7	$(24)	$363
Derivative liabilities:										
Commodity (a)(b)(c)	$8	$93	$6	$(52)	$55	$4	$144	$6	$(38)	$116
Interest Rate Swap (a)(b)(c)(f)	—	—	—	—	—	—	1	—	—	1
Total liabilities	$8	$93	$6	$(52)	$55	$4	$145	$6	$(38)	$117
CECONY										
Derivative assets:										
Commodity (a)(b)(c)	$3	$40	$4	$(7)	$40	$10	$19	$1	$(10)	$20
Other (a)(b)(d)	260	114	—	—	374	200	106	—	—	306
Total assets	$263	$154	$4	$(7)	$414	$210	$125	$1	$(10)	$326
Derivative liabilities:										
Commodity (a)(b)(c)	$5	$57	$—	$(18)	$44	$1	$124	$—	$(26)	$99

(a) The Companies' policy is to review the fair value hierarchy and recognize transfers into and transfers out of the levels at the end of each reporting period. Con Edison and CECONY had $11 million and $10 million, respectively, of commodity derivative liabilities transferred from level 3 to level 2 during the year ended December 31, 2017 because of availability of observable market data due to the decrease in the terms of certain contracts from beyond three years as of September 30, 2017 to less than three years as of December 31, 2017. There were no transfers between levels 1, 2 and 3 for the year ended December 31, 2016.

(b) Level 2 assets and liabilities include investments held in the deferred compensation plan and/or non-qualified retirement plans, exchange-traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1, certain over-the-counter derivative instruments for electricity, refined products and natural gas. Derivative instruments classified as Level 2 are valued using industry standard models that incorporate corroborated observable inputs; such as pricing services or prices from similar instruments that trade in liquid markets, time value and volatility factors.

(c) The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At December 31, 2017 and 2016, the Companies determined that nonperformance risk would have no material impact on their financial position or results of operations.

(d) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.

(e) Amounts represent the impact of legally-enforceable master netting agreements that allow the Companies to net gain and loss positions and cash collateral held or placed with the same counterparties.

(f) See Note O.

The employees in the Companies' risk management group develop and maintain the Companies' valuation policies and procedures for, and verify pricing and fair value valuation of, commodity derivatives. Under the Companies' policies and procedures, multiple independent sources of information are obtained for forward price curves used to value commodity derivatives. Fair value and changes in fair value of commodity derivatives are reported on a monthly basis to the Companies' risk committees, comprised of officers and employees of the Companies that

oversee energy hedging at the Utilities and the Clean Energy Businesses. The risk management group reports to the Companies' Vice President and Treasurer.

	Fair Value of Level 3 at December 31, 2017 (Millions of Dollars)	Valuation Techniques	Unobservable Inputs	Range
Con Edison — Commodity				
Electricity	$(1)	Discounted Cash Flow	Forward energy prices (a)	$15.52-$115.00 per MWh
		Discounted Cash Flow	Forward capacity prices (a)	$1.50-$12.50 per kW-month
Transmission Congestion Contracts	$2	Discounted Cash Flow	Inter-zonal forward price curves adjusted for historical zonal losses (b)	$0.19-$3.57 per MWh
Total Con Edison — Commodity	$1			
CECONY — Commodity				
Electricity	$3	Discounted Cash Flow	Forward capacity prices (a)	$2.35-$12.50 per kW-month
Transmission Congestion Contracts	$1	Discounted Cash Flow	Inter-zonal forward price curves adjusted for historical zonal losses (b)	$0.51-$3.00 per MWh
Total CECONY — Commodity	$4			

(a) Generally, increases/(decreases) in this input in isolation would result in a higher/(lower) fair value measurement.
(b) Generally, increases/(decreases) in this input in isolation would result in a lower/(higher) fair value measurement.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value for the years ended December 31, 2017 and 2016 and classified as Level 3 in the fair value hierarchy:

	Con Edison		CECONY	
(Millions of Dollars)	2017	2016	2017	2016
Beginning balance as of January 1,	$1	$6	$1	$8
Included in earnings	8	(7)	2	(1)
Included in regulatory assets and liabilities	(13)	(6)	(7)	(6)
Purchases	2	4	1	2
Sales	—	4	—	—
Settlements	(8)	—	(3)	(2)
Transfer out of level 3	11	—	10	—
Ending balance as of December 31,	$1	$1	$4	$1

For the Utilities, realized gains and losses on Level 3 commodity derivative assets and liabilities are reported as part of purchased power, gas and fuel costs. The Utilities generally recover these costs in accordance with rate provisions approved by the applicable state public utilities regulators. See Note A. Unrealized gains and losses for commodity derivatives are generally deferred on the consolidated balance sheet in accordance with the accounting rules for regulated operations.

For the Clean Energy Businesses, realized and unrealized gains and losses on Level 3 commodity derivative assets and liabilities are reported in non-utility revenues ($2 million gain and immaterial) and purchased power costs (immaterial and $6 million loss) on the consolidated income statement for the years ended December 31, 2017 and 2016, respectively. The change in fair value relating to Level 3 commodity derivative assets and liabilities held at December 31, 2017 and 2016 is included in non-utility revenues ($2 million gain and immaterial) and purchased power costs (immaterial and $1 million loss) on the consolidated income statement for the years ended December 31, 2017 and 2016, respectively.

Note Q – Variable Interest Entities

The accounting rules for consolidation address the consolidation of a variable interest entity (VIE) by a business enterprise that is the primary beneficiary. A VIE is an entity that does not have a sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary is the business enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE.

The Companies enter into arrangements including leases, partnerships and electricity purchase agreements, with various entities. As a result of these arrangements, the Companies retain or may retain a variable interest in these entities.

CECONY

CECONY has an ongoing long-term electricity purchase agreement with Brooklyn Navy Yard Cogeneration Partners, LP, a potential VIE. In April 2017, CECONY's long-term electricity purchase agreement with Cogen Technologies Linden Venture, LP, another potential VIE, expired. In 2017, requests were made of these counterparties for information necessary to determine whether the entity was a VIE and whether CECONY is the primary beneficiary; however, the information was not made available. See Note I for information on these electricity purchase agreements, the payments pursuant to which constitute CECONY's maximum exposure to loss with respect to the potential VIEs.

Con Edison Development

Con Edison has a variable interest in OCI Solar San Antonio 4 LLC (Texas Solar 4), which is a consolidated entity in which Con Edison Development has an 80 percent membership interest. Con Edison is the primary beneficiary since the power to direct the activities that most significantly impact the economics of Texas Solar 4 is held by Con Edison Development. Texas Solar 4 owns a project company that developed a 40 MW (AC) solar electric production project in Texas. Electricity generated by the project is sold to the City of San Antonio pursuant to a long-term power purchase agreement. At December 31, 2017 and 2016, Con Edison's consolidated balance sheet includes $26 million and $54 million in net assets (as detailed in the table below) respectively and the noncontrolling interest of the third party of $7 million related to Texas Solar 4. Earnings for the years ended December 31, 2017 and 2016 were immaterial.

(Millions of Dollars)	2017	2016
Restricted cash	$5	$8
Non-utility property, less accumulated depreciation of $12 and $9, respectively	101	104
Other assets	8	43
Total assets (a)	$114	$155
Long-term debt due within one year	$2	$3
Other liabilities	28	38
Long-term debt	58	60
Total liabilities (b)	$88	$101

(a) The assets of Texas Solar 4 represent assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE.
(b) The liabilities of Texas Solar 4 represent liabilities of a consolidated VIE for which creditors do not have recourse to the general credit of the primary beneficiary.

The following table summarizes the VIEs in which Con Edison Development has entered into as of December 31, 2017:

Project Name (a)	Generating Capacity (b) (MW AC)	Power Purchase Agreement Term in Years	Year of Initial Investment	Location	Maximum Exposure to Loss (*Millions of Dollars*) (c)
Copper Mountain Solar 3	128	20	2014	Nevada	$175
Mesquite Solar 1	83	20	2013	Arizona	103
Copper Mountain Solar 2	75	25	2013	Nevada	82
California Solar	55	25	2012	California	63
Broken Bow II	38	25	2014	Nebraska	44
Texas Solar 4	32	25	2014	Texas	19

(a) With the exception of Texas Solar 4, Con Edison's ownership interest is 50 percent and these projects are accounted for using the equity method of accounting. With the exception of Texas Solar 4, Con Edison is not the primary beneficiary since the power to direct the activities that most significantly impact the economics of the entities are shared equally between Con Edison Development and third parties. Con Edison's ownership interest in Texas Solar 4 is 80 percent and is consolidated in the financial statements. Con Edison is the primary beneficiary since the power to direct the activities that most significantly impact the economics of Texas Solar 4 is held by Con Edison Development.

(b) Represents Con Edison Development's ownership interest in the project.

(c) For investments accounted for under the equity method, maximum exposure is equal to the carrying value of the investment on the consolidated balance sheet. For consolidated investments, such as Texas Solar 4, maximum exposure is equal to the net assets of the project on the consolidated balance sheet less any applicable noncontrolling interest ($7 million for Texas Solar 4). Con Edison did not provide any financial or other support during the year that was not previously contractually required.

Note R – Asset Retirement Obligations

The Companies recognize a liability at fair value for legal obligations associated with the retirement of long-lived assets in the period in which they are incurred, or when sufficient information becomes available to reasonably estimate the fair value of such legal obligations. When the liability is initially recorded, asset retirement costs are capitalized by increasing the carrying amount of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. The fair value of the asset retirement obligation liability is measured using expected future cash flows discounted at credit-adjusted risk-free rates, historical information, and where available, quoted prices from outside contractors. The Companies evaluate these assumptions underlying the asset retirement obligation liability on an annual basis or as frequently as needed.

The Companies recorded asset retirement obligations associated with the removal of asbestos and asbestos-containing material in their buildings (other than the structures enclosing generating stations and substations), electric equipment and steam and gas distribution systems. The Companies also recorded asset retirement obligations relating to gas and oil pipelines abandoned in place and municipal infrastructure support.

The Companies did not record an asset retirement obligation for the removal of asbestos associated with the structures enclosing generating stations and substations. For these building structures, the Companies were unable to reasonably estimate their asset retirement obligations because the Companies were unable to estimate the undiscounted retirement costs or the retirement dates and settlement dates. The amount of the undiscounted retirement costs could vary considerably depending on the disposition method for the building structures, and the method has not been determined. The Companies anticipate continuing to use these building structures in their businesses for an indefinite period, and so the retirement dates and settlement dates are not determinable.

Con Edison recorded asset retirement obligations for the removal of the Clean Energy Businesses' solar and wind equipment related to projects located on property that is not owned by them and the term of the arrangement is finite including any renewal options. Con Edison did not record asset retirement obligations for the Clean Energy Businesses' projects that are located on property that is owned by them because they expect that the equipment will continue to generate electricity at these facilities long past the manufacturer's warranty at minimal operating expense. Therefore, Con Edison was unable to reasonably estimate the retirement date of this equipment.

The Utilities include in depreciation rates the estimated removal costs, less salvage, for utility plant assets. The amounts related to removal costs that are associated with asset retirement obligations are classified as an asset retirement liability. Pursuant to accounting rules for regulated operations, future removal costs that do not represent legal asset retirement obligations are recorded as regulatory liabilities. Accretion and depreciation expenses related to removal costs that represent legal asset retirement obligations are applied against the Companies' regulatory liabilities. Asset retirement costs that are recoverable from customers are recorded as regulatory liabilities to reflect the timing difference between costs recovered through the rate-making process and recognition of costs.

At December 31, 2017, the liabilities for asset retirement obligations of Con Edison and CECONY were $314 million and $287 million, respectively. At December 31, 2016, the liabilities for asset retirement obligations of Con Edison and CECONY were $246 million and $227 million, respectively. The change in liabilities at December 31, 2017 was due to changes in estimated cash flows of $98 million and $91 million for Con Edison and CECONY, respectively, and accretion expense of $10 million and $9 million for Con Edison and CECONY, respectively. The changes were offset by liabilities settled of $40 million for both Con Edison and CECONY. Con Edison and CECONY also recorded reductions of $36 million and $37 million during the years ended December 31, 2017 and 2016, respectively, to the regulatory liability associated with cost of removal to reflect depreciation and interest expense.

Note S – Related Party Transactions

CECONY provides administrative and other services to, and receives such services from, Con Edison and its other subsidiaries pursuant to cost allocation procedures approved by the NYSPSC. The costs of administrative and other services provided by CECONY to, and received by it from, Con Edison and its other subsidiaries for the years ended December 31, 2017, 2016 and 2015 were as follows:

	CECONY		
(Millions of Dollars)	2017	2016	2015
Cost of services provided	$111	$108	$99
Cost of services received	64	64	60

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which CECONY sold to O&R $66 million, $47 million and $54 million of natural gas for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts are net of the effect of related hedging transactions.

The Utilities perform work and incur expenses on behalf of NY Transco, a company in which CET Electric has a 45.7 percent equity interest. The Utilities bill NY Transco for such work and expenses in accordance with established policies. For the year ended December 31, 2017 and 2016, the amounts billed by the Utilities to NY Transco were immaterial. In May 2016, CECONY transferred certain electric transmission projects to NY Transco. See Note U.

CECONY has storage and wheeling service contracts with Stagecoach Gas Services LLC (Stagecoach), a joint venture formed by a subsidiary of CET Gas and a subsidiary of Crestwood Equity Partners LP (Crestwood). In addition, CECONY is the replacement shipper on one of Crestwood's firm transportation agreements with Tennessee Gas Pipeline Company LLC. From the inception of the joint venture in June 2016 through December 31, 2017, the amount of storage and wheeling services received by CECONY from Stagecoach was $49 million. In addition, the Clean Energy Businesses entered into two electricity sales agreements with Stagecoach under which the amounts received in 2017 and 2016 were immaterial.

CECONY has a 20-year transportation contract with Mountain Valley Pipeline, LLC (MVP) for 250,000 dekatherms per day of capacity. CET Gas holds a 12.5 percent equity interest in MVP. In October 2017, the Environmental Defense Fund and the Natural Resource Defense Council requested the NYSPSC to prohibit CECONY from recovering costs under its MVP contract. For the year ended December 31, 2017, CECONY incurred no costs under the contract.

CECONY had a financial electric capacity contract with Con Edison Energy for the period May 2016 through April 2017. For the years ended December 31, 2017 and 2016, Con Edison Energy's realized gains under this contract were $3 million and immaterial, respectively.

FERC has authorized CECONY through 2019 to lend funds to O&R from time to time, for periods of not more than 12 months, in amounts not to exceed $250 million outstanding at any time, at prevailing market rates. There were no outstanding loans to O&R at December 31, 2017 and 2016.

Note T – New Financial Accounting Standards

In January 2018, the Companies adopted Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," including the amendments thereto, (the New Standard) using the modified retrospective approach the New Standard permitted. The New Standard supersedes the revenue recognition requirements within Accounting Standards Codification Topic 605, "Revenue Recognition," and most industry-

specific guidance (the Superseded Standard). The purpose of the New Standard is to create a consistent framework for revenue recognition. The New Standard clarifies how to measure and recognize revenue arising from customer contracts to depict the transfer of goods or services in an amount that reflects the consideration the entity expects to receive. The New Standard also clarifies key areas including principal/agent considerations, performance obligations, licensing, sales taxes, noncash consideration, and contracts.

The majority of Con Edison's' revenues and substantially all of CECONY's revenues are derived from the provision of electric, gas, and steam service to customers pursuant to the terms of tariffs approved by the NYSPSC or NJBPU. For such service, the Companies expect that the revenue from contracts with customers for a period that will be recorded under the New Standard will be equivalent to the revenue for the period that would have been recorded under the Superseded Standard. Most of Con Edison's other revenues are derived from the Clean Energy Businesses' sale of energy-related products and services, operation of renewable and energy infrastructure projects, and sale of renewable energy credits. For such businesses, Con Edison expects that the revenue from contracts with customers for a period that will be recorded under the New Standard will not be materially different from the revenue for the period that would have been recorded under the Superseded Standard.

Under the modified retrospective method of adoption, prior year reported results are not restated and a cumulative-effect adjustment, if applicable, is recorded to retained earnings at January 1, 2018. As of January 1, 2018, the cumulative-effect adjustment was not material to the Companies. The Companies also plan to use certain practical expedients including applying this guidance to open contracts at the date of adoption and recognizing revenues for certain contracts under the invoice practical expedient. Such expedients allow revenue recognition to be consistent with invoiced amounts (including estimated billings) provided certain criteria are met, including consideration of whether the invoiced amounts reasonably represent the value provided to customers.

The adoption of the New Standard will not have a material impact on the Companies' financial statements, results of operations, and liquidity, including the presentation of revenues in their consolidated income statements. The adoption of the New Standard will not require a change in the Companies' internal control over financial reporting that is reasonably likely to materially affect their internal control over financial reporting.

In February 2016, the FASB issued amendments on financial reporting of leasing transactions through ASU No. 2016-02, "Leases (Topic 842)." The amendments require lessees to recognize assets and liabilities on the balance sheet and disclose key information about leasing arrangements. Lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model. For income statement purposes, the pattern of expense recognition will depend on whether transactions are designated as operating leases or finance leases. In January 2018, the FASB issued amendments on the lease standard's application to land easements through ASU No. 2018-01, "Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842." The amendments allow an entity to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under the current lease standard. The amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The amendments must be adopted using a modified retrospective transition and provide for certain practical expedients. Based on the existing portfolio of leases at implementation, for leases currently classified as operating leases, the Companies expect to recognize on the statements of financial position right-of-use assets and lease liabilities. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies' results of operations and liquidity.

In January 2017, the FASB issued amendments to the guidance for Business Combinations through ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendments in this update clarify the definition of a business and provide guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. For public entities, the amendments are effective for reporting periods beginning after December 15, 2017. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In January 2017, the FASB issued amendments to the guidance for the subsequent measurement of goodwill through ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The amendments in this update simplify goodwill impairment testing by eliminating Step 2 of the goodwill impairment test wherein an entity has to compute the implied fair value of goodwill by performing procedures to

determine the fair value of its assets and liabilities. Under the new guidance, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value up to the total amount of goodwill allocated to that reporting unit. For public entities, the amendments are effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In February 2017, the FASB issued amendments to the guidance for other income through ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." The amendments in this update clarify the scope of assets within Subtopic 610-20 and add guidance for partial sales of nonfinancial assets. The amendments are effective upon the adoption of ASU 2014-09, and therefore will be effective for reporting periods beginning after December 15, 2017. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In March 2017, the FASB issued amendments to the guidance for retirement benefits through ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The amendments in this update modify the presentation of net benefit cost, where the service component must be disaggregated from the other components of net benefit cost and be presented in the same line item as current employee compensation costs. The remaining components of the net benefit cost should be presented outside of income from operations. Additionally, the update allows only the service cost component to be eligible for capitalization. For public entities, the amendments are effective for reporting periods beginning after December 15, 2017. The guidance allows a practical expedient that permits the use of amounts disclosed in prior-period financial statements as appropriate estimates when applying the presentation requirements retrospectively. The Companies have elected to use the practical expedient under ASU 2017-07. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In March 2017, the FASB issued amendments to the guidance for debt securities through ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities, the amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In May 2017, the FASB issued amendments to the guidance for stock compensation through ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting." The amendments in this update specify that changes to value, vesting conditions, or classification of an existing share-based payment award require application of modification accounting in Topic 718. For public entities, the amendments are effective for reporting periods beginning after December 15, 2017.The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In August 2017, the FASB issued amendments to the guidance for derivatives and hedging through ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The amendments in this update provide greater clarification on hedge accounting for risk components, presentation and disclosure of hedging instruments, and overall targeted improvements to simplify hedge accounting. For public entities, the amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies' financial position, results of operations and liquidity.

In February 2018, the FASB issued amendments to the guidance for reporting comprehensive income through ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendments allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. For public entities, the amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies' financial position, results of operations and liquidity.

Note U – Acquisitions, Investments and Dispositions

Acquisitions and Investments

Texas Solar 7

In January 2016, Con Edison Development acquired a 100 percent equity interest in a company that is the owner of a 106 MW (AC) solar electric production project in Texas (Texas Solar 7) for $227 million, as to which $218 million was recorded as non-utility construction work in progress and the remaining $9 million was recorded as other receivables. The project commenced commercial operation in the third quarter of 2016. The project has been financed, in part, by debt secured by the project. Electricity generated by this project is to be purchased by the City of San Antonio pursuant to a long-term power purchase agreement. At December 31, 2017 and 2016, net assets of the project were approximately $137 million and $127 million, respectively, (including $41 million for an intangible asset pertaining to the value of the power purchase agreement). Con Edison's equity interest in Texas Solar 7 is consolidated in the financial statements.

Mountain Valley Pipeline

In January 2016, CET Gas acquired a 12.5 percent equity interest in MVP, a company developing a proposed gas transmission project in West Virginia and Virginia. The company's initial contribution to MVP was $18 million. At December 31, 2017 and 2016, CET Gas' investment in MVP was $98 million and $48 million, respectively. MVP has indicated that the project has an estimated total cost of $3,000 million to $3,500 million and is targeted to be fully in-service during the fourth quarter of 2018. Con Edison is accounting for its equity interest in MVP as an equity method investment.

NY Transco

In May 2016, CECONY transferred certain electric transmission projects to NY Transco, a company in which CET Electric has a 45.7 percent equity interest, for a purchase price of $122 million and an $8 million payment for associated easement rights. At December 31, 2017 and 2016, CET Electric's investment in NY Transco was $53 million and $51 million, respectively. Con Edison is accounting for its equity interest in NY Transco as an equity method investment.

Stagecoach Gas Services

In April 2016, a CET Gas subsidiary agreed with a subsidiary of Crestwood to form a joint venture to own, operate and further develop existing gas pipeline and storage businesses located in northern Pennsylvania and southern New York. The transaction was substantially completed in June 2016, and the remainder was completed in November 2016. Crestwood contributed businesses to a new entity, Stagecoach, and the CET Gas subsidiary contributed $974 million for a 50 percent equity interest in Stagecoach. At December 31, 2017 and 2016, CET Gas' investment in Stagecoach was $971 million and $992 million, respectively. Con Edison is accounting for its equity interest in Stagecoach as an equity method investment.

Pilesgrove

In June 2016, Con Edison Development recorded an $8 million ($5 million, net of taxes) impairment charge on its 50 percent equity interest in Pilesgrove Solar, LLC (Pilesgrove), which owns an 18 MW (AC) solar electric production project in New Jersey. In August 2016, Con Edison Development acquired the remaining 50 percent equity interest in Pilesgrove for a purchase price of approximately $16 million and recorded a bargain purchase gain of $8 million ($5 million, net of taxes); $45 million was recorded as non-utility property and the remaining $3 million was recorded as current assets. The impairment charge and bargain purchase gain are included in Investment and other income on Con Edison’s consolidated income statement. At December 31, 2017 and 2016, net assets of the project were approximately $45 million. Con Edison's equity interest in Pilesgrove is consolidated in the financial statements.

Panoche Valley

In October 2016, Con Edison Development, which owned a 50 percent equity interest, acquired the remaining 50 percent equity interest in Panoche Holdings, LLC (Panoche), which is developing a 240 MW (AC) solar electric production project in California, for cash consideration of $28 million and the release of Panoche from its obligation under a $242 million note payable to Con Edison Development. At the time of acquisition, $290 million was recorded as non-utility construction work in process, $22 million was recorded as other assets and $14 million was

recorded as current liabilities. A part of the project commenced commercial operation in December 2017. At December 31, 2017 and 2016, net assets of the project were approximately $435 million and $388 million, respectively. Con Edison's equity interest in Panoche is consolidated in the financial statements.

Coram Wind
In December 2016, Con Edison Development acquired a 100 percent equity interest in Coram California Development, LP (Coram), which owns a 102 MW (AC) wind electric production project in California for $97 million, as to which $191 million was recorded as non-utility property, $78 million was recorded as an intangible asset, $8 million of restricted cash was recorded as other current assets, and $180 million was recorded as long term debt. In December 2017, an increase of $22 million was recorded to the intangible asset and a corresponding decrease was recorded to non-utility property. The intangible asset pertains to the value of the project's power purchase agreement, relative to current market rates, and is being amortized over the life of the agreement. The project commenced commercial operation in March 2012. At December 31, 2017 and 2016, net assets of the project were approximately $87 million and $96 million, respectively. Con Edison's equity interest in Coram is consolidated in the financial statements.

Dispositions

Pike County Light & Power Company (Pike)
In October 2015, O&R entered into an agreement to sell Pike to Corning Natural Gas Holding Corporation (Corning). In August 2016, the sale was completed. O&R received cash consideration of $15 million for the sale. O&R has agreed to provide transition services to Corning for operations and customer support for a period of up to 18 months subsequent to the sale. In addition, O&R will continue to purchase and sell to Pike electric and gas commodity for three years. Pike has an option to extend the commodity procurement service for up to an additional three years. At September 30, 2015, O&R recorded an impairment charge of $5 million ($3 million, net of taxes), representing the difference between the carrying amount of Pike’s assets and the estimated sales proceeds.

Con Edison Solutions' Retail Electric Supply Business
In July 2016, Con Edison Solutions entered into an agreement to sell the assets of its retail electric supply business (including retail contracts, related derivative instruments, information systems, and accounts receivable) to a subsidiary of Exelon Corporation (Exelon). In September 2016, the sale was completed for cash consideration of $235 million, subject to working capital adjustments. The sale resulted in a gain of $104 million ($56 million, net of taxes), inclusive of a $65 million ($42 million, net of taxes) gain on derivative instruments. The tax effect of the sale included $16 million ($10 million, net of federal tax) of state taxes related to a change in the apportionment of state income taxes. Con Edison Solutions provided transition services to the Exelon subsidiary for operations and customer support through January 2018 during a portion of which period certain guarantees or other credit support provided by Con Edison in connection with the retail electric supply business continued in effect. See Note H.

Upton 2
In May 2017, Con Edison Development sold Upton 2, a development stage solar electric production project, for $11 million to Vistra Asset Co. and recorded a $1 million gain on sale ($0.7 million, net of taxes). In addition, Con Edison Development agreed to perform the engineering, procurement and construction for the 180 MW (AC) project, which is expected to be substantially completed in 2018.

Condensed Financial Information of Consolidated Edison, Inc. (a)

Condensed Statement of Income and Comprehensive Income
(Parent Company Only)

	For the Years Ended December 31,		
(Millions of Dollars, except per share amounts)	**2017**	**2016**	**2015**
Equity in earnings of subsidiaries	$1,544	$1,254	$1,195
Other income (deductions), net of taxes	31	32	27
Interest expense	(50)	(41)	(29)
Net Income	$1,525	$1,245	$1,193
Comprehensive Income	$1,526	$1,252	$1,204
Net Income Per Share – Basic	$4.97	$4.15	$4.07
Net Income Per Share – Diluted	$4.94	$4.12	$4.05
Dividends Declared Per Share	$2.76	$2.68	$2.60
Average Number Of Shares Outstanding—Basic (In Millions)	307.1	300.4	293.0
Average Number Of Shares Outstanding—Diluted (In Millions)	308.8	301.9	294.4

(a) These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

Condensed Financial Information of Consolidated Edison, Inc. (a)
Condensed Statement of Cash Flows
(Parent Company Only)

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	2015
Net Income	$1,525	$1,245	$1,193
Equity in earnings of subsidiaries	(1,544)	(1,254)	(1,195)
Dividends received from:			
CECONY	796	744	872
O&R	44	43	81
Clean Energy Businesses	12	10	8
Con Edison Transmission	8	—	—
Change in Assets:			
Special deposits	—	—	—
Income taxes receivable	34	87	58
Other – net	21	(152)	(382)
Net Cash Flows from Operating Activities	896	723	635
Investing Activities			
Contributions to subsidiaries	(434)	(691)	(15)
Long term debt receivable from affiliated companies	—	(900)	—
Net Cash Flows Used in Investing Activities	(434)	(1,591)	(15)
Financing Activities			
Net proceeds of short-term debt	(53)	(53)	162
Issuance of long-term debt	400	900	—
Retirement of long-term debt	(402)	(2)	(2)
Debt issuance costs	(2)	(5)	—
Issuance of common shares for stock plans, net of repurchases	51	51	1
Issuance of common shares - public offering	343	702	—
Common stock dividends	(803)	(763)	(733)
Net Cash Flows Used in Financing Activities	(466)	830	(572)
Net Change for the Period	(4)	(38)	48
Balance at Beginning of Period	13	51	3
Balance at End of Period	$9	$13	$51

(a) These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

Condensed Financial Information of Consolidated Edison, Inc. (a)

Condensed Balance Sheet
(Parent Company Only)

(Millions of Dollars)	December 31, 2017	2016
Assets		
Current Assets		
Cash and temporary cash investments	$9	$13
Income taxes receivable	45	79
Accounts receivable from affiliated companies	687	702
Prepayments	36	24
Other current assets	18	19
Total Current Assets	795	837
Investments in subsidiaries	15,110	13,991
Goodwill	406	406
Deferred income tax	18	42
Long term debt receivable from affiliated companies	900	900
Other noncurrent assets	2	16
Total Assets	$17,231	$16,192
Liabilities and Shareholders' Equity		
Current Liabilities		
Long-term debt due within one year	$2	$2
Notes payable	331	384
Accounts payable to affiliated companies	274	288
Other current liabilities	10	22
Total Current Liabilities	617	696
Total Liabilities	617	696
Long-term debt	1,195	1,198
Shareholders' Equity		
Common stock, including additional paid-in capital	6,331	5,887
Retained earnings	9,088	8,411
Total Shareholders' Equity	15,419	14,298
Total Liabilities and Shareholders' Equity	$17,231	$16,192

(a) These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

Schedule II

Valuation and Qualifying Accounts
For the Years Ended December 31, 2017, 2016 and 2015

Company *(Millions of Dollars)*	COLUMN A Description		COLUMN B Balance at Beginning of Period	COLUMN C Additions (1) Charged To Costs And Expenses	COLUMN C Additions (2) Charged To Other Accounts	COLUMN D Deductions (b)	COLUMN E Balance At End of Period
Con Edison	Allowance for uncollectible accounts (a):						
		2017	$83	$64	$—	$77	$70
		2016	$96	$63	$—	$76	$83
		2015	$106	$77	$—	$87	$96
CECONY	Allowance for uncollectible accounts (a):						
		2017	$78	$60	$—	$73	$65
		2016	$91	$57	$—	$70	$78
		2015	$98	$69	$—	$76	$91

(a) This is a valuation account deducted in the balance sheet from the assets (Accounts receivable - customers and Other receivables) to which they apply.
(b) Accounts written off less cash collections, miscellaneous adjustments and amounts reinstated as receivables previously written off.

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Con Edison

None.

CECONY

None.

Item 9A: Controls and Procedures

The Companies maintain disclosure controls and procedures designed to provide reasonable assurance that the information required to be disclosed in the reports that they submit to the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. For each of the Companies, its management, with the participation of its principal executive officer and principal financial officer, has evaluated its disclosure controls and procedures as of the end of the period covered by this report and, based on such evaluation, has concluded that the controls and procedures are effective to provide such reasonable assurance. Reasonable assurance is not absolute assurance, however, and there can be no assurance that any design of controls or procedures would be effective under all potential future conditions, regardless of how remote.

For the Companies' Reports of Management On Internal Control Over Financial Reporting and the related opinions of PricewaterhouseCoopers LLP (presented in the Reports of Independent Registered Public Accounting Firm), see Item 8 of this report (which information is incorporated herein by reference).

There was no change in the Companies' internal control over financial reporting that occurred during the Companies' most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Companies' internal control over financial reporting.

Item 9B: Other Information

Con Edison

None.

CECONY

None.

Part III

Item 10: Directors, Executive Officers and Corporate Governance

Item 11: Executive Compensation

Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13: Certain Relationships and Related Transactions, and Director Independence

Item 14: Principal Accounting Fees and Services

Con Edison

Information required by Part III as to Con Edison, other than the information required in Item 12 of this report by Item 201(d) of Regulation S-K, is incorporated by reference from Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 21, 2018. The proxy statement is to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2017, the close of the fiscal year covered by this report.

The information required pursuant to Item 201(d) of Regulation S-K as at December 31, 2017 is as follows:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1))
	(1)	(2)	(3)
Equity compensation plans approved by security holders			
2003 LTIP (a)	334,025	—	—
2013 LTIP (b)	1,401,697	—	3,333,701
Stock Purchase Plan (c)	—	—	7,346,946
Total equity compensation plans approved by security holders	1,735,722	—	10,680,647
Total equity compensation plans not approved by security holders	3,000 (d)	—	—
Total	1,738,722	—	10,680,647

(a) The number of shares of Con Edison common stock that may be issued pursuant to outstanding awards under the Long Term Incentive Plan approved by the company's shareholders in 2003 (the "2003 LTIP") include: (A) 211,977 shares for stock unit awards made prior to 2013 that have vested and for which the receipt of shares was deferred and (B) 122,048 shares covered by outstanding directors' deferred stock unit awards (which vested upon grant). Amounts do not include shares that may be issued pursuant to any dividend reinvestment in the future on the deferred stock units. There is no dividend reinvestment on the other outstanding awards. Outstanding awards had no exercise price. No new awards may be made under the 2003 LTIP.

(b) The number of shares of Con Edison common stock that may be issued pursuant to outstanding awards under the Long Term Incentive Plan approved by the company's shareholders in 2013 (the "2013 LTIP") include: (A) outstanding awards made in 2014 and subsequent years (1,183,364 shares for performance restricted stock units and 64,870 shares for time-based restricted stock units); (B) 153,463 shares covered by outstanding directors' deferred stock unit awards (which vested upon grant). Amounts do not include shares that may be issued pursuant to any dividend reinvestment in the future on the deferred stock units. There is no dividend reinvestment on the other outstanding awards. The outstanding awards had no exercise price. No new awards may be made under the 2013 LTIP after May 20, 2023.

(c) Shares of Con Edison common stock may be issued under the Stock Purchase Plan until May 19, 2024 (which is 10 years after the date of the annual meeting at which Con Edison's shareholders approved the plan).

(d) This amount represents shares to be issued to an officer who had elected to defer receipt of these shares until separation from service or later. These shares are issuable pursuant to awards of restricted stock units made in 2000, which vested in 2004.

For additional information about Con Edison's stock-based compensation, see Note M to the financial statements in Item 8 of this report (which information is incorporated herein by reference).

In accordance with General Instruction G(3) to Form 10-K, other information regarding Con Edison's Executive Officers may be found in Part I of this report under the caption "Executive Officers of the Registrant."

CECONY

Information required by Items 10, 11, 12 and 13 of Part III as to CECONY is omitted pursuant to Instruction (I)(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries).

Fees paid or payable by CECONY to its principal accountant, PricewaterhouseCoopers LLP, for services related to 2017 and 2016 are as follows:

	2017	2016
Audit fees	$3,664,793	$3,576,897
Audit-related fees (a)	739,834	516,786
Tax fees (b)	—	25,000
Total fees	$4,404,627	$4,118,683

(a) Relates to assurance and related service fees that are reasonably related to the performance of the annual audit or quarterly reviews of the company's financial statements that are not specifically deemed “Audit Services.” The major items included in audit-related fees in 2017 and 2016 are fees related to reviews of system implementations.

(b) The fees in 2016 were for tax compliance reporting relating to the Foreign Account Tax Compliance Act.

Con Edison’s Audit Committee or, as delegated by the Audit Committee, the Chair of the Committee, approves in advance each auditing service and non-audit service permitted by applicable laws and regulations, including tax services, to be provided to CECONY by its independent accountants.

Part IV

Item 15: Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. List of Financial Statements – See financial statements listed in Item 8.

2. List of Financial Statement Schedules – See schedules listed in Item 8.

3. List of Exhibits

Exhibits listed below which have been filed previously with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, and which were designated as noted below, are hereby incorporated by reference and made a part of this report with the same effect as if filed with the report. Exhibits listed below that were not previously filed are filed herewith.

Con Edison

3.1.1 Restated Certificate of Incorporation of Consolidated Edison, Inc. (Con Edison).

3.1.2 By-laws of Con Edison, effective as of February 16, 2017. (Designated in Con Edison's Current Report on Form 8-K, dated February 16, 2017 (File No. 1-14514) as Exhibit 3.1)

4.1.1.1 Indenture, dated as of April 1, 2002, between Con Edison and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee. (Designated in the Registration Statement on Form S-3 of Con Edison (No. 333-102005) as Exhibit 4.1)

4.1.1.2 Form of CEI's 2.00% Debentures, Series 2016 A. (Designated in CEI's Current Report on Form 8-K, dated May 10, 2016 (File No. 1-14514) as Exhibit 4)

4.1.1.3 Form of CEI's 2.00% Debentures, Series 2017 A. (Designated in CEI's Current Report on Form 8-K, dated March 2, 2017 (File No. 1-4514) as Exhibit 4)

4.1.2 Note Assumption and Exchange Agreement, dated as of June 20, 2008, between Con Edison and the institutional investors listed in Schedule I thereto. (Designated in Con Edison's Current Report on Form 8-K, dated June 20, 2008 (File No. 1-14514) as Exhibit 4)

10.1.1.1 Credit Agreement, dated as of December 7, 2016, among CECONY, Con Edison, O&R, the lenders party thereto and Bank of America, N.A., as Administrative Agent. (Designated in Con Edison's Current Report on Form 8-K dated December 7, 2016 (File No. 1-14514) as Exhibit 10)

10.1.1.2 Extension Agreement, dated as of January 8, 2018, among CECONY, Con Edison, O&R, the lenders party thereto and Bank of America, N.A., as Administrative Agent. (Designated in Con Edison's Current Report on Form 8-K dated January 8, 2018 (File No. 1-14514) as Exhibit 10)

10.1.2.1 Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries, as amended, effective as of January 1, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.3)

10.1.2.2 Amendment #1, dated December 19, 2012, to the Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-14514) as Exhibit 10.1.4.2)

10.1.3.1 The Consolidated Edison, Inc. Stock Purchase Plan, as amended and restated as of May 19, 2014. (Designated in Con Edison's Current Report on Form 8-K dated May 19, 2014 (File No. 1-14514) as Exhibit 10)

10.1.3.2 Amendment One to The Consolidated Edison, Inc. Stock Purchase Plan. (Designated in Con Edison's Current Report on Form 10-K for the year ended December 31, 2016 (File No. 1-14514) as Exhibit 10.1.3.2)

10.1.4.1 The Consolidated Edison Retirement Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-14514) as Exhibit 10.1.4)

10.1.4.2 Amendment, dated December 18, 2017, to the Consolidated Edison Retirement Plan

10.1.5.1 The Consolidated Edison Thrift Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-14514) as Exhibit 10.1.5)

10.1.5.2 Amendment, dated June 13, 2016, to the Consolidated Edison Thrift Savings Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the year quarterly period ended June 30, 2016 (File No. 1-14514) as Exhibit 10.1)

10.1.5.3 Amendment, dated December 18, 2017, to the Consolidated Edison Thrift Savings Plan

10.1.6.1 Consolidated Edison, Inc. Long Term Incentive Plan (2003), as amended and restated effective as of December 26, 2012. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-14514) as Exhibit 10.1.8.10)

10.1.6.2 Form of Restricted Stock Unit Award under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.7.2)

10.1.6.3 Form of Restricted Stock Unit Award for Officers under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the year quarterly period ended March 31, 2011 (File No. 1-14514) as Exhibit 10.1)

10.1.6.4	Form of Stock Option Agreement under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Current Report on Form 8-K, dated January 24, 2005, (File No. 1-14514) as Exhibit 10.3)
10.1.6.5	Amendment Number 1, effective July 1, 2010, to the Consolidated Edison, Inc. Long Term Incentive Plan, as amended and restated effective as of January 1, 2008. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 as Exhibit 10.1)
10.1.6.6	Amendment Number 2, effective January 1, 2011, to the Consolidated Edison, Inc. Long Term Incentive Plan, as amended and restated effective as of January 1, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-14514) as Exhibit 10.1.7.5)
10.1.7.1	Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Current Report on Form 8-K, dated May 20, 2013 (File No. 1-14514) as Exhibit 10)
10.1.7.2	Form of Performance Unit Award for Officers under the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (File No. 1-14514) as Exhibit 10.1.2)
10.1.7.3	Form of Performance Unit Award for Certain Specified Officers under the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (File No. 1-14514) as Exhibit 10.1)
10.1.7.4	Amendment No. 1 to the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-14514) as Exhibit 10.1.7.4)
10.1.7.5	Amendment No. 2 to the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-14514) as Exhibit 10.1.7.5)
10.1.8	Description of Directors' Compensation, effective as of December 31, 2017.
10.1.9	Letter, dated February 23, 2004, to Robert Hoglund. (Designated in Con Edison's Current Report on Form 8-K, dated July 21, 2005, (File No. 1-14514) as Exhibit 10.5)
10.1.10	Employment offer letter, dated November 21, 2013 to John McAvoy. (Designated in Con Edison's Current Report on Form 8-K, dated November 21, 2013 (File No. 1-14514) as Exhibit 10)
10.1.11	Contribution Agreement, dated as of April 20, 2016, by and between Crestwood Pipeline and Storage Northeast LLC and Con Edison Gas Pipeline and Storage Northeast, LLC. (Designated in CEI's Current Report on Form 8-K, dated April 20, 2016 (File No. 1-14514) as Exhibit 10)
12.1	Statement of computation of Con Edison's ratio of earnings to fixed charges for the years 2013 – 2017
21.1	Subsidiaries of Con Edison.
23.1	Consent of PricewaterhouseCoopers LLP
31.1.1	Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer
31.1.2	Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer
32.1.1	Section 1350 Certifications – Chief Executive Officer
32.1.2	Section 1350 Certifications – Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, instruments defining the rights of holders of long-term debt of Con Edison's subsidiaries other than CECONY, the total amount of which does not exceed ten percent of the total assets of Con Edison and its subsidiaries on a consolidated basis, are not filed as exhibits to Con Edison's Form 10-K or Form 10-Q. Con Edison agrees to furnish to the SEC upon request a copy of any such instrument.

CECONY

3.2.1.1	Restated Certificate of Incorporation of CECONY filed with the Department of State of the State of New York on December 31, 1984.
3.2.1.2	The certificates of amendment of Restated Certificate of Incorporation of CECONY filed with the Department of State of the State of New York on the following dates: May 16, 1988; June 2, 1989; April 28, 1992; August 21, 1992 and February 18, 1998.
3.2.2	By-laws of CECONY, effective January 18, 2018.
4.2.1	Participation Agreement, dated as of July 1, 1999, between New York State Energy Research and Development Authority (NYSERDA) and CECONY.
4.2.2	Participation Agreement, dated as of November 1, 2010, between NYSERDA and CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-1217) as Exhibit 4.2.2)
4.2.3	Participation Agreement, dated as of November 1, 2001, between NYSERDA and CECONY. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 (File No. 1-1217) as Exhibit 10.2.1)
4.2.4	Participation Agreement, dated as of January 1, 2004, between NYSERDA and CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.6)
4.2.5	Participation Agreement, dated as of January 1, 2004, between NYSERDA and CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.7)
4.2.6	Participation Agreement, dated as of November 1, 2004, between NYSERDA and CECONY. (Designated in CECONY's Current Report on Form 8-K, dated November 9, 2004 (File No. 1-1217) as Exhibit 4.1)
4.2.7	Participation Agreement, dated as of May 1, 2005, between NYSERDA and CECONY. (Designated in CECONY's Current Report on Form 8-K, dated May 25, 2005 (File No. 1-1217) as Exhibit 4.1)
4.2.8.1	Indenture of Trust, dated as of July 1, 1999 between NYSERDA and HSBC Bank USA, as trustee.
4.2.8.2	Supplemental Indenture of Trust, dated as of July 1, 2001, to Indenture of Trust, dated July 1, 1999 between NYSERDA and HSBC Bank USA, as trustee. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001 (File No. 1-1217) as Exhibit 10.2.2)
4.2.9.1	Trust Indenture, dated as of November 1, 2010 between NYSERDA and The Bank of New York Mellon, as trustee. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-1217) as Exhibit 4.2.9)
4.2.9.2	First Supplemental Indenture dated November 2, 2012 to the Trust Indenture dated as of November 1, 2010. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-1217) as Exhibit 4.2.9.2)
4.2.10	Indenture of Trust, dated as of November 1, 2001, between NYSERDA and The Bank of New York, as trustee. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 (File No. 1-1217) as Exhibit 10.2.2)
4.2.11	Indenture of Trust, dated as of January 1, 2004, between NYSERDA and The Bank of New York. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.12)
4.2.12	Indenture of Trust, dated as of January 1, 2004, between NYSERDA and The Bank of New York. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.13)
4.2.13	Indenture of Trust, dated as of November 1, 2004, between NYSERDA and The Bank of New York. (Designated in CECONY's Current Report on Form 8-K, dated November 9, 2004 (File No. 1-1217) as Exhibit 4.2)
4.2.14.1	Indenture of Trust, dated as of May 1, 2005, between NYSERDA and The Bank of New York. (Designated in CECONY's Current Report on Form 8-K, dated May 25, 2005 (File No. 1-1217) as Exhibit 4.2)
4.2.14.2	Supplemental Indenture of Trust, dated as of June 30, 2010, to Indenture of Trust, dated May 1, 2005 between NYSERDA and The Bank of New York Mellon (formerly known as The Bank of New York), as trustee. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-1217) as Exhibit 4.2.14.2)
4.2.15.1	Indenture, dated as of December 1, 1990, between CECONY and The Chase Manhattan Bank (National Association), as Trustee (the "Debenture Indenture").
4.2.15.2	First Supplemental Indenture (to the Debenture Indenture), dated as of March 6, 1996, between CECONY and The Chase Manhattan Bank (National Association), as Trustee.
4.2.15.3	Second Supplemental Indenture (to the Debenture Indenture), dated as of June 23, 2005, between CECONY and JPMorgan Chase Bank, N.A. (successor to The Chase Manhattan Bank (National Association)), as Trustee. (Designated in CECONY's Current Report on Form 8-K, dated November 16, 2005 (File No. 1-1217) as Exhibit 4.1)

4.2.16 The following forms of CECONY's Debentures, which are designated as follows:

	Securities Exchange Act File No. 1-1217		
Debenture Series	Form	Date	Exhibit
5.875% Series 2003 A	8-K	4/7/2003	4
5.10% Series 2003 C	8-K	6/12/2003	4.2
5.70% Series 2004 B	8-K	2/11/2004	4.2
5.30% Series 2005 A	8-K	3/7/2005	4
5.25% Series 2005 B	8-K	6/20/2005	4
5.85% Series 2006 A	8-K	3/9/2006	4
6.20% Series 2006 B	8-K	6/15/2006	4
5.70% Series 2006 E	8-K	12/1/2006	4.2
6.30% Series 2007 A	8-K	8/28/2007	4
5.85% Series 2008 A	8-K	4/4/2008	4.1
6.75% Series 2008 B	8-K	4/4/2008	4.2
7.125% Series 2008 C	8-K	12/4/2008	4
6.65% Series 2009 B	8-K	3/25/2009	4.2
5.50% Series 2009 C	8-K	12/4/2009	4
4.45% Series 2010 A	8-K	6/7/2010	4.1
5.70% Series 2010 B	8-K	6/7/2010	4.2
4.20% Series 2012 A	8-K	3/13/2012	4
3.95% Series 2013 A	8-K	2/25/2013	4
4.45% Series 2014 A	8-K	3/3/2014	4
3.30% Series 2014 B	8-K	11/19/2014	4.1
4.625% Series 2014 C	8-K	11/19/2014	4.2
4.50% Series 2015 A	8-K	11/12/2015	4
3.85% Series 2016A	8-K	6/14/2016	4
2.90% Series 2016B	8-K	11/10/2016	4.1
4.30% Series 2016C	8-K	11/10/2016	4.2
3.875% Series 2017A	8-K	6/5/2017	4
3.125% Series 2017B	8-K	11/13/2017	4.1
4.00% Series 2017C	8-K	11/13/2017	4.2

10.2.1 Settlement Agreement, dated October 2, 2000, by and among CECONY, the Staff of the New York State Public Service Commission and certain other parties. (Designated in CECONY's Current Report on Form 8-K, dated September 22, 2000 (File No. 1-1217) as Exhibit 10)

10.2.2 The Consolidated Edison Company of New York, Inc. Executive Incentive Plan, as amended and restated as of January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.5)

10.2.3.1 Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan, as amended and restated as of January 1, 2009. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-1217) as Exhibit 10.2.6)

10.2.3.2 Amendment, dated December 24, 2015, to the Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-1217) as Exhibit 10.2.6.2)

10.2.3.3 Amendment One to the Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-1217) as Exhibit 10.2.6.3)

10.2.4.1 Deferred Compensation Plan for the Benefit of Trustees of CECONY, as amended effective January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.7)

10.2.4.2 Amendment #1, dated December 26, 2012, to the Deferred Compensation Plan for the Benefit of Trustees of CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-1217) as Exhibit 10.2.7.2)

10.2.5 CECONY Supplemental Medical Benefits. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (File No. 1-1217) as Exhibit 10.2.1)

10.2.6 The Severance Pay Plan for Management Employees of Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. and Other Affiliated Entities That Have Adopted the Plan, effective January 1, 2017. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-1217) as Exhibit 10.2.9)

10.2.7.1	The Consolidated Edison Company of New York, Inc. Deferred Income Plan, as amended and restated as of January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.10)
10.2.7.2	Amendment, executed December 19, 2013, to The Consolidated Edison Company of New York, Inc. Deferred Income Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 1-1217) as Exhibit 10.2.10.2)
10.2.7.3	Amendment One to the Consolidated Edison Company of New York, Inc. Deferred Income Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-1217) as Exhibit 10.2.10.3)
10.2.8.1	The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan, effective as of January 1, 2005, as amended effective as of January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.11)
10.2.8.2	Amendment, dated October 21, 2009, to The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (File No. 1-1217) as Exhibit 10.2.1)
10.2.8.3	Amendment Number 2, dated December 17, 2010, to The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-1217) as Exhibit 10.2.11.3)
10.2.8.4	Amendment Number 3, dated December 21, 2011, to The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 1-1217) as Exhibit 10.2.11.4)
10.2.8.5	Amendment Number 4 to the 2005 Executive Incentive Plan. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (File No. 1-1217) as Exhibit 10.2)
10.2.8.6	Amendment Number 5 to the 2005 Executive Incentive Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 1-1217) as Exhibit 10.2.11.6)
10.2.8.7	Amendment Number 6 to the 2005 Executive Incentive Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-1217) as Exhibit 10.2.11.7)
10.2.9.1	Trust Agreement, dated as of March 31, 1999, between CECONY and Mellon Bank, N.A., as Trustee. (Designated in CECONY's Annual Report on Form 10-K, for the year ended December 31, 2005 (File No. 1-1217) as Exhibit 10.2.13.1)
10.2.9.2	Amendment Number 1 to the CECONY Rabbi Trust, executed October 24, 2003, between CECONY and Mellon Bank, N.A., as Trustee. (Designated in CECONY's Annual Report on Form 10-K, for the year ended December 31, 2005 (File No. 1-1217) as Exhibit 10.2.13.2)
12.2	Statement of computation of CECONY's ratio of earnings to fixed charges for the years 2013 – 2017
23.2	Consent of PricewaterhouseCoopers LLP
31.2.1	Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer
31.2.2	Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer
32.2.1	Section 1350 Certifications – Chief Executive Officer
32.2.2	Section 1350 Certifications – Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Item 16: Form 10-K Summary
None.

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Securities Exchange Act of 1934 by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Securities Exchange Act of 1934.

No annual report to security holders covering CECONY's last fiscal year has been sent to its security holders. No proxy statement, form of proxy or other proxy soliciting material has been sent to CECONY's security holders during such period.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 15, 2018.

Consolidated Edison, Inc.
Consolidated Edison Company of New York, Inc.

By /s/ Robert Hoglund
Robert Hoglund
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, and in the capacities indicated, on February 15, 2018.

Signature	Registrant	Title
/s/ John McAvoy John McAvoy	Con Edison	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
	CECONY	Chairman of the Board, Chief Executive Officer and Trustee (Principal Executive Officer)
/s/ Robert Hoglund Robert Hoglund	Con Edison	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
	CECONY	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Robert Muccilo Robert Muccilo	Con Edison	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
	CECONY	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
/s/ Vincent A. Calarco Vincent A. Calarco	Con Edison CECONY	Director Trustee
/s/ George Campbell Jr. George Campbell Jr.	Con Edison CECONY	Director Trustee
/s/ Ellen V. Futter Ellen V. Futter	Con Edison CECONY	Director Trustee
/s/ John F. Killian John F. Killian	Con Edison CECONY	Director Trustee
/s/ William J. Mulrow William J. Mulrow	Con Edison CECONY	Director Trustee
/s/ Armando J. Olivera Armando J. Olivera	Con Edison CECONY	Director Trustee
/s/ Michael W. Ranger Michael W. Ranger	Con Edison CECONY	Director Trustee
/s/ Linda S. Sanford Linda S. Sanford	Con Edison CECONY	Director Trustee
/s/ Deirdre Stanley Deirdre Stanley	Con Edison CECONY	Director Trustee
/s/ L. Frederick Sutherland L. Frederick Sutherland	Con Edison CECONY	Director Trustee

AMENDMENT
TO THE
CONSOLIDATED EDISON
RETIREMENT PLAN

Amending the Retirement Plan to
Clarify the Administration of
the Annual Variable Pay Award and
To Limit the Percent of the O&R ATIP
Taken Into Account for
Pension Calculation Purposes

Whereas, pursuant to the authority of the Board of Directors and Board of Trustees, as set forth in Article X, Amendment, Merger, and Termination, Section 10.01, Amendment of the Plan, to amend in whole or in part any or all of the provisions of the Plan; and further

Whereas, on July 20, 2017, the Board of Directors and Board of Trustees resolved amending the Retirement Plan, effective January 1, 2017, to institute a maximum amount of the annual incentive compensation included in determining future pension benefits for non-officer management employees of Orange and Rockland Utilities, Inc. to 36 percent of annual basic straight time salary; and further

Whereas, that the Vice President - Human Resources (an "Authorized Officer") acting individually be, and hereby is, authorized to take the necessary actions to execute amendments to the Plan, the amendments to be in such form as the Authorized Officer executing the same may approve, his or her execution thereof to be evidence conclusively of his or her approval thereof; and it is further

Now, therefore, The Retirement Plan is amended as set forth below:

Amendment Number 1

The **Introduction** is amended, to add at the end of that Section:

> As a result of the Board of Directors and Board of Trustees approval on July 20, 2017, to amend the Plan, effective January 1, 2017, the Plan is amended to introduce a limit to the percentage amount of an Annual Team Incentive Plan ("ATIP") that will be taken into account in determining future pension benefits for non-officer management employees of Orange and Rockland Utilities, Inc. under the Career Average Formula and Cash Balance formula.

Amendment Number 2

Article I, **Definitions**, Section 1.11, **Annual Variable Pay Award**, is amended, effective January 1, 2017, in two ways: (1) by adding a sentence to the end of the definition limiting to 36 percent (36%) the amount of an Annual Team Incentive Award ("ATIP") that will be taken into account in calculating the Pension Allowance of an O&R management participant and (2) clarifying that it is the rate of salary or pay as of the December 31st (and not January 1st) that is used to administer the Annual Variable Pay Award to read as follows:

> **Annual Variable Pay Award**
> means the amount awarded, if any, to a Participant in a Plan Year under CECONY's variable pay compensation plan or O&R's ATIP. For an Employer other than CECONY or O&R, Annual Variable Pay Award means the

amount awarded, if any, to a Participant in a Plan Year under that Employer's short-term incentive compensation plan that has been approved by the Plan Administrator. Approval by the Plan Administrator of any short-term incentive compensation plan is on a prospective basis. Effective November 15, 2001, the amount of any award to be counted under this Retirement Plan for a CECONY Participant or a CEI Participant, (other than and not including a CEI Participant who is an O&R Management Employee and who receives an award under the ATIP), shall not exceed 25% of the Participant's rate of base annual salary or pay in effect as of December 31st of the Plan Year prior to the Plan Year in which the award is paid. Any awards under a long-term incentive compensation plan shall not be includible in any Annual Variable Pay Award. Commissions paid by an Employer also shall be considered to have been awarded pursuant to a short-term incentive compensation plan and shall be subject to the overall aggregate limit of 25% of base annual salary (exclusive of commissions).

Effective January 1, 2017, the amount of any Annual Variable Pay Award, to be counted under the Retirement Plan for all formulas, for a non-officer CECONY Management Participant, or a non-officer of Con Edison Transmission, Inc., or a non-officer of Con Edison Clean Energy Businesses, Inc. will be increased from 25 percent up to but not exceed 36 percent of her or his annual rate of basic straight time salary or pay in

effect as of December 31st of the Plan Year prior to the Plan Year in which the award is paid.

Effective January 1, 2017, the amount of any Annual Team Incentive Award to be counted under the Retirement Plan for all formulas and for a non-officer O&R Management Participant shall not exceed 36% of the O&R Management Participant's rate of base annual salary or pay in effect as of December 31st of the Plan Year prior to the Plan Year in which the award is paid.

Amendment Number 3

Article IV, **Eligibility For and Amount of Benefits**, Section 4.02, **Normal Retirement Pension Allowance**, Subsection 4.02(b)(2)(ii) is amended, to clarify that, effective January 1, 2017, the word "entire" will no longer apply and, in its place, prospectively, will be replaced by reference to Article I, Definition, Annual Variable Pay Award, including, if applicable, any limit of an Annual Variable Pay Award. Such language is repeated here solely for the avoidance of any doubt,:

(ii) The entire amount, if any, of a CEI Participant's Annual Variable Pay Award shall be included in the CEI Participant's Annual Compensation in the calendar quarter in which the Annual Variable Pay Award is paid.

Effective January 1, 2017, the amount, if any, of a CEI Participant's Annual Variable Pay Award, as that term is defined in Article I, Definitions, of this Retirement Plan, will be included in the CEI Participant's Annual Compensation in the calendar quarter in which the Annual Variable Pay Award is paid.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed on December 18 , 2017

/s/ Richard Bagwell
Vice President of Human Resources of
Consolidated Edison Company of New York, Inc.
And the Plan Administrator of the Retirement Plan

AMENDMENT
TO THE
CONSOLIDATED EDISON
THRIFT SAVINGS PLAN

Amending the Thrift Savings Plan
As Requested, Reviewed and Approved
By the Internal Revenue Service
In its Issuance of the

2017 Favorable Determination Letter

Dated December 2017

Whereas, in January 2017, the Consolidated Edison Company of New York, Inc. (“CECONY”) submitted to the Internal Revenue Service an Application for a Determination that the Consolidated Edison Thrift Savings Plan, as restated, meets the qualification requirements under Internal Revenue Code 401(a).

Whereas, On December 6, 2017, the Internal Revenue Service issued a Favorable Determination Letter (“2017 Favorable Letter”) that the Consolidated Edison Thrift Savings Plan, as submitted, meets the qualification requirements under Internal Revenue Code 401(a).

Whereas, the 2017 Favorable Determination Letter favorably took into account the amendments, below, which must be approved and adopted by the end of the Treasury Regulation 1.401(b) remedial amendment period.

Whereas, pursuant to the authority delegated by the Board of Trustees of the CECONY to the Plan Administrator, I am authorized to approve the following amendments.

Now, therefore, the Consolidated Edison Thrift Savings Plan is amended as follows:

Amendment Number 1

Article I, **Definitions**, is amended by adding two new definitions in their proper correct alphabetical order:

401(k) Formula means the cash or deferred arrangement that is administered in accordance with Code Section 401(k) and the Treasury Regulations promulgated thereunder. The 401(k) Formula may differ for each Group depending upon whether the Participant is member of Local 1-2, Local 3, or Local 503 or a Management Employee and who is the Participant's Employer. The 401(k) Formula includes, if applicable to the particular Group, Roth Contributions.

401(m) Formula means the formula that provides Employer Matching Contributions and that is administered in accordance with Code Section 401(m) and the Treasury Regulations promulgated thereunder. The 401(m) Formula may differ for each Group depending upon, for example, whether the Participant is member of Local 1-2, Local 3, or Local 503 or a Management Employee or who is the Participant's Employer.

Amendment Number 2

Article III, **Contributions,** Section 3.12, **Auto Enrollment Feature**, is amended by adding in the correct order, the Auto Enrollment Feature, the Auto Escalation Feature, and the True Up Feature, for certain Groups, each in its correct subsections:

(c) Auto Enrollment Feature for a CECONY Management Employee, O&R Management Employee, or CEI Employee, who as of April 1, 2017, is neither participating in the 401(k) Formula nor making After-tax Contributions to the Thrift Savings Plan:

i. Beginning April 1, 2017, or as soon thereafter as administratively practicable, each such CECONY Management Employee, O&R Management Employee, or CEI Employee will be covered by the Auto Enrollment Feature.

ii. The contribution rate for each such CECONY Management Employee, O&R Management Employee, or CEI Employee will be set to equal two (2) percent of his or her straight-time pay. Contributions in the Auto Enrollment Feature are made under the 401(k) Formula; that is, under the Auto Enrollment Feature, Employee contributions are made on a pre-tax basis.

iii. Employee contributions and Employer Matching Contributions will be invested in funds selected by such Employee. Each such Employee will have access to all investment fund options available under the Thrift Savings Plan. If no fund has been selected, Employee contributions and Employer Matching Contributions will be invested in the default investment option under the Thrift Savings Plan, currently the Target Date Fund, with the date that is closest to the normal retirement date for such Employee.

iv. Each CECONY Management Employee, O&R Management Employee, or CEI Employee will have an opportunity before

becoming a Participant to opt out or elect a different contribution percentage of his or her straight-time pay. Once enrolled, each such Employee can prospectively opt out or elect a different contribution percentage of his or her straight-time pay.

(d) Auto Escalation Feature: Effective with the first payroll period in July 2017, or as soon thereafter as administratively practicable, each CECONY Management Participant, O&R Management Participant, or CEI Participant, who is contributing at a rate of less than 10% will be governed by the following:

i. Effective with the first payroll period in July of 2017, or as soon thereafter as administratively practicable, and in each July thereafter, the contribution rate for each such CECONY Management Participant, O&R Management Participant, or CEI Participant who has not opted out of the Auto Escalation Feature and is contributing less than ten (10) percent will be automatically increased by one (1) percentage point, until such Participant's rat e reaches ten (10) percent. The Auto Escalation Feature is intended and designed to promote the participation of each such Participant at a rate of 10%.

ii. Each such Participant will have the opportunity to opt out of the Auto Escalation Feature. Once he or she opts out of the Auto Escalation Feature, he or she will no longer be subject to the Auto Escalation Feature.

1. **Notice About the Auto Enrollment Feature and the Auto Escalation Feature**

i. Each such CECONY Management Employee, O&R Management Employee, or CEI Employee will receive a Notice about the Auto Enrollment Feature and will have an opportunity before becoming a Participant to opt out or elect a different contribution percentage of his or her straight-time pay.

ii. Each such CECONY Management Participant, O&R Management Participant, or CEI Participant will receive a Notice about the Auto Escalation Feature respectively no less than 30 days prior to its .

iii. The Notice will explain his or her rights: (i) to elect to have automatic contributions made at a different percentage and (ii) how automatic contributions will be invested in the absence of any investment election.

iv. Effective beginning January 1, 2018, and each year thereafter, each such Participant who has not opted out of the Auto Escalation Feature and is contributing less than 10% will receive a Notice about the continuation of the Auto Escalation Feature no less than 30 days prior to April 2018, and every April thereafter.

v. Each such CECONY Management Employee, O&R Management Employee, or CEI Employee will have an opportunity, after receipt of a Notice and before the first scheduled date that

the Auto Enrollment Feature becomes effective to elect out of participation. Each such CECONY Management Participant, O&R Management Participant, or CEI Participant will have an opportunity, after receipt of a Notice and before the first scheduled date that the Auto Escalation Feature becomes effective to elect to contribute a different percentage of his or her straight-time pay. In both cases, to be effective, an election to opt out or to contribute a different percentage must be received at least 14 days before the scheduled date that the Auto Enrollment Feature or the Auto Escalation Feature would otherwise apply to him or her.

vi. If such Employee has not made an election to opt out of participation at least 14 days prior to the d ate the Auto Enrollment Feature would apply to her or him, an amount equal to two (2) percent of his or her straight-time pay will be withheld on a pre-tax basis and contributed to the 401(k) Formula in the Thrift Savings Plan

vii. Once such Employee becomes a Participant, his or her Employee contributions can only be distributed in accordance with the terms of the Thrift Savings Plan and federal tax laws.

viii. Employee contributions and Employer Matching Contributions will be invested in funds selected by the Participant. Each Participant will have access to all investment fund options available under the Thrift Savings Plan. If no fund has been selected, Employee contributions and Employer Matching Contributions will be invested in the default investment option under the Thrift Savings Plan, currently the Target

Date Fund, with the date that is closest to the normal retirement date for the Participant.

2. **Increase in Employer Matching Contributions for CEI Participant**

As of the first Payroll Period on or after January 1, 2013, or as soon as administratively practicable, and other than for each CEI Affiliate Participant who is a participant in the Retirement Plan, each CEI Affiliate will contribute an Employer Matching Contribution on behalf of each CEI Affiliate Participant, an amount equal to 100% of the first 4% of Compensation and 50% of the next 4% of Compensation of such contribution each month up to, but not to not to exceed, 6% of his or her Compensation for such month. Employer Matching Contributions will match first Pre-Tax Contributions, then Roth Contributions, then After-Tax Contributions. Employer Matching Contributions for a month will not exceed 6% of the Participant's Compensation for such month.

3. **True-up Feature**

In the event a CECONY Management Participant, O&R Management Participant or CET Participant elects to make Pre-Tax Contributions and/or After-Tax Contributions in an amount which, when taking into account his or her Employer Matching Contributions, exceeds the maximum annual additions, as defined the Thrift Savings Plan, or her or his Pre-tax Contributions and/or

Roth Contributions exceeds the maximum dollar limit on pre-tax or Roth Contributions, as set forth and determined by IRC Section 402(g), the Employer will contribute an additional Employer contribution on behalf of such Participant ("True- Up Contribution"). The True- up Contribution will be made as soon as administratively practicable after the end of the Plan Year, for each such CECONY Management Participant and CEI Participant who is employed at year end. The CECONY/CEI True-Up Contribution will equal the difference between 3% or 6%, as applicable, of such Participant's Compensation on an annual basis minus his or her total Employer Matching Contributions made during the year.

Amendment Number 3

The following is the is the new language for the changes resulting from the Collective Bargaining Contract entered into June 2017, between Consolidated Edison Company of New York, Inc. ("CECONY") and the International Brotherhood of Electrical Workers, IBEW, Local 3 (referred to in the Thrift Savings Plan as "Local 3"). When included in the Thrift Savings Plan document, each provision will be included in its proper **Article, Section**, and, if applicable, **Subsection**.

A. **Roth Contributions for Local 3 Employees.**

Beginning with the first payroll period on or after January 1, 2018, or as soon thereafter as administratively

practicable, each Local 3 Employee participating in the Thrift Savings Plan may elect to make Roth contributions, which are made on an after-tax basis and are subject to the same in-service withdrawal rules as pre-tax contributions. Roth contributions will be eligible for Employer Matching Contributions.

B. **Local 3 Employee Contributions Based on a Percentage of Total Compensation.**

1. Beginning with the first payroll period on or after January 1, 2018, or as soon thereafter as administratively practicable, Local 3 Employee contributions will be based on a percentage of the Local 3 Employee's Total Compensation. Each Local 3 Employee may contribute a minimum of one percent (1%) up to a maximum of fifty percent (50%) (in whole percentages) of his or her Total Compensation subject to applicable federal tax law restrictions. Each Local 3 Employee may elect to make his or her contributions on a pre-tax basis, a Roth contribution basis, or an after-tax basis, or any combination.

2. Beginning with the first payroll period on or after January 1, 2018, or as soon thereafter as administratively practicable, each Local 3 Employee who is contributing to the Thrift Savings Plan on a dollar per hour basis will have his or her weekly contribution amount converted to a percentage of Total Compensation. The calculated percent will be rounded up to the next whole percent. If the calculated percent for a Local 3 Employee is less than one percent (1%), his or her contribution rate will be set to the minimum of one percent (1%).

C. **Employer Matching Contributions.**

Beginning with the first payroll period on or after January 1, 2018, or as soon thereafter as administratively practicable, the Local 3 Employee contribution eligible for an Employer Matching Contribution will be expressed as a percentage of Total Compensation ("Participating Contribution"). The Maximum Employer Matching Contributions will be:

1. **Maximum Employer Matching Contributions for Local 3 Employees Covered Under the Final Average Pay Pension Formula.**

Effective January 1, 2018, for each Local 3 Employee covered under the Final Average Pay Formula in the Retirement Plan, the Employer Matching Contribution for each week will be fifty percent (50%) of the first six percent (6%) of a Local 3 Employee's Total Compensation contributed to the Thrift Savings Plan for the payroll period. The Employer Matching Contributions will not exceed the Maximum Employer Matching Contributions as set forth below:

For Local 3 Employees Covered Under Final Average Pay Pension Formula		
Calendar Year Beginning	Weekly Maximum Employer Matching Contribution	Annual Maximum Employer Matching Contribution*
January 1, 2018	$28.40	$1,477
January 1, 2019	$29.20	$1,518
January 1, 2020	$30.00	$1,560
January 1, 2021	$30.80	$1,602
*A Participant will be eligible to receive the Annual Maximum Employer Matching Contribution for a Plan Year if he or she had contributed at least six (6) percent of his or her Total Compensation to the Thrift Savings Plan during each week of the entire Plan Year.		

2. **Maximum Employer Matching Contributions for Local 3 Employees Covered Under the Cash Balance Pension Formula.**

a. Effective January 1, 2018, for each Local 3 Employee covered under the Cash Balance Formula in the Retirement Plan, the Employer Matching Contribution for each week will be seventy-five percent (75%) of the first six percent (6%) of the Local 3 Employee's Total Compensation contributed to the Thrift Savings Plan for the payroll period.

b. The Employer Matching Contributions will not exceed the Maximum Employer Matching Contributions as set forth below:

For Employees Covered Under Cash Balance Pension Formula		
Calendar Year Beginning	Weekly Maximum Employer Matching Contribution	Annual Maximum Employer Matching Contribution*
January 1, 2018	$42.60	$2,215
January 1, 2019	$43.80	$2,278
January 1, 2020	$45.00	$2,340
January 1, 2021	$46.20	$2,402
*A Participant will be eligible to receive the Annual Maximum Employer Matching Contribution for a Plan Year if he or she had contributed at least six (6) percent of his or her weekly Total Compensation to the Thrift Savings Plan during each week of the entire Plan Year.		

3. **Maximum Employer Matching Contributions for Employees Covered Under the Defined Contribution Pension Formula.**

a. Effective January 1, 2018, for each Local 3 Employee covered under the Defined Contribution Pension Formula in the Thrift Savings Plan, the Employer Matching Contribution for each week will be one hundred percent (100%) of the first six percent (6%) of the Local 3 Employee's Total Compensation contributed to the Thrift Savings Plan for the payroll period.

b. The Employer Matching Contributions will not exceed the Maximum Employer Matching Contributions as set forth below:

For Employees Covered Under Defined Contribution Pension Formula		
Calendar Year Beginning	Weekly Maximum Employer Matching Contribution	Annual Maximum Employer Matching Contribution*
January 1, 2018	$56.80	$2,954
January 1, 2019	$58.40	$3,037
January 1, 2020	$60.00	$3,120
January 1, 2021	$61.60	$3,203
*A Participant will be eligible to receive the Annual Maximum Employer Matching Contribution for a Plan Year if he or she had contributed at least six (6) percent of his or her weekly Total Compensation to the Thrift Savings Plan during each week of the entire Plan Year.		

4. **True-Up Company Contribution.**

a. Effective for Plan Years on and after January 1, 2018, the Company will make a "True-Up Contribution" to each Local 3 Participant who is on the active payroll at the end of the Plan Year and who is eligible for a "True-Up Contribution," as set forth below.

b. A Local 3 Participant will be eligible for a True-Up Contribution if his or her contribution to the Thrift Savings Plan automatically stops before the end of the Plan Year because the IRS annual contribution limit was reached and he or she did not receive the Annual Maximum Employer Matching Contribution for the Plan Year.

c. A "True-Up Contribution" is an Employer Matching Contribution in an amount equal to the difference between the applicable Annual Maximum Employer Matching Contributions for the Plan Year, shown in the charts above, and the amount actually contributed by the Company to the Local 3 Participant's Employer Matching Contribution Subaccount in the Thrift Savings Plan account. The Company will make the True-Up Contribution as soon as administratively practicable after the end of a Plan Year.

D. **Auto Enrollment and Auto Escalation.**

1. **Auto (401k) Enrollment for Local 3 Employees Hired on or After January 1, 2018.**

a. Each Local 3 Employee hired on or after January 1, 2018, will be covered under the 401(k) Auto

Enrollment Feature in the Thrift Savings Plan and automatically will be enrolled for a 401(k) contribution as a payroll deduction in his or her first payroll period, or as soon thereafter as administratively practicable.

b. The contribution rate for each Local 3 Employee who is covered under the automatic 401(k) enrollment feature will be set to equal two percent (2%) of his or her Total Compensation.

c. Employee contributions and Employer Matching Contributions will be invested in funds selected by the Local 3 Employee. Each Local 3 Participant will have access to all investment fund options available under the Thrift Savings Plan. If no fund has been selected, Employee contributions and Employer Matching Contributions will be invested in the default investment option under the Thrift Savings Plan.

d. Each Local 3 Employee covered under the automatic 401(k) enrollment feature will have the opportunity, before the first automatic payroll deduction and contribution is made, to decline participation in the automatic 401(k) enrollment feature or to make an election to contribute a different whole percentage of his or her Total Compensation.

2. **401(k) Auto Enrollment for Local 3 Employees Hired Before January 1, 2018, and Not Participating in the Thrift Savings Plan.**

a. Effective the first payroll period in July 2018, or as soon thereafter as administratively practicable, each Local 3 Employee hired before January 1, 2018, who is not making either a pre-tax, after-tax or Roth contribution to the Thrift Savings Plan, will be covered under the 401(k) Auto Enrollment Feature and automatically will be enrolled for a 401(k) payroll deduction and contribution to the Thrift Savings Plan.

b. The contribution rate for each Local 3 Employee hired before January 1, 2018, who is not making either a pre-tax, after-tax or Roth contribution and is automatically enrolled in the automatic 401(k) enrollment feature, will be two percent (2%) of his or her Total Compensation.

c. Employee contributions and Employer Matching Contributions will be invested in funds selected by the Local 3 Employee. Each Local 3 Participant will have access to all investment fund options available under the Thrift Savings Plan. If no fund has been selected, Employee contributions and Employer Matching Contributions will be invested in the default investment option under the Thrift Savings Plan.

d. Each Local 3 Employee who is automatically enrolled in a 401(k) payroll deduction will have the opportunity, before July 1, 2018, to decline participation in the automatic 401(k) enrollment feature of the Thrift Savings Plan or to make an election to contribute a different whole percentage of

his or her Total Compensation. Once enrolled, each Local 3 Employee can prospectively decline participation in or make an election to contribute a different whole percentage of his or her Total Compensation.

3. **Auto Escalation for Local 3 Participants Who Contribute Less Than Two Percent (2%) in the Thrift Savings Plan.**

a. Effective the first payroll period in July 2018, or as soon thereafter as administratively practicable, each Local 3 Participant who is contributing at a rate of less than two percent (2%) will have his or her contribution rate increased to two percent (2%).

b. Each Local 3 Participant will have the opportunity, before July 1, 2018, to decline participation in the Auto Escalation Feature or make an election to contribute a different whole percentage of his or her Total Compensation. Once enrolled in the Auto Escalation Feature, each Local 3 Participant can prospectively decline participation in or make an election to contribute a different whole percentage of his or her Total Compensation.

4. **Auto Escalation for Local 3 Participants Who Contribute at Least Two Percent (2%) But Less Than Ten Percent (10%) in the Thrift Savings Plan.**

a. Effective the first payroll period in July 2019, or as soon thereafter as administratively practicable, and in each July thereafter, each Local 3 Participant who is contributing at least two percent (2%) but less than ten percent (10%) to the Thrift Savings Plan will have his or her 401(k) contribution rate automatically increased by one (1) percentage point, until the Local 3 Participant's contribution rate reaches ten percent (10%).

b. Each participant will have the opportunity to decline participation in the Auto Escalation feature. Once he or she declines participation in the Auto Escalation feature, he or she will no longer be subject to the Auto Escalation feature.

5. **Notices about Auto Enrollment Feature and Auto Escalation Feature.**

a. Each Local 3 Employee hired on or after January 1, 2018, will receive a Notice about the Auto Enrollment Feature within sixty (60) days following his or her date of hire.

b. Each Local 3 Employee who was hired before January 1, 2018, and is not participating or is participating, but at a contribution rate of less than two percent (2%), will receive a Notice about Auto Enrollment Feature or a Notice about Auto Escalation Feature, respectively, no less than sixty (60) days prior to July 1, 2018.

c. The Notices will explain:

(1) A Local 3 Employee's right to opt out of participation in the Auto Enrollment Feature;

(2) A Local 3 Employee's right to elect to have automatic contributions made at a different percentage; and

(3) How his or her contributions will be invested in the absence of any investment election by the Local 3 Employee.

d. Each Local 3 Employee will have the opportunity after receipt of a Notice and before the Auto Enrollment Feature takes effect or before the first Auto Escalation Feature is triggered, as applicable, to make an election to opt out of participation in the Thrift Savings Plan or to contribute a different whole percentage of his or her Total Compensation. To be effective, Local 3 Employee elections must be received at least fourteen (14) days prior to the date the Auto Enrollment Feature or Auto Escalation Feature is triggered.

e. Following the applicable waiting period, if the Local 3 Employee has not made an election to opt out of participation at least fourteen (14) days prior to the date the Auto Enrollment Feature or Auto Escalation Feature is triggered, an amount equal to the applicable percentage of his or her Total Compensation will be withheld on a pre-tax basis and contributed to the Thrift Savings Plan.

f. Once a Local 3 Employee is enrolled, his or her Local 3 Employee contributions can only be distributed in accordance with the terms of the Thrift Savings Plan and federal tax laws.

Amendment Number 4

The following is the new language for the changes resulting from the Collective Bargaining Contract entered into in February 2017, between Orange and Rockland Utilities, Inc. ("O&R") and the International Brotherhood of Electrical Workers, IBEW, Local 503 (referred to in the Thrift Savings Plan as "O&R Hourly Employee"). When included in the Thrift Savings Plan document, each provision will be included in its proper **Article, Section**, and, if applicable, **Subsection**.

A. **Auto Enrollment and Auto Escalation for O&R Hourly Employees Hired on or After June 1, 2017**

i. Each O&R Hourly Employee, hired on or after June 1, 2017, will be automatically enrolled in the Thrift Savings Plan ("Auto Enrollment Feature") in the first payroll period, or as soon thereafter as administratively practicable, upon satisfaction of the 6-month Thrift Savings Plan eligibility requirement.

ii. The pre-tax contribution rate for such O&R Hourly Employee will be set to equal two (2%) percent of his or her straight-time pay.

iii. Employee contributions and Employer Matching Contributions will be invested in funds selected by the O&R Hourly Employee. Each O&R Hourly Employee will have access to all

investment fund options available under the Thrift Savings Plan. If no fund has been selected, Employee contributions and Employer Matching Contributions will be invested in the default investment option under the Thrift Savings Plan.

iv. Each O&R Hourly Employee will have an opportunity before becoming a Participant to opt out or elect a different contribution percentage of his or her straight-time pay. Once enrolled, each O&R Hourly Employee can prospectively opt out or elect a different contribution percentage of his or her straight-time pay.

B. **Auto Enrollment Feature for an O&R Hourly Employee Hired Before June 1, 2017 and Not Participating in the Thrift Savings Plan:**

i. Effective the first payroll period in July 2018, an O&R Hourly Employee hired before June 1, 2017, who is not participating in the 401(k) Formula in the Thrift Savings Plan, will be automatically enrolled in the Thrift Savings Plan.

ii. The pre-tax contribution rate for each O&R Hourly Employee hired before June 1, 2017, and not contributing will be set to equal two (2%) percent of his or her straight- time pay.

iii. Employee contributions and Employer Matching

Contributions will be invested in funds selected by the O&R Hourly Employee. He or she will have access to all investment fund options available under the Thrift Savings Plan. If no fund has been selected, Employee contributions and Employer Matching Contributions will be invested in the default investment option under the Thrift Savings Plan.

iv. Each O&R Hourly Employee will have the opportunity before July 1, 2018, to opt out of or elect a different contribution percentage of his or her straight-time pay. Once enrolled, each O&R Hourly Employee can prospectively opt out of or elect a different contribution percentage of his or her straight-time pay.

C. **Auto Escalation Feature:**

i. Effective with the first payroll period in June 1, 2018, or as soon thereafter as administratively practicable, each O&R Hourly Employee who is contributing at a rate of less than 2% will have his or her contribution rate increased to 2%.

ii. Each such O&R Hourly Employee will have the opportunity before June 1, 2018, to opt out of the Auto Escalation Feature or elect a different contribution percentage of his or her straight-time pay.

iii. Once enrolled in the Auto Escalation Feature, each O&R Hourly Employee can prospectively opt out or elect a

different contribution percentage of his or her straight-time pay.

iv. Effective with the first payroll period in June of 2019, or as soon thereafter as administratively practicable, and in each June thereafter, the contribution rate for each O&R Hourly Employee who has not opted out of the Auto Escalation Feature and is contributing less than ten (10%) percent to the Thrift Savings Plan will be automatically increased by one (1) percentage point, until the O&R Hourly Employee's rate reaches ten (10%) percent.

v. Each O&R Hourly Employee will have the opportunity to opt out of the Auto Escalation Feature. Once he or she opts out of the Auto Escalation Feature, he or she will no longer be subject to the Auto Escalation Feature.

D. **Notices about the Auto Enrollment Feature and the Auto Escalation Feature**

i. Each O&R Hourly Employee hired on or after June 1, 2017, will receive a Notice about the Auto Enrollment Feature within 60 days following his or her becoming eligible to participate in the Thrift Savings Plan.

ii. Each O&R Hourly Employee who was hired before June 1, 2017, and is not participating or is participating, but at a contribution rate of less than 2%, will receive a Notice

about the Auto Enrollment Feature or a Notice about the Auto Escalation Feature, respectively, no less than 60 days prior to July 1, 2018.

iii. Each O&R Hourly Employee will be given a Notice about the Auto Enrollment Feature and the Auto Escalation Feature prior to 60 days of the date the O&R Hourly Employee's automatic contribution or contribution increase commences. The Notices will explain his or her rights: (i) to opt out of participation in the Auto Enrollment Feature; (ii) to elect to have automatic contributions made at a different percentage; and (iii) how automatic contributions will be invested in the absence of any investment election by the O&R Hourly Employee.

iv. Each O&R Hourly Employee will have an opportunity, after receipt of a Notice and before the first scheduled date that the Auto Enrollment Feature or the Auto Escalation Feature, as applicable, becomes effective, to elect out of participation or to contribute a different percentage of his or her straight-time pay. To be effective, an O&R Hourly Employee's election to opt out or to contribute a different percentage must be received at least 14 days before the scheduled date that the Auto Enrollment Feature or the Auto Escalation Feature would otherwise apply to him or her.

v. If the O&R Hourly Employee has not made an election to opt-out of participation at least 14 days prior to the date

the Auto Enrollment Feature would apply to her or him, an amount equal to two (2%) percent of his or her straight-time pay will be withheld on a pre-tax basis and contributed to the Thrift Savings Plan.

vi. Once an O&R Hourly Employee becomes an O&R Hourly Participant, his or her O&R Hourly Employee contributions can only be distributed in accordance with the terms of the Thrift Savings Plan and federal tax laws.

vii. Employee contributions and Employer Matching Contributions will be invested in funds selected by the O&R Hourly Employee. Each O&R Hourly Employee will have access to all investment fund options available under the Thrift Savings Plan. If no fund has been selected, O&R Hourly Employee contributions and Employer Matching Contributions will be invested in the default investment option under the Thrift Savings Plan.

Amendment Number 5

Effective January 1, 2017, the amount of any Annual Variable Pay Award to be counted and included in the Employer Compensation Credit for a Management DCPF Participant has been increased from 25% to 36% of the Management DCPF Participant's rate of base annual salary or pay in effect as of December 31st of the Plan Year prior to the Plan Year in which the Annual Variable Pay Award is paid. The Section, Subsections

and provisions in the Defined Contribution Pension Formula that are affected by this limit are amended consistent with this limit.

Amendment Number 6

The Thrift Savings Plan did not previously and does not currently discriminate against same sex spouses. For the avoidance of doubt, whenever the term “Spouse” or “Surviving Spouse” is used it will include a same-sex spouse.

Amendment Number 7

Appendix A, Participating Employers, is amended by revising names of participating employers, date of participation, and, if applicable, date of termination from the Thrift Savings Plan as follows:

APPENDIX A
Participating Employers

A. List of Participating Employers

The following list sets forth the Participating Employers, the effective date of each Employer's participation, and the designation of those employees who will become Participants or continue their participation in the Plan.

Name of Company	**Effective Date of Participation in the 401(k) and 401(m) formula**	**Eligible Employees**	**Effective Date of Termination as Participating Employer**
Consolidated Edison Development, Inc.*	May 1, 1996	All otherwise Eligible Employees.	
Consolidated Edison Solutions, Inc.	May 1, 1997	All otherwise Eligible Employees.	
Consolidated Edison Communications, Inc.	February 1, 1999	All otherwise Eligible Employees.	March 16, 2006 all Eligible Employees
Consolidated Edison Energy, Inc.	March 1, 1998	All otherwise Eligible Employees.	
Orange and Rockland Utilities, Inc.	January 1, 2001	All otherwise Eligible Employees	
CED Operating Company, L.P.	June 1, 2000	Employees working at the Lakewood	May 8, 2008 all Eligible Employees

*Consolidated Edison Development, Inc. Consolidated Edison Development Inc., Consolidated Edison Energy Inc., and Consolidated Edison Solutions Inc., are each directly owned by “Con Edison Clean Energy Businesses, Inc.” which is a subsidiary of Consolidated Edison Inc. Competitive Shared Services is a wholly owned subsidiary of Consolidated Edison Energy, Inc. Effective January 1, 2018, Con Edison Clean Energy Businesses will be the single employer of the three named subsidiaries.

Name of Company	Effective Date of Participation in the 401(k) and 401(m) formula	Eligible Employees	Effective Date of Termination as Participating Employer
		Cogeneration Facility	
CED Operating Company, L.P.	June 1, 2000	Employees working at the Lakewood Cogeneration Facility	May 8, 2008 all Eligible Employees
Con Edison Transmission	January 1, 2017	Employees are eligible for the 401(k) formula, 401(m) formula	

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed on December 18 , 2017

/s/ Richard Bagwell

Vice President of Human Resources of

Consolidated Edison Company of New York, Inc.

And the Plan Administrator of the Thrift Savings Plan

Exhibit 10.1.8

DESCRIPTION OF DIRECTORS' COMPENSATION

The following tables show, effective as of December 31, 2017, the annual retainer amounts and committee meeting fees payable, in quarterly installments, to the members of the Board of Directors of Consolidated Edison, Inc. (the "Company") who were not employees of the Company or its subsidiaries:

	Amount
Annual Retainer[1]	$100,000
Lead Director Retainer	$35,000
Chair of Audit Committee Retainer[2]	$25,000
Member of Audit Committee Retainer (excluding the Audit Committee Chair)[3]	$10,000
Chair of Corporate Governance and Nominating Committee Retainer[4]	$10,000
Chair of Management Development and Compensation Committee Retainer	$15,000
Retainer for Chairs of: Environment, Health and Safety Committee; Finance Committee; and Operations Oversight Committee	$5,000
Acting Committee Chair Fee (where the regular Chair is absent)	$200
Audit Committee member fee (for each meeting of the Audit Committee attended)[5]	$2,000
Committee member fee (for each Committee meeting attended)[5]	$1,500
Annual equity award (deferred stock units)[6]	$135,000

Footnotes:
(1) Effective April 1, 2018, the annual retainer will be increased from $100,000 to $115,000.
(2) Effective April 1, 2018, the annual retainer for the Audit Committee Chair will be increased from $25,000 to $30,000.
(3) Effective April 1, 2018, the annual retainer for the members of the Audit Committee (excluding the Audit Committee Chair) will be increased from $10,000 to $15,000
(4) Effective April 1, 2018, the annual retainer for the Chair of the Corporate Governance and Nominating Committee will be increased from $10,000 to $15,000.
(5) Effective April 1, 2018, all Committee member fees will be eliminated.
(6) Effective April 1, 2018, the annual equity award will be increased from $135,000 to $150,000.

Non-employee Directors participate in the Company's Long Term Incentive Plan (the "LTIP"). Pursuant to the LTIP, each non-employee Director is allocated an annual equity award of $135,000 of deferred stock units on the first business day following the Annual Meeting. If a non-employee Director is first appointed to the Board after an annual meeting, his or her first annual equity award is pro rated.

Settlement of the annual equity awards of stock units are automatically deferred until the Director's termination of service from the Board of Directors. Each non-employee Director may elect to receive some or all of his or her annual equity awards of stock units on another date or to further defer any other prior annual equity award of stock units, including any related dividend equivalents earned on prior annual equity award of stock units, in accordance with the terms of the LTIP and Section 409A of the Internal Revenue Code.

Each non-employee Director may also elect to defer all or a portion of his or her retainers and meeting fees into additional deferred stock units, which are deferred until the Director's termination of service.

Dividend equivalents are payable on deferred stock units in the amount and at the time that dividends are paid on Company Common Stock and are credited in the form of additional deferred stock

units which are fully vested as of the date the dividends would have been paid to the Director or, at the Director's option, are paid in cash.

All payments on account of deferred stock units are made in shares of Company Common Stock. The LTIP provides that cash compensation deferred into stock units, the annual equity awards, and the dividend equivalents granted to non-employee Directors that are credited in the form of additional deferred stock units, are fully vested, and payable in a single one-time payment of whole shares (rounded to the nearest whole share) within sixty days following separation from Board service unless the director elected to defer distribution to another date.

The Company reimburses non-employee Directors for reasonable expenses incurred in attending Board and Committee meetings. No person who serves on both the Company's Board and on the Board of its subsidiary, Consolidated Edison Company of New York, Inc., and corresponding Committees, is paid additional compensation for concurrent service. Directors who are employees of the Company or its subsidiaries do not receive retainers, meeting fees, or annual equity award of deferred stock units for their service on the Board.

Members of the Board are also eligible to participate in the Company's Stock Purchase Plan ("Stock Purchase Plan").

Copies of the LTIP and the Company's Stock Purchase Plan, and amendments thereto, have been (or, as to amendments that may be adopted after the date of this description, will be) included as exhibits to the Company's Annual Report on Form 10-K or Quarterly Reports on Form 10-Q.

Exhibit 12.1

Consolidated Edison, Inc.
Ratio of Earnings to Fixed Charges
(Millions of Dollars)

	For the Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Earnings					
Net Income	$1,525	$1,245	$1,193	$1,092	$1,062
Preferred Stock Dividend	—	—	—	—	—
(Income) or Loss from Equity Investees	(32)	(28)	(34)	(27)	(6)
Minority Interest Loss	—	—	—	—	—
Income Tax	472	698	605	568	476
Pre-Tax Income	$1,965	$1,915	$1,764	$1,633	$1,532
Add: Fixed Charges*	766	730	701	636	764
Add: Distributed Income of Equity Investees	—	—	—	—	—
Subtract: Interest Capitalized	—	—	—	—	—
Subtract: Pre-Tax Preferred Stock Dividend Requirement	—	—	—	—	—
Earnings	**$2,731**	**$2,645**	**$2,465**	**$2,269**	**$2,296**
*** Fixed Charges**					
Interest on Long-term Debt	$713	$664	$618	$573	$562
Amortization of Debt Discount, Premium and Expense	13	14	14	14	16
Interest Capitalized	—	—	—	—	—
Other Interest	11	24	24	5	143
Interest Component of Rentals	29	28	45	44	43
Pre-Tax Preferred Stock Dividend Requirement	—	—	—	—	—
Fixed Charges	**$766**	**$730**	**$701**	**$636**	**$764**
Ratio of Earnings to Fixed Charges	3.6	3.6	3.5	3.6	3.0

Exhibit 12.2

Consolidated Edison Company of New York, Inc.
Ratio of Earnings to Fixed Charges
(Millions of Dollars)

	For the Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Earnings					
Net Income	$1,104	$1,056	$1,084	$1,058	$1,020
Preferred Stock Dividend	—	—	—	—	—
(Income) or Loss from Equity Investees	—	—	—	—	—
Minority Interest Loss	—	—	—	—	—
Income Tax	685	603	574	555	520
Pre-Tax Income	$1,789	$1,659	$1,658	$1,613	$1,540
Add: Fixed Charges*	657	634	629	580	564
Add: Distributed Income of Equity Investees	—	—	—	—	—
Subtract: Interest Capitalized	—	—	—	—	—
Subtract: Pre-Tax Preferred Stock Dividend Requirement	—	—	—	—	—
Earnings	**$2,446**	**$2,293**	**$2,287**	**$2,193**	**$2,104**
*** Fixed Charges**					
Interest on Long-term Debt	$602	$575	$553	$510	$496
Amortization of Debt Discount, Premium and Expense	13	13	14	13	15
Interest Capitalized	—	—	—	—	—
Other Interest	14	19	19	15	11
Interest Component of Rentals	28	27	43	42	42
Pre-Tax Preferred Stock Dividend Requirement	—	—	—	—	—
Fixed Charges	**$657**	**$634**	**$629**	**$580**	**$564**
Ratio of Earnings to Fixed Charges	3.7	3.6	3.6	3.8	3.7

Exhibit 21.1

CONSOLIDATED EDISON, INC.

SUBSIDIARIES

1. Consolidated Edison Company of New York, Inc. ("Con Edison of New York"), a New York corporation, wholly-owned by Consolidated Edison, Inc. ("Con Edison").

2. Orange and Rockland Utilities, Inc.("O&R"), a New York corporation, wholly-owned by Con Edison, and Rockland Electric Company, a New Jersey corporation, wholly-owned by O&R.

Pursuant to Item 601(b) (21) of Regulation S-K, the names of subsidiaries of Con Edison, which considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" (as defined under Rule 1-02(w) of Regulation S-X) as of December 31, 2017, have been omitted.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-192084, 333-206178) and Form S-8 (No. 333-197947, 333-108093, 333-190320) of Consolidated Edison, Inc. of our report dated February 15, 2018 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 15, 2018

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-206177) of Consolidated Edison Company of New York, Inc. of our report dated February 15, 2018 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 15, 2018

RESTATED CERTIFICATE OF INCORPORATION
OF
CONSOLIDATED EDISON, INC.

Under Section 807 of the Business Corporation Law

_____

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED DEC. 8, 1997

Filing Fee - $60
Tax - $28,000

Peter A. Irwin, Esq.
4 Irving Place
New York, New York 10003

Exhibit 3.1.1

RESTATED CERTIFICATE OF INCORPORATION
OF
CONSOLIDATED EDISON, INC.
under
Section 807 of the Business Corporation Law

The undersigned, being the Senior Vice President and Chief Financial Officer and the Senior Vice President, General Counsel and Secretary of Consolidated Edison, Inc., a New York corporation, DO HEREBY CERTIFY as follows:

1. The name of the corporation is Consolidated Edison, Inc.

2. The certificate of incorporation of the corporation was filed by the Department of State of the State of New York on September 3, 1997.

3. This restated certificate of incorporation was authorized by the board of directors of the corporation by unanimous written consent, dated December 5, 1997, followed by the unanimous written consent of the shareholder of the corporation, dated December 5, 1997.

4. The certificate of incorporation of the corporation is hereby amended, as authorized by the Business Corporation Law of the State of New York, to (i) increase the authorized number of Common Shares from 100 to 500,000,000; (ii) authorize the issuance of 6,000,000 Preferred Shares of the par value of $1.00 per share; and (iii) provide for the limitation of liability and indemnification of directors or officers, a maximum number of directors, removal of directors only for cause, amendment of the by-laws by the board of directors, shareholders not to have any preemptive rights and the required approval for certain transactions. The text of the certificate of incorporation of the corporation is hereby restated as so amended to read as follows:

FIRST. The name of the corporation is Consolidated Edison, Inc. (the "Company").

SECOND. The purpose for which the Company is formed is to engage in any lawful act or activity for which corporations may be organized under the Business Corporation Law of the State of New York; provided, however, that the Company is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency, or other body without such consent or approval first being obtained.

THIRD. The office of the Company in the State of New York is to be located in the County of New York, State of New York.

FOURTH. Authorized Shares.

1. The aggregate number of shares which the Company shall have authority to issue is 506,000,000, of which 6,000,000 shares of the par value of $1.00 per share shall be designated "Preferred Shares" and 500,000,000 shares of the par value of $.10 per share shall be designated "Common Shares."

2. Authority is hereby expressly granted to the Board of Directors of this Company from time to time to issue the Preferred Shares as Preferred Shares of any series and, in connection with the creation of each such series, to fix by resolution or resolutions providing for the issuance thereof the number of shares of such series, and the designations, relative rights, preferences, and limitations of such series, including provisions for sharing dividends and other distributions of assets with other series of Preferred Shares in the event that dividends and amounts payable on liquidation are not paid in full, to the full extent now or hereafter permitted by the law of the State of New York, except that that holders of Preferred Shares shall not be entitled to more than one vote for each share of Preferred Shares held. The Preferred Shares shall have no voting rights except as fixed by the Board of Directors pursuant to this paragraph and as otherwise required by applicable law.

FIFTH. The Secretary of State of the State of New York is hereby designated as the agent of the Company upon whom process against it may be served, and the post office address to which the Secretary of State shall mail a copy of any process against the Company which may be served upon him or her is: Consolidated Edison, Inc., 4 Irving Place, New York, New York 10003; Attention: Corporate Secretary.

SIXTH. Except to the extent limitation of liability or indemnification is not permitted by applicable law: (i) a Director or officer of the Company shall not be liable to the Company or any of its shareholders for damages for any breach of duty in such capacity, and (ii) the Company shall fully indemnify any person made, or threatened to be made, a party to an action or proceeding, whether civil or criminal, including an investigative, administrative or legislative proceeding, and including an action by or in the right of the Company or any other corporation of any type or kind, domestic or foreign, or any partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise ("Other Enterprise"), by reason of the fact that the person, or the testator or intestate of the person, is or was a Director or officer of the Company, or is or was serving at the request of the Company any Other Enterprise as a director, officer or in any other capacity, against any and all damages incurred as a result of or in connection with such action or proceeding or any appeal thereof, and, except in the case of an action or proceeding specifically approved by the Board of Directors of the Company, the Company shall pay expenses incurred by or on behalf of such person in defending such action or proceeding or any appeal thereof in advance of the final disposition

thereof promptly upon receipt by the Company, from time to time, of a written demand of the person for the advancement, together with an undertaking by or on behalf of the person to repay any expenses so advanced to the extent that the person is ultimately found not to be entitled to indemnification for the expenses. For purposes of this Article Sixth, "damages" shall mean judgments, fines, amounts paid in settlement, penalties, punitive damages, excise or other taxes assessed with respect to an employee benefit plan and reasonable expenses, including attorneys' fees and disbursements actually and necessarily incurred. This Article Sixth shall be deemed to constitute contractual obligations of the Company, subject to any amendment of this Certificate of Incorporation, and shall not limit or exclude, but shall be in addition to, any other rights which may be granted by or pursuant to any statute, certificate of incorporation, by-law, resolution or agreement. Any repeal or modification of this Article Sixth shall not adversely affect any limitation of liability or right, indemnity, immunity or protection of a Director or officer of the Company or other person existing hereunder with respect to any act or omission occurring prior to the repeal or modification. The Company may, if authorized by the Board of Directors, enter into an agreement with any person who is, or is about to become, a Director or officer of the Company, or who is serving, or is about to serve, at the request of the Company, any Other Enterprise as a director, officer or in any other capacity, which agreement may provide for indemnification of the person and advancement of defense expenses to the person upon such terms, and to the extent, as may be permitted by law. It is the intent of this Article Sixth to require the Company to indemnify the persons referred to herein for the aforementioned damages, in each and every circumstance in which such indemnification could lawfully be permitted by an express provision of this Certificate of Incorporation, and the indemnification required by this Article Sixth shall not be limited by the absence of an express recital of the circumstances.

SEVENTH. The number of Directors of the Company shall be not more than 16, the exact number of the Directors to be determined from time to time solely by the affirmative vote of a majority of the total number of Directors the Company would have if there were no vacancies in the Board of Directors. A Director may be removed from office only for cause, except that any Director elected by a series of Preferred Shares may be removed upon such terms as may be fixed by the Board of Directors in connection with the creation of the series of Preferred Shares pursuant to Article Fourth hereof.

EIGHTH. The By-laws of the Company may be adopted, amended or repealed by the affirmative vote of a majority of the Directors then in office.

NINTH. No holder of shares of the Company of any class shall have any preemptive right to purchase or subscribe for any part of the shares of the Company or of any shares of the Company to be issued by reason of any increase of the authorized shares of the Company, or to purchase or subscribe for any bonds, certificates of indebtedness, debentures or other securities convertible into or carrying rights, options or warrants to purchase shares of the

Company or to purchase or subscribe for any shares of the Company purchased by or on behalf of the Company, or to have any preemptive rights as now or hereafter defined by applicable law.

TENTH. Except as otherwise required by applicable law, the approval of the Board of Directors followed by the affirmative vote of a majority of all outstanding shares of the Company entitled to vote thereon shall be required for (i) a merger or consolidation to which the Company is a party, other than a merger between the Company and a subsidiary of the Company for which authorization by the shareholders of the Company is not required by applicable law; (ii) the sale, lease, exchange or other disposition of all or substantially all the assets of the Company; or (iii) a binding share exchange to which the Company is a party.

IN WITNESS WHEREOF, we have made, signed, and subscribed this restated certificate of incorporation this 5th day of December 1997 and affirm that the statements contained herein are true under the penalties of perjury.

/s/ Joan S. Freilich
Senior Vice President and
Chief Financial Officer

/s/ Peter J. O'Shea, Jr.
Senior Vice President,
General Counsel and Secretary

Exhibit 31.1.1

CERTIFICATIONS

I, John McAvoy, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Consolidated Edison, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2018

/s/ John McAvoy

John McAvoy

Chairman, President and Chief Executive Officer

Exhibit 31.1.2

CERTIFICATIONS

I, Robert Hoglund, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Consolidated Edison, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2018

/s/ Robert Hoglund

Robert Hoglund

Senior Vice President and Chief Financial Officer

Exhibit 31.2.1

CERTIFICATIONS

I, John McAvoy, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Consolidated Edison Company of New York, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2018

/s/ John McAvoy

John McAvoy

Chairman and Chief Executive Officer

Exhibit 31.2.2

CERTIFICATIONS

I, Robert Hoglund, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Consolidated Edison Company of New York, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2018

/s/ Robert Hoglund

Robert Hoglund

Senior Vice President and Chief Financial Officer

RESTATED CERTFICATE OF INCORPORATION

OF

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Under Section 807 of the Business Corporation Law

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED DEC. 31, 1984
Filing Fee --- $60
Tax --- None

Travis F. Epes, Esq.
Consolidated Edison Company
of New York, Inc.
4 Irving Place
New York, New York 10003

RESTATED CERTIFICATE OF INCORPORATION

OF

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Under Section 807 of the Business Corporation Law

1. The name of the Company is Consolidated Edison Company of New York, Inc. It was originally incorporated under the name of Consolidated Gas Company of New York.

2. The Certificate of Incorporation of the Company (being the Consolidation Agreement dated September 29, 1884, pursuant to which it was organized) was filed in the Office of the Secretary of State of the State of New York on November 10, 1884. A Restated Certificate of Incorporation of the Company was filed by the Department of State of the State of New York on February 18, 1970.

3. The restatement of the Certificate of Incorporation, as hereinafter set forth, was authorized by the Board of Trustees of the Company.

4. The text of the Certificate of Incorporation of the Company is hereby restated without amendment or change to read in full as follows:

"FIRST: The name of the Company shall be Consolidated Edison Company of New York, Inc.

SECOND: The Company shall be a gas and electric corporation within the meaning of Article 2 of the Transportation Corporations Law and shall have and may exercise all the powers of such a corporation.

THIRD: The total number of shares which the Company is authorized to issue is 180,165,319, of which 1,915,319 shares shall be $5 Cumulative Preferred Stock, without par value, 6,000,000 shares shall be Cumulative Preferred Stock with a par value of $100 a share, 2,250,000 shares shall be Cumulative Preference Stock with a par value of $100 a share, and 170,000,000 shares shall be Common Stock with a par value of $5 a share.

FOURTH: The capital of the Company shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus Twenty Dollars in respect to every share issued without par value, plus such amounts as, from time to time, by resolution of the Board of Trustees, may be transferred thereto.

The capital of the Company shall be not less than $404,530,467.

FIFTH: The designations, preferences, privileges, and voting powers of the shares of each class and the restrictions or qualifications thereof are as follows:

A. ***$5 Cumulative Preferred Stock (Without Par Value)***

I. The $5 Cumulative Preferred Stock shall be entitled to receive, when and as declared from surplus or net profits, dividends at the rate of Five Dollars a share per annum, and no more, which dividends shall be cumulative from the dividend date next preceding the date of issue of the respective shares (or from the date of issue, if that be a dividend date) and shall be payable quarterly on the first day of each of the months of February, May, August and November in each year; provided, that the dividend payable on May 1, 1927, shall be sixty-one cents a share, only. After dividends on the $5 Cumulative Preferred Stock shall have been paid at the rate herein provided, and after dividends on any preferred stock of any class ranking equally with the $5 Cumulative Preferred Stock with respect to priority in the payment of dividends shall have been paid at the rate provided with respect to such stock, but not prior thereto, any other preferred stock and the Common Stock, shall be entitled to receive all sums which may be distributed as dividends in excess of the said dividends on the $5 Cumulative Preferred Stock and the preferred stock of any class ranking equally therewith in accordance with the provisions governing their respective rights thereto.

II. Upon any liquidation or distribution of capital assets, the $5 Cumulative Preferred Stock shall be entitled to receive $100 a share and, in addition thereto, a sum equivalent to all unpaid dividends accumulated thereon, and any preferred stock of any class ranking equally with the $5 Cumulative Preferred Stock in the distribution of capital assets shall be entitled to receive an equivalent amount, before any distribution shall be made to any other preferred stock or the Common Stock, which shall be entitled to receive all the remainder of such capital assets so distributed in accordance with the provisions governing their respective rights thereto.

III. The Company shall have the right to redeem the $5 Cumulative Preferred Stock on any dividend date, either in whole or in such portions as, from time to time, the Board of Trustees may determine, upon the payment of the sum of $105 a share and the amount of all unpaid dividends accumulated thereon to the date fixed for such redemption; provided, that, if less than all the outstanding shares of $5 Cumulative Preferred Stock shall be redeemed at any time, the shares to be redeemed shall be selected in such manner as the Board of Trustees may determine. At least thirty days' notice in advance of such redemption shall be mailed to each holder of $5 Cumulative Preferred Stock so to be redeemed at his address registered with the Company, and, if less than all the outstanding shares of $5 Cumulative Preferred Stock owned by such stockholder is to be then redeemed, the notice shall specify the number of shares thereof which are to be redeemed. On or before the date fixed for such redemption, the Company shall deposit, in trust, with such bank or trust company, in the Borough of Manhattan, City and State of New York, as may be designated by the Board of Trustees, a sum in cash sufficient to redeem, and for the purpose of redeeming, all shares of $5 Cumulative Preferred Stock designated for redemption on such date; and, on and after the said date (unless default shall be made by the Company in the deposit of cash for the redemption of the said shares, as herein provided), the shares so designated for redemption shall cease to be entitled to further dividends and the respective holders thereof shall have no other right or interest therein or in the Company by reason of the ownership of such shares, except to receive payment therefor at the said redemption price, upon presentation and surrender of their respective certificates representing the same. ln order to facilitate the redemption of shares of $5 Cumulative Preferred Stock, the Board of Trustees shall be authorized to cause the transfer books of the Company to be closed as to any share or shares designated for redemption as herein provided, and to make and enforce any and all such reasonable regulations, not inconsistent herewith, governing the manner of redemption as the Board of Trustees, in its discretion, may deem advisable.

IV. After the issue of the first 1,200,000 shares of $5 Cumulative Preferred Stock, the Company shall not at any time issue any additional shares of the said stock or any shares of any preferred stock of any class ranking equally with the $5 Cumulative Preferred

Stock with respect to priority either in the payment of dividends or in the distribution of capital assets (hereinafter referred to as "co-ordinate stock"), unless, after the payment of all interest charges, the consolidated net earnings of the Company and its affiliated companies for the fiscal year ending next prior to the date of issue of such additional shares, or as the case may be, of any shares of co-ordinate stock, shall have been at least equal to three times the annual dividend requirements on the aggregate number of shares of $5 Cumulative Preferred Stock and of any and all shares of co-ordinate stock which shall be outstanding immediately after such issue of additional shares of $5 Cumulative Preferred Stock, or shares of coordinate stock.

The term, "affiliated companies," as used herein, shall mean any and all corporations, at least ninety per cent of the outstanding shares of stock of which shall be owned by the Company (each of which corporations, the stock of which is so owned, is herein referred to as a "constituent company"), and shall also include any and all corporations at least ninety per cent of the outstanding shares of stock of which shall be owned by one or more constituent companies or by the Company and one or more constituent companies (each of which corporations, the stock of which is so owned, is herein referred to as a "subsidiary company"), and shall also include any and all corporations, at least ninety per cent of the outstanding shares of stock of which shall be owned by one or more subsidiary companies, or by the Company and one or more subsidiary companies, or by one or more constituent companies and one or more subsidiary companies, or by the Company and one or more constituent companies and one or more subsidiary companies.

V. No holder of any $5 Cumulative Preferred Stock, outstanding from time to time, shall, as such holder, have any preemptive right in, or right to purchase or subscribe for, any additional shares of the said stock, or any shares of any other class of stock, which may at any time be issued by the Company, or any bonds, debentures or other securities convertible into shares of stock of any class.

VI. So long as any shares of $5 Cumulative Preferred Stock remain outstanding, no stock of any class shall be created by the Company ranking prior to the $5 Cumulative Preferred Stock with respect to either the payment of dividends or the distribution of

capital assets; provided, that, anything herein contained to the contrary notwithstanding, the Company shall at all times have the right to create, in the manner provided by law from time to time, one or more other classes of stock ranking equally with the $5 Cumulative Preferred Stock in either or both such respects.

B. ***Cumulative Preferred Stock ($100 Par Value)***

The shares of the Cumulative Preferred Stock may be issued from time to time in series. The Board of Trustees is authorized to fix from time to time before issuance the designations, preferences, privileges and voting powers of the shares of each series of the Cumulative Preferred Stock, and the restrictions or qualifications thereof, respectively, except for such provisions as are applicable to all shares of the Cumulative Preferred Stock irrespective of series, and except that until the $5 Cumulative Preferred Stock shall have been redeemed in accordance with its terms, the designations, preferences, privileges and voting powers, and the restrictions and qualifications, granted to or imposed upon any series of the Cumulative Preferred Stock shall have no effect whatever on the $5 Cumulative Preferred Stock, which shall retain its present rights and shall be and remain superior in all respects to the Cumulative Preferred Stock provided, however, that one or more series of Cumulative Preferred Stock may rank equally with the $5 Cumulative Preferred Stock with respect to priority in the payment of dividends and in the distribution of capital assets if such equally ranking Cumulative Preferred Stock may properly be issued in compliance with the terms contained in the statement of designations, preferences, privileges, and voting powers, or restrictions or qualifications of the $5 Cumulative Preferred Stock relating to the Company's right to issue shares of preferred stock ranking equally with the $5 Cumulative Preferred Stock, but in such event any series of Cumulative Preferred Stock theretofore or thereafter issued shall rank equally with such one or more series of Cumulative Preferred Stock and shall also comply or have complied with such terms.

Subject to the limitations hereinafter stated, the shares of the Cumulative Preferred Stock may be issued in any such one or more series as may be fixed from time to time by the Board of Trustees, each of such series to be distinctively designated. All shares of any one series of Cumulative Preferred Stock shall be alike in every

particular, and the shares of all series shall rank equally and be identical in all respects, except in respect to the matters set forth in the following paragraphs numbered (1) to (8), inclusive:

(1) Designation of series;

(2) The dividend rate;

(3) The date from which dividends shall be cumulative and the dates on which dividends, if declared, shall be payable;

(4) The sum per share payable upon the voluntary dissolution, liquidation or winding up of the Company and the sum payable per share upon the involuntary dissolution, liquidation or winding up of the Company, which sums, in each and every case, shall be a stated amount (not less than $100) with respect to dissolution, liquidation or winding up during any specified period or periods, plus an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared, and payable out of the net assets of the Company, whether capital or surplus;

(5) Whether or not the shares of each series shall be redeemable, and if made redeemable, the redemption price or prices per share, which prices, in each and every case, shall be a stated amount with respect to redemption during any specified period or periods, plus an amount equal to the dividends accrued and unpaid thereon to the date fixed for redemption, whether or not earned or declared;

(6) Whether or not the shares of each series shall be made convertible into or exchangeable for other securities of the Company, and if made convertible or exchangeable, the price or prices or the rate or rates of conversion or exchange, and the adjustments, if any, at which such conversion or exchange may be made;

(7) Whether or not there shall be a sinking fund, or other fund analogous thereto, with respect to the shares of each series and the terms and provisions of such fund, if any; and

(8) Any other relative, participating, optional or other rights, preferences, privileges, restrictions or qualifications of the shares of each series, not inconsistent with the provisions applicable to all shares of the Cumulative Preferred Stock irrespective of series.

Provisions Applicable to All Series of Cumulative Preferred Stock ($100 Par Value)

The following provisions shall apply to all shares of the Cumulative Preferred Stock irrespective of series:

(1) The holders of the Cumulative Preferred Stock of each series shall be entitled to receive, but only when, as and if declared by the Board of Trustees, dividends at the rate fixed for such series and no more. Such dividends shall be payable on such dividend dates as may be fixed for said series and shall be cumulative from such date as may be fixed. All dividends accrued on the Cumulative Preferred Stock shall be fully paid, or declared and set apart for payment, before any dividends on the common stock shall be paid or set apart for payment so that if, for all prior dividend periods and the then current dividend period, dividends on all outstanding shares of Cumulative Preferred Stock at the rates fixed for the respective series shall not have been paid, or declared and set apart for payment, the deficiency shall be fully paid, or declared and set apart for payment, before any dividends shall be paid or set apart for payment on any common stock of the Company. Accruals of dividends shall not bear interest.

(2) Upon any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, the holders of the Cumulative Preferred Stock of each and every series then outstanding shall be entitled to receive out of the net assets of the Company, whether capital or surplus, the sums per share fixed for the shares of the respective series and payable upon such dissolution, liquidation or winding up, plus, in the case of each share, an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared, before any distribution of the assets of the Company shall be made to the holders of the common stock.

If the assets distributable on such dissolution, liquidation or winding up shall be insufficient to permit the payment to the holders of the Cumulative Preferred Stock of the full amounts to which they respectively are entitled as aforesaid, then said assets shall be distributed ratably among the holders of the respective series of Cumulative Preferred Stock in proportion

to the amounts which would be payable on such dissolution, liquidation or winding up if all such amounts were paid in full in preference and priority over the shares of the common stock.

After payment to the holders of the Cumulative Preferred Stock of the full amounts to which they respectively are entitled as aforesaid, the holders of the Cumulative Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

The sale, conveyance, exchange or transfer of all or substantially all of the property of the Company, or the merger or consolidation into or with any other corporation, shall not be deemed a dissolution, liquidation or winding up for the purposes hereof.

(3) At the option of the Board of Trustees of the Company, the Company may redeem any series of Cumulative Preferred Stock which has been made redeemable, either as a whole or in part, at the redemption price determined for such series; provided, however, that not less than thirty nor more than sixty days previous to the date fixed for redemption a notice of the time and place thereof shall be given to the holders of record of the Cumulative Preferred Stock so to be redeemed, by mail or publication, in such manner as may be prescribed by resolution of the Board of Trustees; and, provided, further, that in every case of redemption of less than all of the outstanding shares of any one series of Cumulative Preferred Stock, such redemption shall be made pro rata, or the shares of such series to be redeemed shall be chosen by lot in such manner as may be prescribed by resolution of the Board of Trustees. At any time after notice of redemption has been given as aforesaid to the holders of stock so to be redeemed, or after giving to the bank or trust company hereinafter referred to irrevocable authorization to give such notice, the Company may deposit the aggregate redemption price with a bank or trust company having its principal office in The City of New York, State of New York, payable on the date fixed for redemption as aforesaid and in the amounts aforesaid to the respective orders of the holders of the shares so to be redeemed, upon endorsement to the Company or otherwise, as may be required, and upon surrender of the certificates for such shares. Upon deposit of said money as

aforesaid, or, if no such deposit is made, upon the date fixed for redemption (unless the Company defaults in making payment of the redemption price as set forth in such notice), such holders shall cease to be stockholders with respect to said shares, and from and after the making of said deposit, or, if no such deposit is made, from and after the date fixed for redemption (the Company not having defaulted in making payment of the redemption price as set forth in such notice), said shares shall not be deemed to be outstanding and such holders shall have no interest in or claim against the Company with respect to said shares, but shall be entitled only to receive said moneys on the date fixed for redemption as aforesaid from said bank or trust company, or from the Company, as the case may be, without interest thereon, upon endorsement to the Company or otherwise, as may be required, and upon surrender of the certificates for such shares, as aforesaid.

In case the holder of any such Cumulative Preferred Stock which shall have been called for redemption shall not, within six years after said deposit, claim the amount deposited as above stated for the redemption thereof, such bank or trust company shall upon demand pay over to the Company such unclaimed amount and such bank or trust company shall thereupon be relieved from all responsibility to such holders, and such holder shall look only to the Company for the payment thereof. Any interest accrued on any funds so deposited shall belong to the Company.

Nothing herein contained shall limit any legal right of the Company to purchase or otherwise acquire any shares of the Cumulative Preferred Stock.

(4) So long as any shares of the Cumulative Preferred Stock of any series are outstanding, the Company shall not, without the consent given either in writing or by vote at a meeting called for that purpose in the manner prescribed by the by-laws of the Company by the holders of record of at least a majority of the total number of shares of the Cumulative Preferred Stock of all series then outstanding be a party to any consolidation or merger with any corporation, except a consolidation or merger as a result of which none of the rights or preferences of the Cumulative Preferred Stock will be adversely

affected and the corporation resulting from such consolidation or merger will have outstanding, after such consolidation or merger, no class of shares or other securities (except shares or other securities in no greater amount and having no greater priorities, preferences or rights than the shares or other securities of the Company outstanding immediately preceding such consolidation or merger) ranking prior to or equally with the Cumulative Preferred Stock.

(5) So long as any shares of the Cumulative Preferred Stock of any series are outstanding, the Company shall not, without the consent given either in writing or by vote at a meeting called for that purpose in the manner prescribed by the by-laws of the Company by the holders of record of at least two-thirds the total number of shares of the Cumulative Preferred Stock of all series then outstanding:

(a) Create or authorize any kind of stock ranking prior to the Cumulative Preferred Stock with respect to the payment of dividends or upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or create or authorize any obligation or securities convertible into shares of any such kind of stock.

(b) Amend, alter, change or repeal any of the express terms of the Cumulative Preferred Stock so as to affect the holders thereof adversely.

(6) So long as any shares of the Cumulative Preferred Stock of any series are outstanding, the Company shall not classify or reclassify outstanding shares of any series of the Cumulative Preferred Stock so as to affect the holders of any series adversely without the consent given either in writing or by vote at a meeting called for that purpose in the manner prescribed by the by-laws of the Company by the holders of record of at least two-thirds of the total number of shares of each such series then outstanding so affected adversely.

(7) No holder of the Cumulative Preferred Stock of the Company shall have any preemptive right to purchase or subscribe for any part of the unissued stock of the Company or of any stock of the Company to be issued by reason of any increase of the authorized capital stock of the Company, or to

purchase or subscribe for any bonds, certificates of indebtedness, debentures or other securities convertible into or carrying options or warrants to purchase stock or other securities of the Company or to purchase or subscribe for any stock of the Company purchased by the Company or by its nominee or nominees, or to have any other preemptive rights as now or hereafter defined by the laws of the State of New York.

(8) Except as and to the extent otherwise provided by this Certificate, the Cumulative Preferred Stock shall not entitle any holder thereof to vote at any meeting of stockholders or election of the Company, or otherwise to participate in any action taken by the Company or the stockholders thereof, and, except as aforesaid, the holders of the Cumulative Preferred Stock are hereby specifically excluded by this Certificate from the right to vote in any proceeding for mortgaging the property and franchises of the Company, for guaranteeing the obligations of another corporation, for sale of the franchises and property for consolidation, for voluntary dissolution, or for change of name; provided, however, that, after such time as the $5 Cumulative Preferred Stock shall no longer be outstanding, the Cumulative Preferred Stock shall entitle any holder thereof to one vote for each share of Cumulative Preferred Stock held at any meeting of the stockholders or election of the Company and, in addition, whenever dividends payable on the Cumulative Preferred Stock shall be in default in an aggregate amount equivalent to four full quarterly dividends on all shares of such Cumulative Preferred Stock then outstanding, the holders of shares of the Cumulative Preferred Stock, voting separately as a class and regardless of series, shall be entitled to elect one less than a majority of the Board of Trustees, as then constituted, and, whenever dividends payable on the Cumulative Preferred Stock shall be in default in an aggregate amount equivalent to eight full quarterly dividends on all shares of such Cumulative Preferred Stock then outstanding, the holders of shares of the Cumulative Preferred Stock voting separately as a class and regardless of series shall be entitled to elect a majority of the Board of Trustees, as then constituted, in each case at the next annual meeting following the accrual of such voting rights, and the holders of the common stock of the Company shall be entitled, voting separately as a class, to elect the remainder of the Board of Trustees of the Company as then constituted. The right of the holders of the Cumulative Preferred Stock, voting separately as a class, to elect members of the Board of Trustees of the Company as aforesaid shall continue until such time as all dividends accumulated on the Cumulative Preferred Stock shall have been paid in full, or declared and set apart for payment (and such dividends shall be paid, or declared and set apart for payment, out of assets available therefor as soon as is reasonably practicable), at which time the right of the holders of shares of the Cumulative Preferred Stock, voting separately as a class, to elect members of the Board of Trustees as aforesaid and the right of the holders of the common stock of the Company, voting separately as a class, to elect the remainder of

the Board of Trustees as aforesaid shall terminate, subject to revesting in the event of each and every subsequent default of the character above-named. Upon termination of the right of the holders of shares of the Cumulative Preferred Stock, voting separately as a class, to elect members of the Board of Trustees, the terms of office of all persons who may have been elected trustees of the Company by vote of the holders of the Cumulative Preferred Stock, voting separately as a class, shall forthwith terminate.

At any annual meeting held for the purpose of electing trustees when the holders of the Cumulative Preferred Stock shall be entitled to elect members of the Board of Trustees as aforesaid, the presence in person or by proxy of the holders of a majority of the total number of outstanding shares of common stock of the Company shall be required to constitute a quorum of such class for the election of trustees by such class, and the percent in person or by proxy of the holders of a majority of the total number of outstanding shares of the Cumulative Preferred Stock shall be required to constitute a quorum of such class for the election of trustees by such class; provided, however, that a majority of those holders of the stock of either such classes who are presence in person or by proxy shall have power to adjourn such meeting for the election of trustees by such class from time to time without notice other than announcement at the meeting.

In case of any vacancy in the office of a trustee occurring among the trustees elected by the holders of the Cumulative

Preferred Stock as aforesaid, or of a successor to any such trustee, the remaining trustees so elected may elect, by affirmative vote of a majority thereof, or by the affirmative vote of the remaining trustee so elected if there be but one, a successor or successors to hold office for the unexpired term of the trustee or trustees whose place or places shall be vacant, and such successor or successors shall be deemed to have been elected by the holders of the Cumulative Preferred Stock as aforesaid. Likewise, in case of any vacancy in the office of a trustee occurring (at a time when the holders of the Cumulative Preferred Stock shall be entitled to elect members of the Board of Trustees as aforesaid) among the trustees elected by the holders of the common stock of the Company, or of a successor to any such trustee, the remaining trustees so elected may elect, by affirmative vote of a majority thereof, or by the affirmative vote of the remaining trustees so elected if there be but one, a successor or successors to hold office for the unexpired term of the trustee or trustees whose place or places shall be vacant, and such successor or successors shall be deemed to have been elected by the holders of the common stock of the Company.

Except as herein otherwise expressly provided and except when some mandatory provision of law shall be controlling and, as regards the special rights of any series of the Cumulative Preferred Stock, as provided in the resolutions creating such series, whenever shares of two or more series of the Cumulative Preferred Stock are outstanding, no particular series of the Cumulative Preferred Stock shall be entitled to vote as a separate series on any matter and all shares of the Cumulative Preferred Stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the stockholders of the Company by classes may now or hereafter be required.

Cumulative Preferred Stock, 5¾ % Series A ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preferred Stock, 5 ¾% Series A (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock irrespective of series) as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 5¾% Series A, and shall consist of 600,000 shares.

(2) The dividend rate on the shares of the Cumulative Preferred Stock, 5¾% Series A, shall be $5.75 per share per annum, such dividends shall be fully cumulative from the date of issuance thereof and shall be payable quarterly on the first days of February, May, August and November in each year commencing on the dividend payment date next following the date of issuance.

(3) The redemption price of the shares of the Cumulative Preferred Stock, 5¾% Series A, shall be $110 per share if redeemed prior to February 1, 1967; $107 per share if redeemed thereafter and prior to February 1, 1972; $105 per share if redeemed thereafter and prior to February 1, 1977; such price declining 50¢ per share on February 1, 1977 and on each February 1 thereafter to $102 per share on and after February 1, 1982; plus, in each case, an amount equal to dividends accrued to the redemption date; provided, however, that the Company will not prior to February 1, 1967 redeem any shares of the Cumulative Preferred Stock, 5¾% Series A, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the Cumulative Preferred Stock, 5 ¾% Series A, if such borrowed funds have an interest rate or cost to the Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to the Company (so calculated), less than the dividend rate per annum of the Cumulative Preferred Stock, 5¾% Series A.

(4) The liquidation price of the shares of the Cumulative Preferred Stock, 5¾% Series A, in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(5) The Cumulative Preferred Stock, 5¾% Series A, shall rank equally with the $5 Cumulative Preferred Stock of the

Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute "co-ordinate stock."

(6) The share of Cumulative Preferred Stock, 5¾% Series A, shall not be convertible into or exchangeable for other securities of the Company.

(7) There shall be no sinking fund with respect to the shares of Cumulative Preferred Stock, 5¾% Series A.

(8) So long as any shares of Cumulative Preferred Stock, 5¾% Series A, are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

Cumulative Preferred Stock, 5¼% Series B ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preferred Stock, 5¼% Series B (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series) as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 5¼% Series B, and shall consist of 750,000 shares.

(2) The dividend rate on the shares of the Cumulative Preferred Stock, 5¼% Series B, shall be $5.25 per share per annum, such dividends shall be fully cumulative from the date of issuance thereof and shall be payable quarterly on the first days of February, May, August and November in each year commencing on the dividend payment date next following the date of issuance.

(3) The redemption price of the shares of the Cumulative Preferred Stock, 5¼% Series B, shall be $110 per share if redeemed prior to February 1, 1968; $107 per share if redeemed thereafter and prior to February 1, 1973; $105 per share if redeemed thereafter and prior to February 1, 1978; such price declining 50¢ per share on February 1, 1978 and on each February 1 thereafter to $102 per share on and after February

1, 1983; plus, in each case, an amount equal to dividends accrued to the redemption date; provided, however, that the Company will not prior to February 1, 1968 redeem any shares of the Cumulative Preferred Stock, 5¼% Series B, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the Cumulative Preferred Stock, 5¼% Series B, if such borrowed funds have an interest rate or cost to the Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to the Company (so calculated), less than the dividend rate per annum of the Cumulative Preferred Stock, 5¼% Series B.

(4) The liquidation price of the shares of the Cumulative Preferred Stock, 5¼% Series B, in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(5) The Cumulative Preferred Stock, 5¼% Series B, shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute “co-ordinate stock.”

(6) The shares of Cumulative Preferred Stock, 5¼% Series B, shall not be convertible into or exchangeable for other securities of the Company.

(7) There shall be no sinking fund with respect to the shares of Cumulative Preferred Stock, 5¼% Series B.

(8) So long as any shares of Cumulative Preferred Stock, 5¼% Series B, are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

Cumulative Preferred Stock, 4.65% Series C ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preferred Stock, 4.65% Series C (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series) as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 4.65% Series C, and shall consist of 600,000 shares.

(2) The dividend rate on the shares of the Cumulative Preferred Stock, 4.65% Series C, shall be $4.65 per share per annum; such dividends shall be fully cumulative from June 18, 1964 and shall be payable quarterly on the first days of February, May, August and November in each year commencing November 1, 1964.

(3) The shares of the Cumulative Preferred Stock, 4.65% Series C, shall be redeemable at $105.00 per share if redeemed prior to August 1, 1969; $103.50 per share if redeemed thereafter and prior to August 1, 1974; $102.25 per share if redeemed thereafter and prior to August l, 1979 and $101.00 per share if redeemed thereafter; plus, in each case, an amount equal to dividends accrued to the redemption date; provided, however, that the Company will not prior to August 1, 1969 redeem any shares of the Cumulative Preferred Stock, 4.65% Series C, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the Cumulative Preferred Stock, 4.65% Series C, if such borrowed funds have an interest rate or cost to the Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to the Company (so calculated), less than the dividend rate per annum of the Cumulative Preferred Stock, 4.65% Series C.

(4) The liquidation price of the shares of the Cumulative Preferred Stock, 4.65% Series C, in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such

voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(5) The Cumulative Preferred Stock, 4.65% Series C, shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute "co-ordinate stock."

(6) The shares of Cumulative Preferred Stock, 4.65% Series C, shall not be convertible into or exchangeable for other securities of the Company.

(7) There shall be no sinking fund with respect to the shares of Cumulative Preferred Stock, 4.65% Series C.

(8) So long as any shares of Cumulative Preferred Stock, 4.65% Series C, are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

Cumulative Preferred Stock, 4.65% Series D ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preferred Stock, 4.65% Series D (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series) as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 4.65% Series D, and shall consist of 750,000 shares.

(2) The dividend rate on the shares of the Cumulative Preferred Stock, 4.65% Series D shall be $4.65 per share per annum; such dividends shall be fully cumulative from June 17, 1965 and shall be payable quarterly on the first days of February, May, August and November in each year commencing November 1, 1965.

(3) The shares of the Cumulative Preferred Stock, 4.65% Series D, shall be redeemable at $105.00 per share if redeemed prior to August 1, 1970; $103.50 per share if redeemed thereafter and prior to August 1, 1975; $102.25 per share if redeemed thereafter and prior to August 1, 1980 and $101.00 per share if redeemed thereafter; plus, in each case, an amount equal to dividends accrued to the redemption date; provided, however, that the Company will not prior to August 1, 1970 redeem any shares of the Cumulative Preferred Stock, 4.65% Series D, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the Cumulative Preferred Stock, 4.65% Series D, if such borrowed funds have an interest rate or cost to the Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to the Company (so calculated), less than the dividend rate per annum of the Cumulative Preferred Stock, 4.65% Series D.

(4) The liquidation price of the shares of the Cumulative Preferred Stock, 4.65% Series D, in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(5) The Cumulative Preferred Stock, 4.65% Series D, shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute “co-ordinate stock.”

(6) The shares of Cumulative Preferred Stock, 4.65% Series D, shall not be convertible into or exchangeable for other securities of the Company.

(7) There shall be no sinking fund with respect to the shares of Cumulative Preferred Stock, 4.65% Series D.

(8) So long as any shares of Cumulative Preferred Stock, 4.65% Series D, are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

Cumulative Preferred Stock, 5¾% Series E ($100 par value)

The number, designation, relative right, preferences and limitations of the shares of Cumulative Preferred Stock, 5¾% Series E (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series), as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 5¾% Series E ($100 par value), and shall consist of 500,000 shares.

(2) The dividend rate on the shares of the Cumulative Preferred Stock, 5¾% Series E ($100 par value), shall be $5.75 per share per annum; such dividends shall be fully cumulative from the dates of issue and shall be payable quarterly on the first days of February, May, August and November in each year.

(3) The shares of the Cumulative Preferred Stock, 5¾% Series E ($100 par value), shall be redeemable at $108 per share if redeemed prior to August 1, 1976; $103 per share if redeemed thereafter and prior to August 1, 1981 and $101 per share if redeemed thereafter; plus, in each case, an amount equal to dividends accrued to the redemption date; provided, however, that the Company will not prior to August l, 1973 redeem any shares of the Cumulative Preferred Stock, 5¾% Series E ($100 par value), if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the Cumulative Preferred Stock, 5¾% Series E ($100 par value), if such borrowed funds have an interest rate or cost to the Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to the Company (so

calculated), less than the dividend rate per annum of the Cumulative Preferred Stock, 5¾% Series E ($100 par value).

(4) The liquidation price of the shares of the Cumulative Preferred Stock, 5¾% Series E ($100 par value), in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share plus,

in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(5) The Cumulative Preferred Stock, 5¾% Series E ($100 par value), shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute "co-ordinate stock."

(6) The shares of Cumulative Preferred Stock, 5¾% Series E ($100 par value), shall not be convertible into or exchangeable for other securities of the Company.

(7) There shall be no sinking fund with respect to the shares of Cumulative Preferred Stock, 5¾% Series E ($100 par value).

(8) So long as any shares of Cumulative Preferred Stock, 5¾% Series E ($100 par value), are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

Cumulative Preferred Stock, 6.20% Series F ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preferred Stock, 6.20% Series F (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series), as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 6.20% Series F ($100 par value), and shall consist of 400,000 shares.

(2) The dividend rate on the shares of the Cumulative Preferred Stock, 6.20% Series F ($100 par value), shall be $6.20 per share per annum; such dividends shall be fully cumulative from the dates of issue and shall be payable quarterly on the first days of February, May, August and November in each year.

(3) The shares of the Cumulative Preferred Stock, 6.20% Series F ($100 par value), shall be redeemable at $110 per share if redeemed prior to August 1, 1977; $107 per share if redeemed thereafter and prior to August 1, 1982; $105 per share if redeemed thereafter and prior to August 1, 1987; and at prices declining 50¢ per share on August 1, 1987 and on each subsequent August 1 to $102.50 per share on and after August 1, 1991; plus, in each case, an amount equal to dividends accrued to the redemption date; provided, however, that the Company will not prior to August 1, 1977 redeem any shares of the Cumulative Preferred Stock, 6.20% Series F ($100 par value), if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the Cumulative Preferred Stock, 6.20% Series F ($100 par value), if such borrowed funds have an interest rate or cost to the Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to the Company (so calculated), less than the dividend rate per annum of the Cumulative Preferred Stock, 6.20% Series F ($100 par value).

(4) The liquidation price of the shares of the Cumulative Preferred Stock, 6.20% Series F ($100 par value), in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(5) The Cumulative Preferred Stock, 6.20% Series F ($100 par value), shall rank equally with the $5 Cumulative Preferred

Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute "co-ordinate stock."

(6) The shares of Cumulative Preferred Stock, 6.20% Series F ($100 par value), shall not be convertible into or exchangeable for other securities of the Company.

(7) There shall be no sinking fund with respect to the shares of Cumulative Preferred Stock, 6.20% Series F ($100 par value).

(8) So long as any shares of Cumulative Preferred Stock, 6.20% Series F ($100 par value), are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

Cumulative Preferred Stock, 8.30% Series G ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preferred Stock, 8.30% Series G (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series), as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 8.30% Series G ($100 par value), and shall consist of 500,000 shares.

(2) The dividend rate on the shares of the Cumulative Preferred Stock, 8.30% Series G ($100 par value), shall be $8.30 per share per annum; and such dividends shall be fully cumulative from the dates of issue and shall be payable quarterly on the first days of February, May, August and November in each year.

(3) The shares of the Cumulative Preferred Stock, 8.30% Series G ($100 par value), shall be redeemable at $110 per share if redeemed prior to November l, 1980; $107 per share if redeemed thereafter and prior to November 1, 1983; $104 per share if redeemed thereafter and prior to November 1, 1986; and $101 per share if redeemed thereafter, plus, in each case, an

amount equal to dividends accrued to the redemption date; provided, however, that the Company will not prior to November 1, 1977 redeem any shares of the Cumulative Preferred Stock, 8.30% Series G ($100 par value), if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any shares of stock ranking prior to or on a parity with the Cumulative Preferred Stock, 8.30% Series G ($100 par value), if such borrowed funds or such shares have a cost to the Company (calculated in accordance with generally accepted financial practice) of less than 8.30% per annum.

(4) The liquidation price of the shares of the Cumulative Preferred Stock, 8.30% Series G ($100 par value), in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share, plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(5) The Cumulative Preferred Stock, 8.30% Series G ($100 par value), shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute “co-ordinate stock”.

(6) The shares of Cumulative Preferred Stock, 8.30% Series G ($100 par value), shall not be convertible into or exchangeable for other securities of the Company.

(7) There shall be no sinking fund with respect to the shares of Cumulative Preferred Stock, 8.30% Series G ($100 par value).

(8) So long as any shares of Cumulative Preferred Stock, 8.30% Series G ($100 par value), are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

Cumulative Preferred Stock, 8⅛% Series H ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preferred Stock, 8⅛% Series H (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series), as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 8⅛% Series H ($100 par value), and shall consist of 750,000 shares. The shares of said series are hereinafter sometimes called the "Series H Shares."

(2) The dividend rate on the Series H Shares shall be $8.125 per share per annum. Dividends on the Series H Shares shall be fully cumulative from the date on which the Series H Shares are originally issued and shall be payable on February 1, 1973, for the period commencing on such date of original issuance and ending on said February 1, and thereafter quarterly on the first days of February, May, August and November in each year.

(3) Subject to the restrictions in paragraph (7) below, the Series H Shares shall be redeemable at the option of the Company, at any time as a whole or from time to time in part, at $108.13 per share if redeemed prior to November 1, 1973 and at the following redemption prices per share if redeemed during the 12-month period ending October 31,

Year	Redemption Price	Year	Redemption Price
1974	$107.88	1986	104.93
1975	107.64	1987	104.68
1976	107.39	1988	104.44
1977	107.15	1989	104.19
1978	106.90	1990	103.94
1979	106.65	1991	103.70
1980	106.41	1992	103.45
1981	106.16	1993	103.21
1982	105.91	1994	102.96
1983	105.67	1995	102.71
1984	105.42	1996	102.47
1985	105.18	1997	102.22

Year	Redemption Price	Year	Redemption Price
1998	.....101.97	2002	.....100.99
1999	.....101.73	2003	.....100.74
2000	.....101.48	2004	.....100.50
2001	.....101.24	2005	.....100.25

and at $100 per share if redeemed at any time after October 31, 2005, plus, in each case, an amount equal to dividends accrued to the redemption date.

(4) As a sinking fund for the retirement of the Series H Shares, subject to the provisions of paragraph (5) below, on November 1, 1978, and on each November 1 thereafter (so long as any of the Series H Shares are outstanding) to and including November 1, 2009, the Company shall redeem 22,500 of the Series H Shares (or the number of the Series H Shares then outstanding if less than 22,500), and on November 1, 2010 (if any of the Series H Shares remain outstanding) the Company shall redeem all the Series H Shares then outstanding, at a price of $100 per share, plus, in each case, an amount equal to dividends accrued to the redemption date. No redemption of Series H Shares pursuant to paragraph (3) above or paragraph (6) below, nor any purchase or other acquisition of any Series H Shares by the Company, shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (4).

(5) Series H Shares shall be called for redemption for the sinking fund as required by paragraph (4) above in the manner prescribed for redemption of shares of Cumulative Preferred Stock at the option of the Board of Trustees of the Company, but only when, as and if directed by resolution of the Board of Trustees and subject to any applicable restrictions of law. In no event, however, shall any Series H Shares be called for redemption for the sinking fund unless and until full cumulative dividends on all outstanding shares of $5 Cumulative Preferred Stock and on all outstanding shares of all series of Cumulative Preferred Stock ($100 par value), other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past quarterly dividend periods and for all current quarterly dividend periods

ending on or before the redemption date. Nevertheless, the obligations of the Company to redeem Series H Shares annually commencing on November 1, 1978, pursuant to said paragraph (4), shall be cumulative and, so long as any Series H Shares shall be outstanding, the Company shall not declare any dividend on the Common Stock or any other stock ranking as to dividends or assets junior to the Cumulative Preferred Stock, or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of the Company (other than stock ranking as to dividends and assets junior to the Cumulative Preferred Stock), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by said paragraph (4) shall be in arrears.

(6) Subject to the restrictions in paragraph (7) below, the Company may, at its option, on November 1, 1978, and on each November 1 thereafter to and including November 1, 2009, redeem 22,500 of the Series H Shares, or any lesser number of said shares constituting a multiple of 2,500, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (4) above, at a price of $100 per share, plus, in each case, an amount equal to dividends accrued to the redemption date, which privilege shall be noncumulative. The aggregate number of Series H Shares which may be redeemed in all redemptions pursuant to this paragraph (6) shall not, however, exceed 250,000 shares.

(7) Prior to November 1, 1982 no Series H Shares shall be redeemed pursuant to paragraph (3) or (6) above, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of (a) borrowed funds or the proceeds of issue of any shares of stock ranking as to dividends prior to or on a parity with the Series H Shares, which borrowed funds or share proceeds have a cost to the Company or any affiliate of the Company (calculated in accordance with generally accepted financial practice) of less

than 8⅛% per annum, or (b) the proceeds of issue of any shares of stock ranking as to dividends junior to the Series H Shares.

(8) In every case of redemption of less than all of the outstanding Series H Shares, pursuant to paragraph (3), (4) or (6) above, such redemption as nearly as practicable shall be made pro rata according to the numbers of shares held by the respective holders, and otherwise in such manner as may be prescribed by resolution of the Board of Trustees, provided that only whole shares shall be selected for redemption.

(9) The liquidation price of the Series H Shares, in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share specified in paragraph (3) above applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share, plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(10) The Series H Shares shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute “co-ordinate stock.”

(11) The Series H Shares shall not be convertible into or exchangeable for other securities of the Company.

(12) So long as any of the Series H Shares are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

(13) All Series H Shares purchased, redeemed or otherwise reacquired by the Company shall be cancelled. Such shares shall be restored to the status of authorized but unissued shares of the Company's Cumulative Preferred Stock ($100 par value), but shall not be reissued as Series H Shares.

C. ***Cumulative Preference Stock ($100 Par Value)***

The shares of the Cumulative Preference Stock may be issued from time to time in series. The Board of Trustees is authorized to fix from time to time before issuance the designations, preferences, privileges and voting powers of the shares of each series of the Cumulative Preference Stock, and the restrictions or qualifications thereof, respectively, except for such provisions as are applicable to all shares of the Cumulative Preference Stock irrespective of series, and except that until the $5 Cumulative Preferred Stock and the Cumulative Preferred Stock shall have been redeemed in accordance with their terms, the designations, preferences, privileges and voting powers, and the restrictions and qualifications, granted to or imposed upon any series of the Cumulative Preference Stock shall have no effect whatever on the $5 Cumulative Preferred Stock and· the Cumulative Preferred Stock, which shall retain their present rights and shall be and remain superior in all respects to the Cumulative Preference Stock.

Subject to the limitations hereinafter stated, the shares of the Cumulative Preference Stock may be issued in any such one or more series as may be fixed from time to time by the Board of Trustees, each of such series to be distinctively designated. All shares of any one series of Cumulative Preference Stock shall be alike in every particular, and the shares of all series shall rank equally and be identical in all respects, except in respect to the matters set forth in the following paragraphs numbered (1) to (8), inclusive:

(1) Designation of series;

(2) The dividend rate;

(3) The date from which dividends shall be cumulative and the dates on which dividends, if declared, shall be payable;

(4) The sum per share payable upon the voluntary dissolution, liquidation or winding up of the Company and the sum payable per share upon the involuntary dissolution, liquidation or winding up of the Company, which sums, in each and every case, shall be a stated amount (not less than $100) with respect to dissolution, liquidation or winding up during any specified period or periods, plus an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared, and payable out of the net assets of the Company, whether capital or surplus;

(5) Whether or not the shares of each series shall be redeemable, and if made redeemable, the redemption price or prices per share, which prices, in each and every case, shall be a stated amount with respect to redemption during any specified period or periods, plus an amount equal to the dividends accrued and unpaid thereon to the date fixed for redemption, whether or not earned or declared;

(6) Whether or not the shares of each series shall be made convertible into or exchangeable for other securities of the Company, and if made convertible or exchangeable, the price or prices or the rate or rates of conversion or exchange, and the adjustments, if any, at which such conversion or exchange may be made;

(7) Whether or not there shall be a sinking fund, or other fund analogous thereto, with respect to the shares of each series and the terms and provisions of such fund, if any; and

(8) Any other relative, participating, optional or other rights, preferences, privileges, restrictions or qualifications of the shares of each series, not inconsistent with the provisions applicable to all shares of the Cumulative Preference Stock irrespective of series.

Provisions Applicable to All Series of Cumulative Preference Stock ($100 Par Value)

The following provisions shall apply to all shares of the Cumulative Preference Stock irrespective of series:

(1) The holders of the Cumulative Preference Stock of each series shall be entitled to receive, but only when, as and if declared by the Board of Trustees, dividends at the rate fixed for such series and no more. Such dividends shall be payable on such dividend dates, as may be fixed for said series and shall be cumulative from such date as may be fixed. All dividends accrued on the Cumulative Preference Stock shall be fully paid, or declared and set apart for payment, before any dividends on the Common Stock shall be paid or set apart for payment so that if, for all prior dividend periods and the then current dividend period, dividends on all outstanding shares of Cumulative Preference Stock at the rates fixed for the respective series shall not have been paid, or declared and set apart for

payment, the deficiency shall be fully paid, or declared and set apart for payment, before any dividends shall be paid or set apart for payment on the Common Stock of the Company. Accruals of dividends shall not bear interest.

(2) Upon any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, the holders of the Cumulative Preference Stock of each and every series then outstanding shall be entitled to receive out of the net assets of the Company, whether capital or surplus, the sums per share fixed for the shares of the respective series and payable upon such dissolution, liquidation or winding up, plus, in the case of each share, an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared, before any distribution of the assets of the Company shall be made to the holders of the Common Stock.

If the assets distributable on such dissolution, liquidation or winding up shall be insufficient to permit the payment to the holders of the Cumulative Preference Stock of the full amounts to which they respectively are entitled as aforesaid, then said assets shall be distributed ratably among the holders of the respective series of Cumulative Preference Stock in proportion to the amounts which would be payable on such dissolution, liquidation or winding up if all such amounts were paid in full in preference and priority over the shares of the Common Stock.

After payment to the holders of the Cumulative Preference Stock of the full amounts to which they respectively are entitled as aforesaid, the holders of the Cumulative Preference Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

The sale, conveyance, exchange or transfer of all or substantially all of the property of the Company, or the merger or consolidation into or with any other corporation, shall not be deemed a dissolution, liquidation or winding up for the purposes hereof.

(3) At the option of the Board of Trustees of the Company, the Company may redeem any series of Cumulative Preference Stock which has been made redeemable, either as a whole or in part, at the redemption price determined for such series; provided, however, that not less than thirty nor more than sixty days previous to the date fixed for redemption a notice of the

time and place thereof shall be given to the holders of record of the Cumulative Preference Stock so to be redeemed, by mail or publication, in such manner as may be prescribed by resolution of the Board of Trustees; and, provided, further, that in every case of redemption of less than all of the outstanding shares of any one series of Cumulative Preference Stock, such redemption shall be made pro rata, or the shares of such series to be redeemed shall be chosen by lot in such manner as may be prescribed by resolution of the Board of Trustees. At any time after notice of redemption has been given as aforesaid to the holders of stock so to be redeemed, or after giving to the bank or trust company hereinafter referred to irrevocable authorization to give such notice, the Company may deposit the aggregate redemption price with a bank or trust company having its principal office in The City of New York, State of New York, payable on the date fixed for redemption as aforesaid and in the amounts aforesaid to the respective orders of the holders of the shares so to be redeemed, upon endorsement to the Company or otherwise, as may be required, and upon surrender of the certificates for such shares. Upon deposit of said money as aforesaid, or, if no such deposit is made, upon the date fixed for redemption (unless the Company defaults in making payment of the redemption price as set forth in such notice), such holders shall cease to be stockholders with respect to said shares, and from and after the making of said deposit, or, if no such deposit is made, from and after the date fixed for redemption (the Company not having defaulted in making payment of the redemption price as set forth in such notice), said shares shall not be deemed to be outstanding and such holders shall have no interest in or claim against the Company with respect to said shares, but shall be entitled only to receive said moneys on the date fixed for redemption as aforesaid from said bank or trust company, or from the Company, as the case may be, without interest thereon, upon endorsement to the Company or otherwise, as may be required, and upon surrender of the certificates for such shares, as aforesaid.

In case the holder of any such Cumulative Preference Stock which shall have been called for redemption shall not, within six years after said deposit, claim the amount deposited as above

stated for the redemption thereof, such bank or trust company shall upon demand pay over to the Company such unclaimed amount and such bank or trust company shall thereupon be relieved from all responsibility to such holders, and such holder shall look only to the Company for the payment thereof.

Nothing herein contained shall limit any legal right of the Company to purchase or otherwise acquire any shares of the Cumulative Preference Stock.

(4) So long as any shares of the Cumulative Preference Stock of any series are outstanding, the Company shall not, without the consent given either in writing or by vote at a meeting called for that purpose in the manner prescribed by the by-laws of the Company by the holders of record of at least two-thirds the total number of shares of the Cumulative Preference Stock of all series then outstanding:

(a) Create or authorize any kind of stock ranking prior to the Cumulative Preference Stock with respect to the payment of dividends or upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or create or authorize any obligation or securities convertible into shares of any such kind of stock.

(b) Amend, alter, change or repeal any of the express terms of the Cumulative Preference Stock so as to affect the holders thereof adversely.

(5) No holder of the Cumulative Preference Stock of the Company shall have any preemptive right to purchase or subscribe for any part of the unissued stock of the Company or of any stock of the Company to be issued by reason of any increase of the authorized capital stock of the Company, or to purchase or subscribe for any bonds, certificates of indebtedness, debentures or other securities convertible into or carrying options or warrants to purchase stock or other securities of the Company or to purchase or subscribe for any stock of the Company purchased by the Company or by its nominee or nominees, or to have any other preemptive rights as now or hereafter defined by the laws of the State of New York.

(6) Except as and to the extent otherwise provided by this Certificate and the laws of the State of New York, the Cumulative Preference Stock shall not entitle any holder thereof to vote at any meeting of stockholders or election of the Company, or otherwise to participate in any action taken by the Company or the stockholders thereof.

(7) Except as herein otherwise expressly provided and except when some mandatory provision of law shall be controlling and, as regards the special rights of any series of the Cumulative Preference Stock, as provided in the resolutions creating such series, whenever shares of two or more series of the Cumulative Preference Stock are outstanding, no particular series of the Cumulative Preference Stock shall be entitled to vote as a separate series on any matter and all shares of the Cumulative Preference Stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the stockholders of the Company by classes may now or hereafter be required.

Cumulative Preference Stock, 6% Convertible Series B ($100 par value)

The number, designation, relative rights, preferences and limitations of the shares of Cumulative Preference Stock, 6% Convertible Series B (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preference Stock, irrespective of series), as fixed by the Board of Trustees before the issuance of such series, are as follows:

A. The series shall be designated as Cumulative Preference Stock, 6% Convertible Series B ($100 par value), and shall consist of 931,432 shares;

B. The dividend rate on the shares of the Cumulative Preference Stock, 6% Convertible Series B ($100 par value), shall be $6.00 per share per annum; such dividends shall be fully cumulative from March 18, 1968 and shall be payable quarterly on the first days of February, May, August and November in each year commencing August 1, 1968;

C. The Cumulative Preference Stock, 6% Convertible Series B ($100 par value), shall be redeemable on or before April 30, 1969 at a redemption price of $105 a share; at $104 a share if redeemed thereafter and on or before April 30, 1970; at $103 a share if redeemed thereafter and on or before April 30, 1971; at

$102 a share if redeemed thereafter and on or before April 30, 1972; at $101 a share if redeemed thereafter and on or before April 30, 1973; and at $100 per share thereafter; together, in each case, with an amount equal to all dividends accrued and unpaid thereon, whether or not earned or declared, to the date fixed for redemption;

D. The liquidation price of the shares of the Cumulative Preference Stock, 6% Convertible Series B ($100 par value), in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared;

E. There shall be no sinking fund with respect to the shares of Cumulative Preference Stock, 6% Convertible Series B ($100 par value); and

F. The holders of shares of Cumulative Preference Stock, 6% Convertible Series B ($100 par value), shall have the right, at their option, to convert such shares, unless previously redeemed, into shares of Common Stock of the Company at any time, on and subject to the following terms and conditions:

(1) The shares of this Series shall be convertible at the office of the Conversion Agent, and at such other office or offices, if any, as the Board of Trustees may designate, into fully paid and non-assessable shares (calculated as to each conversion to the nearest 1/100th of a share) of Common Stock of the Company, at the conversion price, determined as hereinafter provided, in effect at the time of conversion, each share of this Series being taken at $100.00 for the purpose of such conversion. The price at which shares of Common Stock shall be delivered upon conversion (herein called the "conversion price") shall be initially $35.09 per share of Common Stock. The conversion price shall be reduced in certain instances as provided in paragraphs (3), (9) and (10) below and shall be increased in certain instances

as provided in paragraph (10) below. No payment or adjustment shall be made upon any conversion on account of any dividends accrued on the shares of this Series surrendered for conversion or on account of any dividends on the Common Stock issued upon such conversion.

(2) In order to convert shares of this Series into Common Stock the holder thereof shall surrender at any office hereinabove mentioned the certificate or certificates therefor, duly endorsed to the Company or in blank, and give written notice to the Company at said office that he elects to convert such shares. Shares of this Series shall be deemed to have been converted immediately prior to the close of business on the day of the surrender of such shares for conversion as provided above, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver at said office a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, to the person or persons entitled to receive the same. In case shares of this Series are called for redemption, the right to convert such shares shall cease and terminate at the close of business on the date fixed for redemption, unless default shall be made in payment of the redemption price.

(3) In case the conversion price in effect immediately prior to the close of business on any day shall exceed by 50 cents or more the amount determined at the close of business on such day by dividing:

(i) a sum equal to (a) 37,257,292 multiplied by $35.09 (being the initial conversion price) plus (b) the aggregate of the amounts of all consideration received by the Company upon the issuance of Additional Shares of Common Stock (as hereinafter defined), minus (c) the aggregate of the amounts of all dividends and other distributions which have been paid or made after February 29, 1968 on Common Stock of the Company,

other than in cash out of its earned surplus or in Common Stock of the Company, by

(ii) the sum of (a) 37,257,292 and (b) the number of Additional Shares of Common Stock which shall have been issued, the conversion price shall be reduced, effective immediately prior to the opening of business on the next succeeding day, by an amount equal to the amount by which such conversion price shall exceed the amount so determined. The foregoing amount of 50 cents (or such amount as theretofore adjusted) shall be subject to adjustment as provided in paragraphs (9) and (10) below, and such amount (or such amount as theretofore adjusted) is referred to in such paragraphs as the "Differential Amount."

(4) The term "Additional Shares of Common Stock" as used herein shall mean all shares of Common Stock issued by the Company after February 29, 1968 (including shares deemed to be "Additional Shares of Common Stock" pursuant to paragraph (10) below), whether or not subsequently reacquired or retired by the Company, other than:

(i) shares issued upon conversion of shares of this Series; and

(ii) shares issued by way of dividend or other distribution on shares of Common Stock excluded from the definition of Additional Shares of Common Stock by the foregoing clause (i) or this clause (ii) or on shares of Common Stock resulting from any subdivision or combination of shares of Common Stock so excluded.

The sale or other disposition of any shares of Common Stock or other securities held in the treasury of the Company shall not be deemed an issuance thereof.

(5) In case of the issuance of Additional Shares of Common Stock for a consideration part or all of which shall be cash, the amount of the cash consideration therefor shall be deemed to be the amount of cash received by the Company for such shares (or, if such Additional Shares of Common Stock are offered by the Company for subscription,

the subscription price, or, if such Additional Shares of Common Stock are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price), without deducting therefrom any compensation or discount in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services or for any expenses incurred in connection therewith.

(6) In case of the issuance (otherwise than as a dividend or other distribution on any stock of the Company or upon conversion or exchange of other securities of the Company) of Additional Shares of Common Stock for a consideration part or all of which shall be other than cash, the amount of the consideration therefor other than cash shall be deemed to be the value of such consideration as determined by the Board of Trustees, irrespective of the accounting treatment thereof. The reclassification of securities other than Common Stock into securities including Common Stock shall be deemed to involve the issuance for a consideration other than cash of such Common Stock immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such Common Stock.

(7) Additional Shares of Common Stock issuable by way of dividend or other distribution on any class of capital stock of the Company shall be deemed to have been issued without consideration, and shall be deemed to have been issued immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution, except that if the total number of shares constituting such dividend or other distribution exceeds five per cent of the total number of shares of Common Stock outstanding at the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution such Additional Shares of Common Stock shall be deemed to have been issued immediately after the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution.

A dividend or other distribution in cash or in property (including any dividend or other distribution in securities other than Common Stock) shall be deemed to have been paid or made immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution and the amount of such dividend or other distribution in property shall be deemed to be the value of such property as of the date of the adoption of the resolution declaring such dividend or other distribution, as determined by the Board of Trustees at or as of that date. In the case of any such dividend or other distribution on Common Stock which consists of securities which are convertible into or exchangeable for shares of Common Stock, such securities shall be deemed to have been issued for a consideration equal to the value thereof as so determined.

If, upon the payment of any dividend or other distribution in cash or in property (excluding Common Stock but including all other securities), outstanding shares of Common Stock are cancelled or required to be surrendered for cancellation, on a pro rata basis, the excess of the number of shares of Common Stock outstanding immediately prior thereto over the number to be outstanding immediately thereafter (less that portion of such excess attributable to the cancellation of shares excluded from the definition of Additional Shares of Common Stock by clauses (i) or (ii) of paragraph (4) above), shall be deducted from the sum computed pursuant to clause (ii) of paragraph (3) above for the purposes of all determinations under such paragraph (3) made immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution and at any time thereafter.

The reclassification (including any reclassification upon a consolidation or merger in which the Company is the continuing corporation) of Common Stock into securities including other than Common Stock shall be deemed to involve (a) a distribution on Common Stock of such securi-

ties other than Common Stock made immediately prior to the close of business on the effective date of the reclassification and (b) a combination or subdivision, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter.

The issuance by the Company of rights or warrants to subscribe for or purchase securities of the Company shall not be deemed to be a dividend or distribution of any kind.

(8) In case of the issuance of Additional Shares of Common Stock upon conversion or exchange of other securities of the Company, the amount of the consideration received by the Company for such Additional Shares of Common Stock shall be deemed to be the total of (a) the amount of the consideration, if any, received by the Company upon the issuance of such other securities, plus (b) the amount of the consideration, if any, other than such other securities, received by the Company (except in adjustment of interest or dividends) upon such conversion or exchange. In determining the amount of the consideration received by the Company upon the issuance of such other securities (i) the amount of the consideration in cash and other than cash shall be determined pursuant to paragraphs (5), (6) and (7) above, and (ii) if securities of the same class or series as such other securities were issued for different amounts of consideration, or if some were issued for no consideration, then the amount of the consideration received by the Company upon the issuance of each of the securities of such class or series as the case may be, shall be deemed to be the average amount of the consideration received by the Company upon the issuance of all the securities of such class or series, as the case may be.

(9) In case Additional Shares of Common Stock are issued as a dividend or other distribution on any class of capital stock of the Company, the total number of shares constituting which dividend or other distribution exceeds five per cent of the total number of shares of Common Stock

outstanding at the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution, the conversion price and the Differential Amount in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying each of them by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reductions to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (9), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of fractional interests or scrip certificates issued in lieu of fractions of shares of Common Stock (other than shares of Common Stock which, upon issuance, would not constitute Additional Shares of Common Stock). The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(10) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price and the Differential Amount in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall each be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price and the Differential Amount in effect at the opening of business on the day following the day upon which such combination becomes effective shall each be proportionately increased, such reductions or increases as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective. In the event of any such subdivision, the number of shares of

Common Stock outstanding immediately thereafter, to the extent of the excess thereof over the number outstanding immediately prior thereto (less that portion of such excess attributable to the subdivision of shares excluded from the definition of Additional Shares of Common Stock by clauses (i) or (ii) of paragraph (4) above), shall be deemed to be "Additional Shares of Common Stock" and to have been issued immediately after the opening of business on the day following the day upon which such subdivision shall have become effective and without consideration. In the event of any such combination, the excess of the number of shares of Common Stock outstanding immediately prior thereto over the number outstanding immediately thereafter (less that portion of such excess attributable to the combination of shares excluded from the definition of Additional Shares of Common Stock by clauses (i) or (ii) of paragraph (4) above), shall be deducted from the sum computed pursuant to clause (ii) of paragraph (3) above for the purposes of all determinations under such paragraph (3) made on any day after the day upon which such combination becomes effective. Shares of Common Stock held in the treasury of the Company and shares issuable in respect of fractional interests or scrip certificates issued in lieu of fractions of shares of Common Stock (other than shares of Common Stock which, upon issuance, would not constitute Additional Shares of Common Stock) shall be considered outstanding for the purposes of this paragraph (10).

(11) Whenever the conversion price is adjusted as herein provided:

(a) the Company shall compute the adjusted conversion price in accordance with this Section F and shall prepare a certificate signed by the Treasurer of the Company setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, including a statement of the consideration received or to be received by the Company for, and the amount of, any Additional Shares of Common Stock issued since the last such adjustment, and such certificate shall be kept on file by the Company

and shall forthwith be filed with any other Transfer or Conversion Agent or Agents for this Series; and

(b) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required, such notice shall be published at least once in a daily newspaper in the City of New York, N.Y., and shall be mailed to the holders of record of the outstanding shares of this Series; provided, however, that if within ten days after the completion of mailing of such a notice, an additional notice is required, such additional notice shall be deemed to be required pursuant to this clause (b) as of the opening of business on the tenth day after such completion of mailing and shall set forth the conversion price as adjusted at such opening of business, and upon the publication and mailing of such additional notice no other notice need be given of any adjustment in the conversion price occurring at or prior to such opening of business and after the time that the next preceding notice given by publication and mail became required.

(12) In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its earned surplus; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(c) of any reclassification of the capital stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be mailed to any Transfer or Conversion Agent or Agents for this Series and to the holders of record of the outstanding shares of this Series, at least twenty days (or ten days in any case specified in clause (a) or (b) above) prior to the applicable record date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

(13) The Company shall at all times reserve and keep available, free from pre-emptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the shares of this Series, the full number of shares of Common Stock then deliverable upon the conversion of all shares of this Series then outstanding.

(14) No fractional shares of Common Stock shall be issued upon conversion of shares of this Series. If a conversion of shares of this Series results in an interest in a fraction of a share of Common Stock, the person or persons entitled to such interest may elect either to purchase the additional fractional interest required to make up a full share of Common Stock or to sell the fractional interest to which such person or persons are entitled. Such election shall be made at the time the certificate or certificates representing shares of this Series are presented for conversion and shall be made on the form provided for such purpose by the Company or the Conversion Agent. If such election is not made at such time, the fractional interest to which such person or persons were entitled shall be sold.

Such purchase or sale shall be effected by the Conversion Agent acting as agent for the person or persons entitled to such fractional interest. The Conversion Agent shall bill such person or persons for the purchase price of any such fractional interest purchased by it as such agent or shall remit to such person or persons the proceeds from the sale of any such fractional interest sold by it as such agent. In the case of a purchase, the Conversion Agent may sell the share to which such person or persons are entitled if payment is not received by such Conversion Agent within 30 days after the mailing of such bill and, after deducting the amount of such bill and any other charges, shall remit the sale proceeds to such person or persons. Fractional interests are non-transferable except by or to the Conversion Agent acting as herein authorized The Conversion Agent may purchase or sell fractional interests on the basis of current market prices of the Common Stock as determined by it and is expressly authorized to value fractional interests without actual purchase or sale on the basis of the current market price of the Common Stock as determined by it. Purchases and sales of fractional interests by the Conversion Agent may in its sole discretion be set off one against the other on the basis of current market prices of the Common Stock as determined by it. Fractional interests will not be entitled to dividends and the holders thereof shall not be entitled to any rights as shareholders of the Company in respect of such fractional interests.

(15) The Company will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of shares of this Series pursuant hereto. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of this Series so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid.

(16) For the purpose of this Section F, the term "Common Stock" shall mean any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, and which is not subject to redemption by the Company. However, shares issuable on conversion of shares of this Series shall include only shares of the class designated as Common Stock of the Company as of February 29, 1968, or shares of Common Stock of any class or classes resulting from any reclassification or reclassifications thereof, provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

D. ***Common Stock ($5 Par Value)***

No holder of the Common Stock of the Company shall have any preemptive right to purchase or subscribe for any part of the unissued stock of the Company or of any stock of the Company to be issued by reason of any increase of the authorized capital stock of the Company, or to purchase or subscribe for any bonds, certificates of indebtedness, debentures or other securities convertible into or carrying options or warrants to purchase stock or other securities of the Company or to purchase or subscribe for any stock of the Company purchased by the Company or by its nominee or nominees, or to have any other preemptive rights as now or hereafter defined by the laws of the State of New York.

SIXTH: The operations of the Company are to be carried on in the Counties of:

Albany	Herkimer	Richmond
Allegany	Jefferson	Rockland
Bronx	Kings	St. Lawrence
Broome	Lewis	Saratoga
Cattaraugus	Livingston	Schenectady
Cayuga	Madison	Schoharie
Chautauqua	Monroe	Schuyler
Chemung	Montgomery	Seneca
Chenango	Nassau	Steuben
Clinton	New York	Suffolk
Columbia	Niagara	Sullivan
Cortland	Oneida	Tioga
Delaware	Onondaga	Tompkins
Dutchess	Ontario	Ulster
Erie	Orange	Warren
Essex	Orleans	Washington
Franklin	Oswego	Wayne
Fulton	Otsego	Westchester
Genesee	Putnam	Wyoming
Greene	Queens	Yates
Hamilton	Rensselaer	

SEVENTH: The term of existence of the Company is perpetual.

EIGHTH: The number of Trustees shall be not less than thirteen nor more than twenty.

NINTH: Said Board of Trustees shall adopt by-laws which shall be in accordance with the laws of this State for the government of the business and affairs of said corporation and of the Board of Trustees, and such by-laws shall, among other things, fix the time for the annual meeting of the stockholders for election of Trustees and the number and duties of the officers of the corporation and the method of changing or adding to said by-laws.

TENTH: The Secretary of State of the State of New York is hereby designated as the agent of the Company upon whom process in any action or proceeding against it may be served.

ELEVENTH: The office of the Company shall be located in the City, County, and State of New York, and the address to which the Secretary of State shall mail a copy of process in any action or proceeding against the Company, which may be served upon him is 4 Irving Place, New York City, New York."

IN WITNESS WHEREOF, we have made and subscribed this certificate this 24th day of December, 1984.

JOY TANNIAN
.....
JOY TANNIAN
Senior Vice President
and General Counsel

ARCHIE M. BANKSTON
.....
ARCHIE M. BANKSTON
Secretary

STATE OF NEW YORK: }
COUNTY OF NEW YORK: } ss.:

ARCHIE M. BANKSTON, being duly sworn, deposes and says that he is Secretary of CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. the corporation named in the foregoing Restated Certificate of Incorporation; that he has read and signed the same; and that the statements contained therein are true.

ARCHIE M. BANKSTON

……
ARCHIE M. BANKSTON
Secretary

Sworn to before me this 24th day
of December, 1984.

JONATHAN A. FIELDS
…….
JONATHAN A. FIELDS
Notary Public, State of New York
No. 30-4786533
Qualified in Nassau County
Commission Expires March 30, 1985

Exhibit 32.1.1

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, John McAvoy, the Chief Executive Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John McAvoy

John McAvoy

Dated: February 15, 2018

CERTIFICATE OF AMENDMENT

OF THE

CERTIFICATE OF INCORPORATION

OF

CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC.

Under Section 805 of the Business Corporation Law

We, RAYMOND J. McCANN and ARCHIE M. BANKSTON, being respectively an Executive Vice President and the Secretary of Consolidated Edison Company of New York, Inc., a corporation formed under the laws of the State of New York (hereinafter sometimes called the "Company"), DO HEREBY CERTIFY as follows:

1. The name of the Company is CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. It was originally incorporated under the name of Consolidated Gas Company of New York.

2. The Certificate of Incorporation of the Company (being the Consolidation Agreement dated September 29, 1884, pursuant to which it was organized) was filed in the Office of the Secretary of State of the State of New York on November 10, 1884. The Restated Certificate of Incorporation of the Company was filed by the Department of State of the State of New York on December 31, 1884.

3. The Certificate of Incorporation of the Company, as amended, is hereby further amended to eliminate the personal liability of the Company's Trustees to the Company or its stockholders for damages for any breach of duty in such capacity, except to the extent elimination or limitation of liability is not permitted by applicable law.

4. To effect the foregoing:

(a) Existing Articles TENTH and ELEVENTH of the Certificate of Incorporation are hereby renumbered as Articles ELEVENTH and TWELFTH respectively.

(b) A new article, which shall be numbered ARTICLE TENTH, is hereby added to the Certificate of Incorporation, in the following form:

"TENTH: A Trustee of the Company shall not be liable to the Company or any of its stockholders for damages for any breach of duty in such capacity, except to the extent elimination or limitation of liability is not permitted by applicable law. Any repeal or modification of this Article shall not adversely affect any right, immunity or protection of a Trustee of the Company existing or provided hereunder with respect any act or omission occurring prior to the repeal or modification."

5. This amendment of the Certificate of Incorporation was duly authorized and approved by the unanimous vote of the Trustees present at a meeting of the Board of Trustees of the Company duly called and held on February 23, 1988, at which meeting a quorum was present and acting throughout and by the vote of the holders of more than a majority of the outstanding shares of $5 Cumulative Preferred Stock and Common Stock of the Company, voting together as a single class, at a meeting thereof duly called and held on May 16, 1988, at which meeting a quorum was present and acting throughout.

IN WITNESS WHEREOF, we have made and subscribed this certificate, and affirm the same as true under the penalties of perjury, this 16th day of May, 1988.

/s/ Raymond J. McCann
Raymond J. McCann
Executive Vice President

/s/ Archie M. Bankston
Archie M. Bankston
Secretary

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC.

Under Section 805 of the Business Corporation Law

_____

State of New York
Department of State
Filed June 2, 1989
Filing Fee - $60
Tax - None

Travis F. Epes, Esq.
Consolidated Edison Company
of New York, Inc.
4 Irving Place
New York, New York 10003

CERTIFICATE OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION OF CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Under Section 805 of the Business Corporation Law

We, RAYMOND J. McCANN and ARCHIE M. BANKSTON, being respectively the Executive Vice President and Chief Financial Officer and the Secretary of Consolidated Edison Company of New York, Inc., a corporation formed under the laws of the State of New York (hereinafter sometimes called the "Company"), DO HEREBY CERTIFY as follows:

1. The name of the Company is CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. It was originally incorporated under the name of Consolidated Gas Company of New York.

2. The Certificate of Incorporation of the Company (being the Consolidation Agreement dated September 29, 1884, pursuant to which it was organized) was filed in the Office of the Secretary of State of the State of New York on November 10, 1884. The Restated Certificate of Incorporation of the Company was filed by the Department of State of the State of New York on December 31, 1884.

3. The Certificate of Incorporation of the Company, as amended, is hereby further amended to change all 170,000,000 previously authorized shares, issued or unissued, of Common Stock of the Company, with a par value of $5 per share, into 340,000,000 shares of Common Stock of the Company, with a par value of $2.50 per share, and to change the designation of the Common Stock from "Common Stock ($5 Par Value)" to "Common Stock ($2.50 Par Value)".

4. To effect the foregoing:

   (a) Article Third of the Company's Certificate of Incorporation, as heretofore amended, setting forth the shares the Company is authorized to issue, is hereby further amended to read as follows:

   "THIRD: The total number of shares which the Company is authorized to issue is 350,165,319, of which 1,915,319 shares shall be $5 Cumulative Preferred Stock, without par value, 6,000,000 shares shall be Cumulative Preferred Stock with a par value of $100 a share, 2,250,000 shares shall be Cumulative Preference Stock with a par value of $100 a share and 340,000,000 shares shall be Common Stock with a par value of $2.50 a share."

(b) The heading of Subdivision D of Article Fifth, which sets forth the designation of the Common Stock is hereby amended to read as follows:

"D. Common Stock ($2.50 Par Value)"

5. All of the previously authorized shares, issued or unissued, of Common Stock of the Company, consisting of 170,000,000 shares with a par value of $5 per share, are changed into 340,000,000 shares of Common Stock of the Company, with a par value of $2.50 per share. On the date hereof, there were 114,013,485 shares of Common Stock, with a par value of $5.00 per share, issued and outstanding. Each of these issued and outstanding shares is changed into two shares of Common Stock, with a par value of $2.50 per share, for a total of 228,026,970 shares of Common Stock, with a par value of $2.50 per share, to be issued and outstanding on the date hereof. On the date hereof, there were 55,986,515 shares of Common Stock of the Company, with a par value of $5 per share, authorized but unissued. Each of these authorized but unissued shares is changed into two shares of Common Stock, with a par value of $2.50 per share, for a total of 111,973,030 shares of Common Stock, with a par value of $2.50 per share, to be authorized but unissued on the date hereof.

6. No change in the stated capital of the Company is effected by this amendment.

7. This amendment of the Certificate of Incorporation was duly authorized and approved by the unanimous vote of the Trustees present at a meeting of the Board of Trustees of the Company duly called and held on February 28, 1989, at which meeting a quorum was present and acting throughout, and by the vote of the holders of more than a majority of the outstanding shares of $5 Cumulative Preferred Stock and Common Stock of the Company, voting together as a single class, at a meeting thereof duly called and held on May 15, 1989, at which meeting a quorum was present and acting throughout.

IN WITNESS WHEREOF, we have made and subscribed this certificate, and affirm the same as true under the penalties of perjury, this 2nd day of June, 1989.

/s/ Raymond J. McCann
Raymond J. McCann
Executive Vice President &
Chief Financial Officer

/s/ Archie M. Bankston
Archie M. Bankston
Secretary

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Albany, N. Y.
June 2, 1989

Case 89-M-035 - Petition of Consolidated Edison Company of New York, Inc., for approval, under Section 108 of the Public Service Law, of a Certificate of Amendment to the Company's Certificate of Incorporation to effect a two-for-one split of the Company's Common Stock.

The Public Service Commission hereby consents to and approves this Certificate of Amendment of the Certificate of Incorporation of Consolidated Edison Company of New York, Inc., executed June 2, 1989, in accordance with the order of the Public Service Commission issued and effective May 5, 1989.

By the Commission

/s/ John J. Kelliher
John J. Kelliher
Secretary

[Seal]

CERTIFICATE OF AMENDMENT

of the

CERTIFICATE OF INCORPORATION

of

CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC.

Under Section 805 of the Business Corporation Law

We, RAYMOND J. McCANN and ARCHIE M. BANKSTON, being respectively the Executive Vice President and Chief Financial Officer and the Secretary of Consolidated Edison Company of New York, Inc., a corporation formed under the laws of the State of New York (hereinafter sometimes called the "Company"), DO HEREBY CERTIFY as follows:

1. The name of the Company is CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. It was originally incorporated under the name of Consolidated Gas Company of New York.

2. The Certificate of Incorporation of the Company (being the Consolidation Agreement dated September 29, 1884, pursuant to which it was organized) was filed in the Office of the Secretary of State of the State of New York on November 10, 1884. The Restated Certificate of Incorporation of the Company was filed by the Department of State of the State of New York on December 31, 1984.

3. The Certificate of Incorporation of the Company, as amended, is hereby further amended to provide for the issuance of an additional series of Cumulative Preferred Stock, to be known as "Cumulative Preferred Stock, 7.20% Series I ($100 par value)."

4. To effect the foregoing:

Article Fifth of the Company's Certificate of Incorporation, as heretofore amended, describing the designations, preferences, privileges and voting powers of the Company's shares of each class and the restrictions or qualifications thereof, is hereby further amended by adding to said Article Fifth, at the conclusion of subdivision B of said Article, the following provision:

Cumulative Preferred Stock, 7.20% Series I ($100 par value)

The number, designation, relative rights, preference and limitations of the shares of Cumulative Preferred Stock, 7.20% Series I (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series) as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 7.20% Series I ($100 par value), and shall consist of 500,000 shares. The shares of said series are hereinafter sometimes called the "Series I Shares."

(2) The dividend rate on the Series I Shares shall be $7.20 per share per annum. Dividends on the Series I Shares shall be fully cumulative from May 1, 1992 and shall be payable on August 1, 1992 for the period commencing on May 1, 1992 and ending on August 1, 1992, and thereafter quarterly on the first days of February, May, August and November in each year.

(3) Subject to the restrictions in paragraph (7) below, the Series I Shares shall be redeemable at the option of the Company, at any time as a whole or from time to time in part, at $107.20 per share if redeemed prior to May 1, 1993 and at the following redemption prices per share if redeemed during the 12-month period ending April 30,

Year	Redemption Price	Year	Redemption Price
1994	$106.48	1999	$102.88
1995	105.76	2000	102.16
1996	105.04	2001	101.44
1997	104.32	2002	100.72
1998	103.60		

and at $100.00 per share if redeemed at any time after April 30, 2002, plus, in each case, an amount equal to dividends accrued and unpaid to the redemption date.

(4) As a sinking fund for the retirement of the Series I Shares, subject to the provisions of paragraph (5) below, on May 1, 2002, and on each May 1 thereafter (so long as any of the Series I Shares are outstanding) to and including May 1, 2006, the Company shall redeem 25,000 of the Series I Shares (or the number of the Series I Shares then outstanding if less than 25,000), and on May 1, 2007, (if any of the Series I Shares

remain outstanding) the Company shall redeem all the Series I Shares then outstanding, at a price of $100 per share, plus, in each case, an amount equal to dividends accrued and unpaid to the redemption date. No redemption of Series I Shares pursuant to paragraph (6) below shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (4). Any other purchase, acquisition or redemption of Series I Shares by the Company shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (4).

(5) Series I Shares shall be called for redemption for the sinking fund as required by paragraph (4) above in the manner prescribed for redemption of shares of Cumulative Preferred Stock at the option of the Board of Trustees of the Company, but only when, as and if directed by resolution of the Board of Trustees and subject to any applicable restrictions of law. In no event, however, shall any Series I Shares be called for redemption for the sinking fund unless and until full cumulative dividends on all outstanding shares of $5 Cumulative Preferred Stock and on all outstanding shares of all series of Cumulative Preferred Stock ($100 par value), other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past quarterly dividend periods and for all current quarterly dividend periods ending on or before the redemption date. Nevertheless, the obligations of the Company to redeem Series I Shares annually commencing on May 1, 2002, pursuant to said paragraph (4), shall be cumulative and, so long as any Series I Shares shall be outstanding, the Company shall not declare any dividend on the Common Stock or any other stock ranking as to dividends or assets junior to the Cumulative Preferred Stock, or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property, or in obligations or stock of the Company (other than stock ranking as to dividends and assets junior to the Cumulative Preferred Stock), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by said paragraph (4) shall be in arrears.

(6) Subject to the restrictions in paragraph (7) below, the Company may, at its option, on May 1, 2002 and on each May 1 thereafter to and including May 1, 2006, redeem 25,000 of the Series I Shares, or any lesser number of said shares constituting a multiple of 2,500, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (4) above, at a price of $100 per share, plus, in each case, an amount equal to dividends accrued and unpaid to the redemption date, which privilege shall be noncumulative.

(7) Prior to May 1, 1997 no Series I shares shall be redeemed pursuant to paragraph (3) above, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any shares of stock ranking as to dividends prior to or on a parity with the Series I Shares, which borrowed funds or share proceeds have a cost to the Company or any affiliate of the Company (calculated in accordance with generally accepted financial practice) of less than 7.20% per annum.

(8) In every case of redemption of less than all of the outstanding Series I Shares, pursuant to paragraph (3), (4) or (6) above, the shares to be redeemed shall be chosen by lot in such manner as may be prescribed by resolution of the Board of Trustees.

(9) The liquidation price of the Series I Shares, in case of voluntary liquidation, dissolution or winding up, shall be an amount equal to the redemption price per share specified in paragraph (3) above applicable on the date of such voluntary liquidation, dissolution or winding up, and, in the case of involuntary liquidation, dissolution or winding up, shall be $100 per share, plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution, or winding up), an amount equal to dividends accrued and unpaid thereon, whether or not earned or declared.

(10) The Series I Shares shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute “co-ordinate stock."

(11) The Series I Shares shall not be convertible into or exchangeable for other securities of the Company.

(12) So long as any of the Series I Shares are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

(13) All Series I Shares purchased, redeemed or otherwise reacquired by the Company shall be cancelled. Such shares shall be restored to the status of authorized by unissued shares of the Company's Cumulative Preferred Stock ($100 par value), but shall not be reissued as Series I Shares.

5. No change in the stated capital of the Company is effected by this amendment.

6. This amendment of the Certificate of Incorporation was duly authorized and approved by the unanimous vote of the Trustees present at a meeting of the Board of Trustees of the Company duly called and held on January 28, 1992, at which meeting a quorum was present and acting throughout and, pursuant to said authorization and approval, by the unanimous vote of the members of the Finance Committee of the Board of Trustees of the Company (the "Finance Committee") present at a meeting of the Finance Committee duly called and held on April 24, 1992, at which meeting a quorum was present and acting throughout.

IN WITNESS WHEREOF, we have made and subscribed this certificate, and affirm the same as true under the penalties of perjury, this 24th day of April, 1992.

/s/ Raymond J. McCann
Raymond J. McCann
Executive Vice President &
Chief Financial Officer

/s/ Archie M. Bankston
Archie M. Bankston
Secretary

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Albany, N. Y.
April 27, 1992

Case 92-M-0221 - Petition of Consolidated Edison Company of New York, Inc., for authority under Section 69 of the Public Service Law to issue up to $100 million aggregate principal amount of Cumulative Preferred Stock, and to amend its Certificate of Incorporation.

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The Public Service Commission hereby consents to and approves this CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION OF CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. under Section 805 of the Business Corporation Law, executed April 24, 1992, in accordance with the order of the Public Service Commission issued and effective April 2, 1992.

By the Commission

/s/ John J. Kelliher
Secretary

CERTIFICATE OF AMENDMENT

of the

CERTIFICATE OF INCORPORATION

of

CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC.

Under Section 805 of the Business Corporation Law

_____

Travis F. Epes, Esq.
Consolidated Edison Company
of New York, Inc.
4 Irving Place
New York, New York 10003

CERTIFICATE OF AMENDMENT

of the

CERTIFICATE OF INCORPORATION

of

CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC.

Under Section 805 of the Business Corporation Law

We, RAYMOND J. McCANN and ARCHIE M. BANKSTON, being respectively the Executive Vice President and Chief Financial Officer and the Secretary of Consolidated Edison Company of New York, Inc., a corporation formed under the laws of the State of New York (hereinafter sometimes called the "Company"). DO HEREBY CERTIFY as follows:

1. The name of the Company is CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. It was originally incorporated under the name of Consolidated Gas Company of New York.

2. The Certificate of Incorporation of the Company (being the Consolidation Agreement dated September 29, 1884, pursuant to which it was organized) was filed in the Office of the Secretary of State of the State of New York on November 10, 1884. The Restated Certificate of Incorporation of the Company was filed by the Department of State of the State of New York on December 31, 1984.

3. The Certificate of Incorporation of the Company, as amended, is hereby further amended to provide for the issuance of an additional series of Cumulative Preferred Stock, to be known as "Cumulative Preferred Stock, 6 1/8% Series J ($100 par value)."

4. To effect the foregoing:

Article Fifth of the Company's Certificate of Incorporation, as heretofore amended, describing the designations, preferences, privileges and voting powers of the Company's shares of each class and the restrictions or qualifications thereof, is hereby further amended by adding to said Article Fifth, at the conclusion of subdivision B of said Article, the following provision:

Cumulative Preferred Stock, 6 1/8% Series J ($100 par value)

The number, designation, relative rights, preference and limitations of the shares of Cumulative Preferred Stock, 6 1/8% Series J (insofar as they supplement the provisions which are applicable to all shares of the Cumulative Preferred Stock, irrespective of series), as fixed by the Board of Trustees before the issuance of such series, are as follows:

(1) The series shall be designated as Cumulative Preferred Stock, 6 1/8% Series J ($100 par value), and shall consist of 500,000 shares. The shares of said series are hereinafter sometimes called the "Series J Shares."

(2) The dividend rate on the Series J Shares shall be $6.125 per share per annum. Dividends on the Series J Shares shall be fully cumulative from August 1, 1992 and shall be payable on November 1, 1992 for the period commencing on August 1, 1992 and ending on November 1, 1992, and thereafter quarterly on the first days of February, May, August and November in each year.

(3) The Series J Shares shall not be redeemable prior to August 1, 2002. As a sinking fund for the retirement of the Series J Shares, subject to the provisions of paragraph (4) below, on August 1, 2002, the Company shall redeem all the Series J Shares then outstanding, at a price of $100 per share, plus an amount equal to dividends accrued and unpaid to the date redeemed.

(4) The Series J Shares shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of Cumulative Preferred Stock at the option of the Board of Trustees of the Company, but only when, as and if directed by resolution of the Board of Trustees and subject to any applicable restrictions of law. In no event, however, shall any Series J Shares be called for redemption for the sinking fund unless and until full cumulative dividends on all outstanding shares of $5 Cumulative Preferred Stock and on all outstanding shares of all series of Cumulative Preferred Stock ($100 par value), other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past quarterly dividend periods and for all current quarterly dividend periods ending on or before the redemption date. Nevertheless, the Company shall not declare any dividend on the Common Stock or any other stock ranking as to dividends or assets junior to the Cumulative Preferred Stock, or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other

retirement of any shares of Common Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of the Company (other than stock ranking as to dividends and assets junior to the Cumulative Preferred Stock), if at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by said paragraph (3) shall be in arrears.

(5) The liquidation price of the Series J Shares, in case of voluntary or involuntary liquidation, dissolution or winding up, shall be $100 per share, plus, in the case of each share, an amount equal to the dividends accrued and unpaid thereon, whether or not earned or declared.

(6) The Series J Shares shall rank equally with the $5 Cumulative Preferred Stock of the Company with respect to priority in the payment of dividends and in the distribution of capital assets upon any liquidation, whether voluntary or involuntary, to the amount of $100 per share plus a sum equivalent to all unpaid dividends accumulated thereon, and shall constitute "co-ordinate stock."

(7) The Series J Shares shall not be convertible into or exchangeable for other securities of the Company.

(8) So long as any of the Series J Shares are outstanding, no shares of the Company's $5 Cumulative Preferred Stock heretofore or hereafter acquired by the Company by redemption or otherwise shall be reissued.

(9) All Series J Shares purchased, redeemed or otherwise reacquired by the Company shall be cancelled. Such shares shall be restored to the status of authorized but unissued shares of the Company's Cumulative Preferred Stock ($100 par value), but shall not be reissued as Series J Shares.

5. No change in the stated capital of the Company is effected by this amendment.

6. This amendment of the Certificate of Incorporation was duly authorized and approved by the unanimous vote of the Trustees present at a meeting of the Board of Trustees of the Company duly called and held on January 28, 1992, at which meeting a quorum was present and acting throughout and, pursuant to said authorization and approval, by the unanimous vote of the members of the Finance Committee of the Board of Trustees of the Company (the "Finance Committee") present at a meeting of the Finance Committee duly called and held on August 20, 1992, at which meeting a quorum was present and acting throughout.

IN WITNESS WHEREOF, we have made and subscribed this certificate, and affirm the same as true under the penalties of perjury, this 20th day of August, 1992.

/s/ Raymond J. McCann
Raymond J. McCann
Executive Vice President &
Chief Financial Officer

/s/ Archie M. Bankston
Archie M. Bankston
Secretary

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Albany, N. Y.
August 21, 1992

Case 92-M-0221 - Petition of Consolidated Edison Company of New York, Inc., for authority under Section 69 of the Public Service Law to issue up to $100 million aggregate principal amount of Cumulative Preferred Stock, and to amend its Certificate of Incorporation.

***

The Public Service Commission hereby consents to and approves this CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION OF CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. under Section 805 of the Business Corporation Law, executed August 20, 1992, in accordance with the order of the Public Service Commission issued and effective April 2, 1992.

By the Commission

/s/ John J. Kelliher
Secretary

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC.

Under Section 805 of the Business Corporation Law

We, JOAN S. FREILICH and ARCHIE M. BANKSTON, being respectively a Senior Vice President and the Secretary of Consolidated Edison Company of New York, Inc., a corporation formed under the laws of the State of New York (hereinafter sometimes called the "Company"), DO HEREBY CERTIFY as follows:

1. The name of the Company is CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. It was originally incorporated under the name of Consolidated Gas Company of New York.

2. The Certificate of Incorporation of the Company (being the Consolidation Agreement dated September 29, 1884, pursuant to which it was organized) was filed in the Office of the Secretary of State of the State of New York on November 10, 1884. The Restated Certificate of Incorporation of the Company was filed by the Department of State of the State of New York on December 31, 1984.

3. The Certificate of Incorporation of the Company, as amended, is hereby further amended to change the authorized number of Trustees.

4. To effect the foregoing:

Article Eighth, is hereby amended, in the following form:

"EIGHTH: The number of Trustees shall be not more than 16."

5. This amendment of the Certificate of Incorporation was duly authorized and approved by the unanimous vote of the Trustees present at a meeting of the Board of Trustees of the Company duly called and held on December 12, 1997, at which meeting a quorum was present and acting throughout and by the vote of the holders of more than a majority of the outstanding shares of $5 Cumulative Preferred Stock and Common Stock of the Company, voting together as a single class, at a meeting thereof duly called and held on December 12, 1997, at which meeting a quorum was present and acting throughout.

IN WITNESS WHEREOF, we have made and subscribed this certificate, and affirm the same as true under the penalties of perjury, this 17th day of February, 1998.

/s/ Joan S. Freilich
Joan S. Freilich
Senior Vice President

/s/ Archie M. Bankston
Archie M. Bankston
Secretary

Exhibit 32.1.2

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Robert Hoglund, the Chief Financial Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Hoglund

Robert Hoglund

Dated: February 15, 2018

BY-LAWS

OF

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Effective as of January 18, 2018

BY-LAWS

OF

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Effective as of January 18, 2018

SECTION 1. The annual meeting of stockholders of the Company for the election of Trustees and such other business as may properly come before such meeting shall be held on the third Monday in May in each year at such hour and at such place in the City of New York or the County of Westchester as may be designated by the Board of Trustees.

Date Annual Meeting

SECTION 2. Special meetings of the stockholders of the Company may be held upon call of the Chairman of the Board, the President, the Board of Trustees, or stockholders holding one-fourth of the outstanding shares of stock entitled to vote at such meeting.

Special Meetings Stockholders

SECTION 3. Notice of the time and place of every meeting of stockholders, the purpose of such meeting and, in case of a special meeting, the person or persons by or at whose direction the meeting is being called, shall be mailed by the Secretary, or other officer performing his duties, at least ten days, but not more than fifty days, before the meeting to each stockholder of record, at his last known Post Office address; provided, however, that if a stockholder be present at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, or in writing waives notice thereof before or after the meeting, the mailing to such stockholder of notice of such meeting is unnecessary.

Notice Stockholders' Meeting

SECTION 4. The holders of a majority of the outstanding shares of stock of the Company, entitled to vote at a meeting, present in person or by proxy shall constitute a quorum, but less than a quorum shall have power to adjourn.

Quorum Stockholders

SECTION 5. The Chairman of the Board, or in his absence the President, shall preside over all meetings of stockholders. In their absence one of the Vice Presidents shall preside over such meetings. The Secretary of the Board of Trustees shall act as Secretary of such meeting, if present. In his absence, the Chairman of the meeting may appoint any person to act as Secretary of the meeting.

Chairman, Secretary, Stockholders' Meetings

SECTION 6. At each meeting of stockholders at which votes are to be taken by ballot there shall be at least two and not more than five inspectors of election and of stockholders' votes, who shall be either designated prior to such meeting by the Board of Trustees or, in the absence of such designation, appointed by the Chairman of the meeting.

Inspectors of Election

SECTION 7. The Board of Trustees may, in their discretion, appoint one or more transfer agents, paying agents and/or registrars of the stock of the Company.

Stock Transfers Registrars

SECTION 8. The affairs of the Company shall be managed under the direction of a Board consisting of eleven Trustees, who shall be elected annually by the stockholders by ballot and shall hold office until their successors are elected and qualified. Vacancies in the Board of Trustees may be filled by the Board at any meeting, but if the number of Trustees is increased or decreased by the Board by an amendment of this section of the By-laws, such amendment shall require the vote of a majority of the whole Board. Members of the Board of Trustees shall be entitled to receive such reasonable fees or other forms of compensation, on a per diem, annual or other basis, as may be fixed by resolution of the Board of Trustees or the stockholders in respect of their services as such, including attendance at meetings of the Board and its committees; provided, however, that nothing herein contained shall be construed as precluding any Trustee from serving the Company in any capacity other than as a member of the Board or a committee thereof and receiving compensation for such other services.

Number of Board Members Vacancies Fees

Board Meetings

SECTION 9. Meetings of the Board of Trustees shall be held at the time and place fixed by resolution of the Board or upon call of the Chairman of the Board, the President, or a Vice President or any two Trustees. The Secretary of the Board or officer performing his duties shall give 24 hours' notice of all meetings of Trustees; provided that a meeting may be held without notice immediately after the annual election of Trustees, and notice need not be given of regular meetings held at times fixed by resolution of the Board. Meetings may be held at any time without notice if all the Trustees are present and none protests the lack of notice either prior to the meeting or at its commencement, or if those not present waive notice either before or after the meeting. Notice by mailing or telegraphing, or delivering by hand, to the usual business address or residence of the Trustee not less than the time above specified before the meeting shall be sufficient. A majority of the Trustees in office shall constitute a quorum, but less than such quorum shall have power to adjourn. The Chairman of the Board or, in his absence a Chairman pro tem elected by the meeting from among the Trustees present shall preside at all meetings of the Board. Any one or more members of the Board may participate in a meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such meeting. Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board consent in writing to the adoption of a resolution authorizing the action; provided, however, that no action taken by the Board by unanimous written consent shall be taken in lieu of a regular monthly meeting of the Board. Each resolution so adopted and the written consents thereto by the members of the Board shall be filed with the minutes of the proceedings of the Board.

Notices

Quorum

Participation by Conference Telephone

Action by Unanimous Written Consent

SECTION 10. The Board of Trustees, as soon as may be after the election of Trustees in each year, shall elect from their number a Chairman of the Board and shall elect a President, one of whom the Board shall designate to be the chief executive officer of the Company. The Board shall also elect one or more Vice Presidents, a Secretary and a Treasurer, and may from time to time elect such other officers as they may deem proper. Any two or more offices may be held by the same person, except as otherwise may be required by law.

Election of Officers

SECTION 11. The term of office of all officers shall be until the next election of Trustees and until their respective successors are chosen and qualify, but any officer may be removed from office at any time by the Board of Trustees. Vacancies among the officers may be filled by the Board of Trustees at any meeting.

Term of Office

Vacancies

SECTION 12. The Chairman of the Board and the President shall have such duties as usually pertain to their respective offices, except as otherwise directed by the Board of Trustees or the Executive Committee, and shall also have such powers and duties as may from time to time be conferred upon them by the Board of Trustees or the Executive Committee. The Vice Presidents and the other officers of the Company shall have such duties as usually pertain to their respective offices, except as otherwise directed by the Board of Trustees, the Executive Committee, the Chairman of the Board or the President, and shall also have such powers and duties as may from time to time be conferred upon them by the Board of Trustees, the Executive Committee, the Chairman of the Board or the President.

Duties of Executive Officers

Duties of Other Officers

Appointment Executive Committee

SECTION 13. The Board of Trustees, as soon as may be after the election of Trustees in each year, may by a resolution passed by a majority of the whole Board, appoint an Executive Committee, to consist of the Chairman of the Board and three or more additional Trustees as the Board may from time to time determine, which shall have and may exercise during the intervals between the meetings of the Board all the powers vested in the Board except that neither the Executive Committee nor any other committee appointed pursuant to this section of the By-laws shall have authority as to any of the following matters: the submission to stockholders of any action as to which stockholders' authorization is required by law; the filling of vacancies on the Board or on any committee thereof; the fixing of compensation of any Trustee for serving on the Board or on any committee thereof; the amendment or repeal of these By-laws, or the adoption of new By-laws; and the amendment or repeal of any resolution of the Board which by its terms shall not be so amendable or repealable. The Board shall have the power at any time to change the membership of such Executive Committee and to fill vacancies in it. The Executive Committee may make rules for the conduct of its business and may appoint such committees and assistants as it may deem necessary. Four members of said Executive Committee shall constitute a quorum. The Chairman of the Board or, in his absence a Chairman pro tem elected by the meeting from among the members of the Executive Committee present shall preside at all meetings of the Executive Committee. The Board may designate one or more Trustees as alternate members of any committee appointed pursuant to this section of the By-laws who may replace any absent member or members at any meeting of such committee. The Board of Trustees may also from time to time appoint other committees consisting of three or more Trustees with such powers as may be granted to them by the Board of Trustees, subject to the restrictions contained in this section of the By-laws. Any one or more members of any committee appointed pursuant to this section may participate in any meeting of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such meeting. Any action required or permitted to be taken by any committee appointed pursuant to this section may be taken without a meeting if all members of such committee consent in writing to the adoption of a resolution authorizing the action. Each resolution so adopted and the written consents thereto by the members of such committee shall be filed with the minutes of the proceedings of such committee.

Executive Committee Quorum

Committee Meetings

Participation by Conference Telephone

Action by Unanimous Written Consent

Depositories
Signatures

SECTION 14. The Board of Trustees are authorized to select such depositories as they shall deem proper for the funds of the Company. All checks and drafts against such deposited funds shall be signed by such person or persons and in such manner as may be specified by the Board of Trustees.

Indemnification
of Trustees
and Officers

SECTION 15. The Company shall fully indemnify in all circumstances to the extent not prohibited by law any person made, or threatened to be made, a party to an action or proceeding, whether civil or criminal, including an investigative, administrative or legislative proceeding, and including an action by or in the right of the Company or any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, by reason of the fact that he, his testator or intestate, is or was a Trustee or officer of the Company, or is or was serving at the request of the Company any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, as a director, officer or in any other capacity against any and all judgments, fines, amounts paid in settlement, and expenses, including attorneys' fees, actually and reasonably incurred as a result of or in connection with any such action or proceeding or related appeal; provided, however, that no indemnification shall be made to or on behalf of any Trustee, director or officer if a judgment or other final adjudication adverse to the Trustee, director or officer establishes that his acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled; and, except in the case of an action or proceeding specifically approved by the Board of Trustees, the Company shall pay expenses incurred by or on behalf of such a person in defending such a civil or criminal action or proceeding (including appeals) in advance of the final disposition of such action or proceeding promptly upon receipt by the Company, from time to time, of a written demand of such person for such advancement, together with an undertaking by or on behalf of such person to repay any expenses so advanced to the extent that the person receiving the advancement is ultimately found not to be entitled to indemnification for such expenses; and the right to indemnification and advancement of defense expenses granted by or pursuant to this by-law (i) shall not limit or exclude, but shall be in addition to, any other rights which may be granted by or pursuant to any statute, certificate of incorporation, by-law, resolution or agreement, (ii) shall be deemed to constitute contractual obligations of the Company to any Trustee, director or officer who serves in such capacity at any time while this by-law is in effect, (iii) are intended to be retroactive and shall be available with respect to events occurring prior to the adoption of this by-law and (iv) shall continue to exist after the repeal or modification hereof with respect to events occurring prior thereto. It is the intent of this by-law to require the Company to indemnify the persons referred to herein for the aforementioned judgments, fines, amounts paid in settlement and expenses, including attorneys' fees, in each and every circumstance in which such indemnification could lawfully be permitted by an express provision of a by-law, and the indemnification required by this by-law shall not be limited by the absence of an express recital of such circumstances. The Company may, with the approval of the Board of Trustees, enter into an agreement with any person who is, or is about to become, a Trustee or officer of the Company, or who is serving, or is about to serve, at the request of the Company, any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, as a director, officer or in any other capacity, which agreement may provide for indemnification of such person and advancement of defense expenses to such person upon such terms, and to the extent, as may be permitted by law.

SECTION 16. Wherever the expression “Trustees” or “Board of Trustees” is used in these By-laws the same shall be deemed to apply to the Directors or Board of Directors, as the case may be, if the designation of those persons constituting the governing board of this Company is changed from “Trustees” to “Directors”.

Amendment of By-laws

SECTION 17. Either the Board of Trustees or the stockholders may alter or amend these By-laws at any meeting duly held as above provided, the notice of which includes notice of the proposed amendment.

EMERGENCY BY-LAWS

OF

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

As Amended
February 19, 2009

Effective February 19, 2009

SECTION 1. These Emergency By-laws may be declared effective by the Defense Council of New York as constituted under the New York State Defense Emergency Act in the event of attack and shall cease to be effective when the Council declares the end of the period of attack. These Emergency By-laws shall also be effective in the event of an attack, major disaster, catastrophe, or national or local emergency, during which a quorum of the entire Board of Trustees is unavailable to act in a meeting of the Board called in the manner provided in the By-laws of the Company.

SECTION 2. During the period in which these Emergency By-laws are effective, the affairs of the Company shall be managed by such Trustees theretofore elected as are available to act, and a majority of such Trustees shall constitute a quorum. In the event that there are less than three Trustees available to act, then and in that event the Board of Trustees shall consist of such Trustees theretofore elected and available to act, if any, plus such number of officers of the Company, added to the Board in the order of seniority by title and, within title, seniority by tenure with the Company, not theretofore elected as Trustees as will make a Board of not less than three nor more than five members. The Board as so constituted shall continue until such time as a quorum of the entire Board (including any duly elected successors) becomes available.

SECTION 3. The By-laws of the Company shall remain in effect during the period in which these Emergency By-laws are effective to the extent that said By-laws are not inconsistent with these Emergency By-laws.

Exhibit 32.2.1

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, John McAvoy, the Chief Executive Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John McAvoy

John McAvoy

Dated: February 15, 2018

Exhibit 32.2.2

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Robert Hoglund, the Chief Financial Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Hoglund

Robert Hoglund

Dated: February 15, 2018

NEW YORK STATE ENERGY RESEARCH

AND DEVELOPMENT AUTHORITY

and

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

PARTICIPATION AGREEMENT

Dated as of July 1, 1999

relating to

Facilities Revenue Bonds, Series 1999A

(Consolidated Edison Company of New York, Inc. Project)

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PARTICIPATION AGREEMENT

Page

This PARTICIPATION AGREEMENT, dated as of July 1, 1999, between NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, a body corporate and politic, constituting a public benefit corporation, established and existing under and by virtue of the laws of the State of New York (the "Authority") and CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., a corporation duly organized and existing and qualified to do business as a public utility under the laws of the State of New York (the "Company"),

W I T N E S S E T H :

WHEREAS, pursuant to a special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the Authority has been established, as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power company to participate in the construction of facilities for the furnishing of electric energy and the furnishing of gas to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources and aesthetics; and

WHEREAS, pursuant to the Act, the Authority is also authorized to extend credit and make loans from bond proceeds to any person for the construction, acquisition, installation, reconstruction, improvement, maintenance, equipping, furnishing or leasing of any special energy project (as defined i n t h e A c t) including, b u t n o t limited t o , facilities f o r the distribution of steam or for the reimbursement to any person for costs incurred in connection with a special energy project completed or not completed at the time of such credit or loan, which credits or loans may, but need not, be secured by mortgages, contracts, leases or other instruments, upon such terms and conditions as the Authority shall determine reasonable in connection with such credits or loans; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient monies for achieving its corporate purposes, including the refunding of its outstanding obligations; and

WHEREAS, the Authority is also authorized under the Act to enter into any contracts and to execute all instruments necessary or convenient for the exercise of its corporate powers and the fulfillment of its corporate purposes; and

WHEREAS, the Company is a public utility corporation doing business in the State of New York and provides electric energy and gas service in The City of New York and the County of Westchester, New York and provides steam service in the Borough of Manhattan; and

WHEREAS, the Company has requested that the Authority issue bonds for the purpose of refunding the Authority's 7 1/4% Electric Facilities Revenue Bonds, Series 1989 C (Consolidated Edison Company of New York, Inc. Project), in the aggregate principal amount of $150,000,000 and 7 1/2% Electric Facilities Revenue Bonds, Series 1990 A (Consolidated Edison Company of New York, Inc. Project), in the aggregate principal amount of $150,000,000

(collectively, the "Prior Bonds") issued to finance a portion of the cost of the acquisition, construction and installation of certain facilities for the furnishing of electric energy within the Company's service area; and

WHEREAS, the Authority proposes to issue a series of such bonds in the aggregate principal amount of $292,700,000 Facilities Revenue Bonds, Series 1999A (Consolidated Edison Company of New York, Inc. Project) (the "Bonds"), in order to refund the Prior Bonds, such bonds to be issued under and secured by a Trust Indenture dated as of July 1, 1999, between the Authority and HSBC Bank USA, as Trustee (the "Indenture"); and

WHEREAS, the Authority, by Resolution No. 934, adopted April 19, 1999, has determined to issue the Bonds, in an aggregate principal amount not to exceed $292,700,000, for the purpose of refunding the Prior Bonds, all such Bonds to be issued under and secured by the Indenture;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, it is hereby agreed by and between the parties as follows:

ARTICLE I.

DEFINITIONS; EFFECTIVE DATE AND DURATION
OF PARTICIPATION AGREEMENT

Section 1.01 Definitions. The terms used in this Participation Agreement which are defined in the Indenture shall have the meanings, respectively, herein which such terms are given in the Indenture.

Section 1.02 Effective Date of Participation Agreement; Duration of Participation Agreement. This Participation Agreement shall become effective upon its execution and delivery, and shall continue in full force and effect until the principal of and premium, if any, and interest on the Note and Bonds have been fully paid (or provision for their payment has been made in accordance with the provisions of the Indenture), and all sums to which the Authority or the Trustee are entitled hereunder have been fully paid.

ARTICLE II.

REPRESENTATIONS

Section 2.01 Representations and Warranties by the Authority. The Authority represents and warrants as follows:

(a) The Authority is a body corporate and politic, constituting a public benefit corporation, established and existing under the laws of the State of New York;

(b) The Authority has full power and authority to execute and deliver the Bonds, this Participation Agreement, the Tax Regulatory Agreement, the Indenture, the Bond Purchase Trust Agreement and to consummate the transactions contemplated hereby and thereby and perform its obligations hereunder and thereunder;

(c) The Authority is not in violation of or in default under any of the provisions of the laws or the Constitution of the State of New York which would affect its existence or its powers referred to in the preceding paragraph (b);

(d) The Authority has determined that its participation in the Project and the refunding of the Prior Bonds, as contemplated by this Participation Agreement, is in the public interest;

(e) The Authority has duly authorized the execution and delivery of this Participation Agreement, the Indenture, the Tax Regulatory Agreement and the Bond Purchase Trust Agreement and the execution and delivery of the other documents incidental to this transaction and all necessary authorizations therefor or in connection with the performance by the Authority of its obligations hereunder or thereunder have been obtained and are in full force and effect; and

(f) The execution and delivery by the Authority of the Bonds, this Participation Agreement, the Tax Regulatory Agreement, the Indenture, the Bond Purchase Trust Agreement and the other documents incidental to this transaction and the consummation of the transactions herein or therein contemplated will not violate or cause a default under any indenture, mortgage, loan agreement or other contract or instrument to which the Authority is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to the Authority.

Section 2.02 Representations and Warranties by the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly incorporated and in good standing under the laws of the State of New York, is duly qualified and authorized to transact business as a public utility in the State of New York and is not in violation of any provision of its Certificate of Incorporation or its By-Laws, has power to enter into, execute and deliver this Participation Agreement, the Tax Regulatory Agreement and the Note and by proper

corporate action has duly authorized the execution and delivery of this Participation Agreement, the Tax Regulatory Agreement and the Note;

(b) The execution and delivery by the Company of this Participation Agreement, the Tax Regulatory Agreement and the Note and the consummation of the transactions herein and therein contemplated will not conflict with or constitute a breach of or a default under the Company's Certificate of Incorporation or By-Laws or a default in any material respect under any indenture, mortgage, loan agreement or other contract or instrument to which the Company is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to the Company;

(c) This Participation Agreement, the Tax Regulatory Agreement and the Note constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws relating to or affecting the enforcement of creditors' rights or contractual obligations generally or principles of equity or judicial discretion;

(d) The execution and delivery by the Company of this Participation Agreement and the Note in the manner and for the purposes herein set forth have been duly authorized by order of the Public Service Commission of the State of New York; and

(e) No additional authorizations for or approvals of the execution and delivery by the Company of this Participation Agreement, the Tax Regulatory Agreement and the Note need be obtained by the Company or if any such authorization or approval is necessary it has been obtained.

ARTICLE III.

THE PROJECT; ISSUANCE OF BONDS

Section 3.01 The Project. Construction of the Project is complete. The Project is the property of the Company. In order to effectuate the purposes of this Participation Agreement, the Company, in its own name, will do or cause to be done all things requisite or proper for the fulfillment of the obligations of the Company under this Participation Agreement.

Section 3.02 Sale of Bonds and Deposit of Proceeds. In order to provide funds for the refunding of the Prior Bonds, the Authority, on the date specified in the Bond Purchase Agreement or as soon thereafter as practicable, and concurrently with the issuance and delivery to the Trustee of the Note as provided in Section 4.01 hereof, will issue, sell and deliver the Bonds, all pursuant to and as provided in the Bond Purchase Agreement and subject to the conditions set forth in Section 2.06 of the Indenture, and will deposit the proceeds of such sale including the accrued interest, if any, paid by the initial purchasers of the Bonds in the Project Fund.

Section 3.03 Disbursements from Project Fund. 1. The Authority has in the Indenture authorized and directed the Trustee to make payments from the Project Fund in accordance with Section 8.01 of the Indenture, to pay the redemption price of the Prior Bonds and costs related thereto upon receipt from time to time of letters signed by an Authorized Company Representative in accordance with Section 8.01 of the Indenture. Concurrently with the delivery by the Company of each such letter to the Trustee, the Company will deliver to the Authority a copy thereof and any attachments thereto. The Company will indemnify and save harmless the Authority and the Trustee from any liability incurred in connection with any letter so delivered and any payments made in reliance thereon.

2. All monies remaining in the Project Fund after the redemption of the Prior Bonds and payment of all costs related thereto shall, at the written direction of an Authorized Company Representative, be paid to the Company.

Section 3.04 Adequacy of Project Fund. The Company acknowledges that the monies in the Project Fund are not sufficient to pay the redemption price of the Prior Bonds and costs related thereto in full. The Company shall pay that portion of the redemption price of the Prior Bonds and costs related thereto in excess of the monies available therefor in the Project Fund with its own funds.

Section 3.05 Ownership and Possession of the Project. Issuance of the Bonds will not vest in the owners thereof, the Trustee, the Authority or any other person, ownership, or the right to possession, of the Project. The Company is entitled to sole and exclusive ownership and possession of the Project.

Section 3.06 Operation, Maintenance and Repair. The Company agrees to proceed in good faith to maintain the availability of the Project for use as an authorized project under the Act. Notwithstanding the foregoing, the Authority and the Company recognize that the Project

will constitute integrated portions of electric distribution facilities of the Company and that it is not feasible to administer the Project separately from such facilities. The Company shall operate the Project (with such changes, improvements or additions as the Company may deem desirable) as part of such facilities for the joint useful lives of the Project and such facilities and shall maintain and repair the Project in conformity with the Company's normal maintenance and repair programs for such facilities; provided that the Company shall have no obligation to operate, maintain or repair any element or item of the Project the operation, maintenance or repair of which becomes uneconomic to the Company because of damage or destruction or obsolescence (including physical, functional and economic obsolescence), or change in government standards and regulations, or the termination by the Company of the operation of the facilities to which the element or item of the Project is an adjunct.

Section 3.07 Investment of Monies in Funds Under the Indenture. Any monies held as a part of any fund created under the Indenture shall, at the direction of an Authorized Company Representative, be invested or reinvested by the Trustee as provided in Article IX of the Indenture.

ARTICLE IV.

NOTE AND PAYMENTS

Section 4.01 Execution and Delivery of Note to Trustee. Concurrently with the authentication by the Trustee and delivery by the Authority of the Bonds and in order to evidence the obligation of the Company to the Authority to repay the Bonds, the Authority hereby directs the Company, and the Company hereby agrees, to execute and deliver to the Trustee its Note, duly and validly executed and delivered, relating to the Bonds. The Note shall be in substantially the form attached hereto as Exhibit A with only such changes to such form as may be approved by the Authority. Thereafter, the Company shall be obligated to make the Note Payments, constituting payments of principal of, and premium, if any, and interest on the Note, and the Additional Payments required by this Participation Agreement. Such obligations shall terminate on the date when the Note has been paid in full. The Note may be prepaid in accordance with Section 4.04 hereof. Upon payment or provision for payment in full of all amounts payable or to become payable under the Note, the Trustee shall cancel the Note and deliver the same to the Company. Provision for payment in full of all amounts payable or to become payable under the Note shall be deemed to have occurred upon receipt by the Trustee of written notice from the Authority acknowledging that the Company has satisfied its obligations to the Authority under the Note. The Authority agrees to deliver such written notice to the Trustee promptly when such provision for payment in full has been made.

Section 4.02 Payments Payable; Note Payments; Additional Payments.

(a) The Company covenants and agrees to pay the Payments as and when the same are due and payable in accordance with the Note and this Section 4.02. The Company shall provide the Trustee with a written allocation of amounts paid under this Section 4.02 among the various purposes set forth in this Section 4.02.

(b) The Note Payments shall be in an aggregate amount sufficient for, together with other amounts held by the Trustee and available under the Indenture for application to, the payment in full of the Bonds consisting of (i) the total interest becoming due and payable on the Bonds to the date of payment thereof, and (ii) the total principal amount plus premium, if any, of the Bonds.

(c) The Company shall make Note Payments as set forth in Section 4.02(b) at or prior to the time the corresponding payment is due on the Bonds. Each installment of Note Payments paid by the Company shall be increased as may be necessary to make up any previous deficiency of any of the required payments and to make up any deficiency in the Bond Fund.

(d) In addition, the Company shall pay to the Registrar and Paying Agent for deposit in the Bond Purchase Fund and credit to the Company Account therein an amount sufficient to provide for the payment of the Purchase Price (as defined in the Bond Purchase Trust Agreement) of any Bond tendered for purchase pursuant to the Bond Purchase Trust Agreement to the extent that sufficient moneys are not available for the payment of such Purchase Price from the other sources described therein.

(e) The Company covenants that it shall deposit, or cause to be deposited with the Trustee, sufficient funds to assure that no default shall occur in the payment of the principal of or premium, if any, or the interest on, or the Purchase Price of, the Bonds as and when due, and that no unreasonable delay shall occur in the payment of the costs and expenses payable from Additional Payments.

(f) The Company further covenants and agrees to pay, when due and payable, as Additional Payments, certain additional amounts and costs and expenses. Each installment of Additional Payments, if any, shall be equal to the sum of the amounts set forth in clauses (i) to (iv), inclusive, below, and shall be paid directly to the persons entitled to such payments. "Additional Payments" is hereby defined to be the aggregate of the installments of the following:

(i) the reasonable fees and expenses payable to the Trustee, any Indexing Agent, the Registrar and Paying Agent, any issuer of a Support Facility (and in the case of Auction Rate Bonds, the Auction Agent under the Auction Agency Agreement, any Broker-Dealers under the respective Broker-Dealer Agreements, and any Remarketing Agent under the Remarketing Agreement), and of any counsel or agents of any of the foregoing;

(ii) all costs incurred in connection with the transfer, exchange, purchase or redemption of Bonds not otherwise paid by the holders thereof, including all charges of the Authority (and in the case of Auction Rate Bonds, the Auction Agent, any Broker-Dealer and any Remarketing Agent), the Registrar and Paying Agent and the Trustee with respect thereto, to the extent monies are not otherwise available therefor;

(iii) the reasonable fees and other costs incurred for services of such attorneys and accountants as are employed to make examinations, provide services, render opinions and prepare reports required under this Participation Agreement, the Tax Regulatory Agreement, the Bond Purchase Trust Agreement, and the Indenture; and

(iv) initial administration fees in the amount of $731,750 on the date of authentication and delivery of the Bonds to the initial purchasers thereof, an annual fee equal to $130 per million dollar principal amount of the Bonds on July 1, 2000 and on July 1 of each year thereafter, based upon the amount of Bonds Outstanding as of such July 1 and for purposes of the calculation of such fee, rounding up to the nearest whole million dollars, and all reasonable expenses, disbursements, advances, taxes, assessments or impositions, not otherwise paid under this Participation Agreement or the Indenture, incurred by or imposed upon the Authority in connection with its administration and enforcement of, and compliance with, this Participation Agreement, the Auction Agency Agreement, the Bond Purchase Trust Agreement, the Remarketing Agreement and the Indenture, which amounts the Company is obligated to pay, including, but not limited to, reasonable attorneys' fees. In addition, the Company shall deliver to the Authority a check payable to the State of New York with respect to a bond issuance charge applicable to the Bonds pursuant to Section 2976 of the Public Authorities Law of the State of New York in the amount specified by such section on the date of authentication and delivery of the Bonds.

(g) In the event that the Company shall fail to make any Payment as required by Sections 4.02(a) - (e) hereof, the Payment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon, which interest shall also constitute an obligation of the Company at the maximum rate of interest payable on the Bonds pursuant to the Indenture, to the extent permitted by law, from the date of default until paid; provided, that the Company agrees in the event the Company shall fail to make any Payment during an Auction Rate Period, the Payment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon, which interest shall also constitute an obligation of the Company at the Overdue Rate, to the extent permitted by law, from the date of default until paid. Nothing in this Section 4.02 shall require the Company to pay costs and expenses mentioned in clause (f)(iii) above so long as the validity or the reasonableness thereof shall be contested in good faith unless the Trustee shall receive an opinion of independent counsel that such contest jeopardizes the respective interests of the Authority and the Trustee in this Participation Agreement, the Auction Agency Agreement, the Bond Purchase Trust Agreement, the Indenture or the Remarketing Agreement, in which event the Company shall pay such costs and expenses (without prejudice to any rights of the Company to recover such costs and expenses if not valid or reasonable) to the end that the respective interests of the Authority and the Trustee, in the opinion of independent counsel, are not jeopardized.

Section 4.03 Notice to Pay; Medium of Payment; Acceleration. Failure to receive any prior notice of the due date of any Payment will not relieve the Company of its obligation to pay such Payment when it is due and payable. The Company covenants and agrees that it will pay or cause to be paid when due and payable hereunder the Payments, and every installment thereof, without notice or demand therefor and without abatement, reduction or set-off of any kind or nature whatsoever, in lawful money of the United States of America.

If pursuant to the provisions of Section 12.03 of the Indenture, the Bonds are accelerated or shall otherwise be declared due and payable immediately, then the Company shall forthwith pay or cause to be paid to the Trustee an amount sufficient with all other funds available therefor, to pay the Bonds in full and, secondly an amount which shall be sufficient, with all other funds available therefor, to pay all other obligations of the Authority or the Company incurred or to be incurred under the Indenture, this Participation Agreement, the Auction Agency Agreement, the Bond Purchase Trust Agreement or the Remarketing Agreement.

Section 4.04 Prepayment of Note Payments. The Note may be prepaid, in whole or in part, at the option of the Company in connection with an optional redemption of the Bonds pursuant to Article V of the Indenture and shall be prepaid, in whole or in part, in connection with any mandatory redemption of the Bonds pursuant to Article V of the Indenture other than a mandatory redemption pursuant to Section 5.07 of the Indenture. Prepayment of the Note pursuant to the preceding sentence shall be with or without premium, as required to provide sufficient funds to redeem the Bonds being redeemed pursuant to Article V of the Indenture. The Note also may be prepaid in whole or in part at any time, without premium, at the option of the Company subsequent to the redemption of the Bonds with moneys furnished by the State of New York pursuant to Section 5.07 of the Indenture.

The Company shall give notice to the Trustee and the Authority of any intention to prepay the Note in whole or in part and of the principal amount to be prepaid not more than sixty (60) nor less than thirty-five (35) days prior to the date on which such prepayment is to be made on the Note. Such optional prepayment may be made not later than one (1) Business Day prior to the date of prepayment of the Bonds.

The Company may also elect to provide for the defeasance of the Bonds in accordance with Article XV of the Indenture and upon the defeasance of the Bonds, the Note will be deemed paid, in whole or in applicable part.

Section 4.05 Company's Payments as Trust Funds. All Note Payments and Additional Payments required to be made by the Company under this Participation Agreement and the Note to the Authority, the Trustee or the Registrar and Paying Agent which under the Indenture are required to be applied in payment of or as security for the Bonds, shall be and constitute and are hereby declared to be trust funds, whether held by the Authority, the Trustee, the Registrar and Paying Agent, or any bank or trust company, designated for such purpose and shall continue to be impressed with a trust until such monies are applied in the manner provided in the Indenture.

Section 4.06 Absolute Obligation to Make Payments. The obligation of the Company to pay the Note Payments and the Additional Payments, as required by this Participation Agreement and the Note, and to satisfy any other financial liabilities incurred hereunder and thereunder shall be an absolute, direct, general obligation, and shall be unconditional and shall not be abated, rebated, set off, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever (other than for prior payment), regardless of any rights of set-off, recoupment or counterclaim that the Company might otherwise have against the Authority or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place including, but without limiting the generality of the foregoing, the following:

(a) any damage to or destruction of any part or all of the Project;

(b) the taking or damaging of any part or all of the Project by any public authority or agency in the exercise of the power of eminent domain or otherwise;

(c) any assignment, novation, merger, consolidation, transfer of assets, subleasing or other similar transaction of or affecting the Company whether with or without the approval of the Trustee, except as otherwise expressly provided in this Participation Agreement;

(d) with respect solely to the obligation of the Company to pay the Additional Payments, the termination of this Agreement and payment or provision for payment in full of the amount due under the Note pursuant to the provisions hereof;

(e) any failure of any party to perform or observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or in connection with this Participation Agreement, the Note, the Auction Agency

Agreement, any Broker-Dealer Agreement, the Remarketing Agreement, the Bond Purchase Trust Agreement or the Indenture;

(f) any change or delay in the time of availability of the Project or any part thereof for use of the Project or any part thereof;

(g) any acts or circumstances that may constitute an eviction or constructive eviction from any part of the Project;

(h) failure of consideration, failure of title to any part of the Project or commercial frustration; and

(i) any change in the tax or other laws of the United States or of any state or other governmental authority;

provided, however, that the foregoing shall not be deemed to be a waiver of any right of recourse the Company may have against the Authority, the holder of any Bond or others, including but not limited to, the rights, causes of action or claims which may arise out of the breach of their respective obligations or the inaccuracy of their respective warranties, provided, however, that the Company may pursue any such right, claim or cause of action only by a separate proceeding or action and not by counterclaim or set-off hereunder and the bringing of such separate proceeding or action shall not affect the Company's absolute, irrevocable and unconditional obligation to make payments pursuant to this Section 4.06.

Section 4.07 Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority will assign to the Trustee the Participation Agreement and the Note and all of the Authority's rights, remedies and interest under this Participation Agreement and the Note, including the right to receive payments under the Participation Agreement and the Note (except the Authority's rights with respect to (a) administrative compensation, attorney's fees and indemnification, (b) the receipt of notices, opinions, reports, copies of instruments and other items of a similar nature required to be delivered to the Authority under the Participation Agreement, (c) granting approvals and consents and making determinations when required under the Participation Agreement, (d) making requests for information and inspections in accordance with the Participation Agreement, (e) Article III and Sections 4.02(f), 4.14 and 5.08 of the Participation Agreement and, insofar as the obligations of the Company under Section 4.12 relate to taxes and assessments imposed upon the Authority and not the Trustee, Section 4.12 thereof and (f) the right to amend the Participation Agreement) and hereby directs the Company to make said payments directly to the Trustee or in the case of the Purchase Price to the Registrar and Paying Agent. The Company herewith assents to such assignment and will make payments under this Participation Agreement and the Note (except payments made pursuant to Sections 4.02(f) and 5.08 hereof which shall be made directly to the Authority) directly to the Trustee (or in the case of the Purchase Price, to the Registrar and Paying Agent) without defense or set-off by reason of any dispute between any of the Company, the Trustee or Registrar and Paying Agent. Except as provided in the Indenture, the Authority will not sell, assign, transfer, convey or otherwise dispose of its interest in this Participation Agreement during the term of this Participation Agreement.

Section 4.08 Actions with Respect to or by or on behalf of the Authority under the Indenture. The Authority hereby grants the right to the Company to request the Authority to take certain actions under the Indenture and/or to perform or undertake certain actions as specified under the Indenture. The Company agrees to request the Authority to take action or undertake or perform any action solely in compliance with or after complying with the requirements and provisions of the Indenture.

Section 4.09 Agreements of Company relating to Support Facilities. The Company agrees not to request that the interest rate mode applicable to the Bonds be adjusted to an Adjustable Rate other than an Auction Rate unless there shall be in effect, prior to the applicable Change in the Interest Rate Mode, one or more Support Facilities which (i) meet the requirements of Article VI of the Indenture and (ii) permit the Bonds to be rated at least "A" by S&P or "A" by Moody's or its equivalent by any nationally recognized rating agency.

The Company further agrees that it will maintain a Liquidity Facility issued by a financial institution rated not less than “A” by at least one nationally recognized rating agency in effect with respect to the Bonds at all times, except with respect to Bonds bearing an Auction Rate or a Fixed Rate.

Section 4.10 Compensation of Trustee and Paying Agents. The Company agrees:

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it in any capacity under the Indenture (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred by the Trustee under the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to pay to the Registrar and Paying Agent, if other than the Trustee, reasonable compensation for all services rendered by it as Registrar and Paying Agent under the Indenture and reimburse it for its reasonable expenses incurred under the Indenture, except any such expense as may be attributable to its negligence or bad faith.

Section 4.11 Project not Security for Bonds. It is expressly recognized by the parties that the Project will not constitute any part of the security for the Bonds. The principal security for the Bonds shall be the Note and the absolute, irrevocable and unconditional obligation of the Company to make the Note Payments.

Section 4.12 Payment of Taxes and Assessments; No Liens or Charges. The Company will (a) pay, when the same shall become due and payable, all taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, imposed, levied or assessed by the Federal, state or any municipal government upon the

Authority or the Trustee in respect of any payments (other than payments made pursuant to Section 4.10) made or to be made pursuant to this Participation Agreement or the Notes and (b) pay or cause to be discharged, within sixty (60) days after the same shall accrue, any lien or charge upon any such payment (except as aforesaid) made or to be made under this Participation Agreement; provided that the Company shall not be required to pay any such tax, assessment or charge so long as (i) the Company at its expense contests by appropriate legal proceedings conducted in good faith and with due diligence the amount, validity or application of any such tax, assessment or charge, (ii) such proceedings shall have the effect of suspending the collection thereof from the Authority and the Trustee, and (iii) the Company shall indemnify and hold the Authority and the Trustee harmless from any losses, costs, charges, expenses (including reasonable attorneys' fees and disbursements), judgments and liabilities arising in respect of such tax, assessment or charge and the nonpayment thereof.

Section 4.13 Company to Pay Attorneys' Fees and Disbursements. If the Company shall default under any of the provisions of this Participation Agreement and the Authority or the Trustee or both shall employ attorneys or incur other expenses for the collection of payments due under this Participation Agreement or the Note or for the enforcement of performance or observance of any obligation or agreement on the part of the Company contained in this Participation Agreement, the Company will on demand therefor reimburse the reasonable fees of such attorneys and such other reasonable disbursements so incurred.

Section 4.14 No Abatement of Administration Fees and Other Charges. It is understood and agreed that so long as any Bonds are outstanding under the Indenture, the Administration Fees and other charges payable to the Authority pursuant to this Participation Agreement or the Note shall continue to be payable at the times and in the amount herein specified, whether or not the Project, or any portion thereof, shall have been destroyed by fire or other casualty, or title thereto or the use thereof shall have been taken by the exercise of the power of eminent domain, and that there shall be no abatement of any such Administration Fees and other charges by reason thereof.

ARTICLE V.

SPECIAL COVENANTS

Section 5.01 No Warranty as to Suitability of Project. The Authority makes no warranty, either express or implied, with respect to actual or designed capacity of the Project, as to the suitability of the Project for the purposes specified in this Participation Agreement, as to the condition of the Project, or that the Project will be suitable for the Company's purposes or needs.

Section 5.02 Authority's Right to Inspect Project. The Authority shall have the right at all reasonable times to examine and inspect the Project.

Section 5.03 Company Consent to Amendment of Indenture . The Authority and the Trustee shall not enter into any indenture supplemental to or amendatory of the Indenture which affects the rights or obligations of the Company without the prior consent of the Company as evidenced by a certificate in writing signed by an Authorized Company Representative.

Section 5.04 Tax Covenant. Notwithstanding any other provision hereof, the Company covenants and agrees that it will not take or authorize any action or permit any action within its reasonable control to be taken, or fail to take any action within its reasonable control, with respect to the Project, or the proceeds of any series of the Bonds, including any amounts treated as proceeds of the Bonds for any purpose of Section 103 of the Code, which will result in the loss of the exclusion of interest on any series of Bonds from gross income for Federal income tax purposes under Section 103 of the Code (except for any Bond during any period while any such Bond is held by a person referred to in Section 147(a) of the Code). This provision shall control in case of conflict or ambiguity with any other provision of this Participation Agreement. In furtherance of such covenant and agreement as it relates to the Bonds, the Authority and the Company have entered into the Tax Regulatory Agreement and the Company hereby covenants and agrees to comply with the provisions thereof.

Section 5.05 Company Agrees to Perform Obligations Imposed by Indenture. The Company agrees to perform such obligations as may be required of it by the provisions of the Indenture.

Section 5.06 Authority Agrees to Take Certain Actions at Direction of Company. The Authority agrees to exercise any option to redeem the Bonds pursuant to Section 5.01 of the Indenture at the direction of the Company. The Authority agrees to exercise its rights under Article XV of the Indenture upon the request of the Company.

Section 5.07 Certificates as to Defaults. The Company shall file with the Trustee, on or before August 1 of each year, commencing on August 1, 2000, a certificate signed by an Authorized Company Representative stating that, to the best of his or her knowledge, information and belief, the Company has kept, observed, performed and fulfilled each and every one of its covenants and obligations contained in this Participation Agreement, the Tax Regulatory Agreement and in the Note and, to the best of his knowledge, information and belief, there does

not exist at the date of such certificate any Event of Default hereunder or other event which, with notice or the lapse of time specified in Section 7.01 hereof, or both, would become an Event of Default or, if any such Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

Section 5.08 Limited Obligation of Authority; Indemnification of Authority, Registrar and Paying Agent, Auction Agent and Trustee. The Bonds shall not be general obligations of the Authority, and shall not constitute an indebtedness of or a charge against the general credit of the Authority or give rise to any pecuniary liability of the Authority. The liability of the Authority under the Bonds shall be enforceable only to the extent provided in the Indenture, and the Bonds shall be payable solely from the Note Payments and any other funds held by the Trustee under the Indenture and available for such payment. The Bonds shall not be a debt of the State of New York, and the State of New York shall not be liable thereon.

No member, officer, agent or employee of the Authority shall be personally liable for the payment of the Bonds or any money or damages hereunder or related hereto. Notwithstanding the fact that it is the intention of the parties hereto that the Authority and all officers and employees thereof shall not incur pecuniary liability by reason of the terms of this Participation Agreement, or the undertakings required of the Authority hereunder or any officer or employee thereof, by reason of the issuance of the Bonds, the execution and delivery of any document, including, but not limited to, the Indenture, the Tax Regulatory Agreement, this Participation Agreement, the Note, the Auction Agency Agreement, the Remarketing Agreement, the Bond Purchase Trust Agreement, any Broker-Dealer Agreement or any final official statement, or by reason of the performance or non-performance of any act required of it by this Participation Agreement or any such other agreement, or the performance or non-performance of any act requested of it by the Company, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing; nevertheless, if the Authority including any person at any time serving as an officer or employee of the Authority) should incur any such pecuniary liability, then in such event the Company shall indemnify and hold harmless the Authority (including any person at any time serving as an officer or employee of the Authority) against all claims by or on behalf of any person, firm or corporation or other legal entity, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon.

The Company releases the Authority (including any person at any time serving as an officer or employee of the Authority), the Registrar and Paying Agent, the Auction Agent and the Trustee (including any person at any time serving as an officer or employee of the Trustee, the Registrar and Paying Agent or the Auction Agent) from, agrees that the Authority (including any person at any time serving as an officer or employee of the Authority), the Registrar and Paying Agent, the Auction Agent and the Trustee (including any person at any time serving as an officer or employee of the Trustee, the Registrar and Paying Agent or the Auction Agent) shall not be liable for, and agrees to indemnify and hold the Authority (including any person at any time serving as an officer or employee of the Authority) and the Trustee, the Auction Agent, the Registrar and Paying Agent (including any person at any time serving as an officer or employee of the Trustee, Auction Agent or the Registrar and Paying Agent) harmless, to the fullest extent permitted by law from any losses, costs, charges, expenses (including reasonable attorneys' and

agents' fees and expenses), by reason of (i) any liability for any loss or damage to property or any injury to, or death of, any person that may be occasioned by any cause whatsoever arising out of the construction or operation of the Project, or (ii) judgments and liabilities in connection with any action, suit or proceeding instituted or threatened in connection with the transactions contemplated by this Participation Agreement, the Indenture and the Note, provided, however, that the Company shall not be liable as the result of the negligence of the Authority, the Trustee, the Registrar and Paying Agent, any Remarketing Agent or the Auction Agent or bad faith or wilful misconduct of the Authority, the Trustee, the Registrar and Paying Agent, any Remarketing Agent or the Auction Agent (including any person at any time serving as an officer or employee of the Authority or the Trustee, the Registrar and Paying Agent, any Remarketing Agent or the Auction Agent). If any such claim is asserted, the Authority, any individual indemnified herein, the Trustee, the Registrar and Paying Agent, any Remarketing Agent or the Auction Agent, as the case may be, shall give prompt notice to the Company and permit the Company to participate in the defense thereof at its own expense. The Company will reimburse the indemnified parties for any legal or other expenses reasonably incurred by the indemnified parties in investigating or defending against any such claim, provided that the Company shall not be required to reimburse any of the indemnified parties for fees and expenses of counsel other than one counsel selected by the Trustee in its sole discretion for all indemnified parties in which proceedings are brought or threatened to be brought unless and to the extent there are actual or potential conflicts of interest between or among indemnified parties or defenses available to some indemnified parties that are not available to other indemnified parties in which case, the Company will reimburse the indemnified parties for any legal or other expenses reasonably incurred by the indemnified parties in investigating or defending against any such claim by each counsel of each of the indemnified parties affected. The obligation of the parties hereto under this Section shall survive the termination of this Participation Agreement and the Indenture.

Section 5.09 Provision of Information. The Company shall provide the Trustee with the forms of any notices required to be sent to holders of Bonds in connection with any redemption of Bonds, a change in the Auction Period, the Interest Period or Change in the Interest Rate Mode pursuant to Articles III, III-A, IV and V of the Indenture or the establishment of a Fixed Rate on the Bonds pursuant to Section 4.02 of the Indenture.

Section 5.10 Ratings. During any Auction Rate Period, the Company shall take all reasonable action necessary to enable at least two nationally recognized, statistical rating organizations (as that term is used in the rules and regulations of the Commission under the Exchange Act) to provide ratings for the Auction Rate Bonds.

Section 5.11 Notices. During any Auction Rate Period, the Company on behalf of the Authority shall provide the Trustee and, so long as no Event of Default has occurred and is continuing and the ownership of any Auction Rate Bonds is maintained in book-entry form by the Securities Depository, the Auction Agent, with notice of any change in (a) the Statutory Corporate Tax Rate under the Indenture, (b) the Applicable Percentage, or (c) the maximum rate permitted by law on the Bonds. There is currently no such maximum rate.

Section 5.12 Maintenance of Office or Agency. So long as the Note remains outstanding and unpaid, the Company will at all times keep, in New York, New York, or another

location in the State of New York, an office or agency where notices and demands with respect to the Note may be served, and will, from time to time, give written notice to the Trustee of the location of such office or agency; and, in case the Company shall fail so to do, notices may be served and demands may be made at the principal office of the Trustee.

Section 5.13 Maintenance of Properties. So long as the Note remains outstanding and unpaid, the Company will at all times make or cause to be made such expenditures for repairs, maintenance and renewals, or otherwise, as shall be necessary to maintain its properties in good repair, working order and condition as an operating system or systems to the extent necessary to meet the Company's obligations under the Public Service Law of the State of New York and the Participation Agreement.

Section 5.14 Insurance. So long as the Note remains outstanding and unpaid, the Company will keep or cause to be kept its properties that are of an insurable nature, insured against loss or damage by fire or other risks, the risk of which in the opinion of an Authorized Company Representative (who shall be an officer or employee of the Company responsible for the management of such risks) is customarily insured against by companies similarly situated and operating like properties, to the extent that property of similar character is, in such Authorized Company Representative's opinion, customarily insured against by such companies, either (a) by reputable insurers or (b) in whole or in part in the form of reserves or of one or more insurance funds created by the Company, whether alone or with other Corporations.

Section 5.15 Proper Books of Record and Account. So long as the Note remains outstanding and unpaid, the Company will at all times keep or cause to be kept proper books of record and account, in which full, true and correct entry will be made of all dealings, business and affairs of the Company, including proper and complete entries to capital or property accounts covering property worn out, obsolete, abandoned or sold, all in accordance with the requirements of any system of accounting or keeping accounts or the rules, regulations or orders prescribed by a regulatory commission with jurisdiction over the rates of the Company giving rise to at least fifty-one percent (51%) of the Company's gross revenues, or if there are no such requirements or rules, regulations or orders, then in compliance with generally accepted accounting principles.

Section 5.16 Compliance with Laws. So long as the Note remains outstanding and unpaid, the Company agrees to use its best efforts to comply in all material respects with all applicable laws, rules and regulations and orders of any governmental authority, non-compliance with which would have a material adverse effect on its business, financial condition or results of operations (to the extent the Company deems it can reasonably comply while maintaining its public utility operations) or would materially adversely affect the Company's ability to perform its obligations hereunder or under the Participation Agreement, except laws, rules, regulations or orders being contested in good faith or laws, rules, regulations or orders which the Company has applied for variances from, or exceptions to.

Section 5.17 Consolidation, Merger or Sale of Assets. So long as the Note remains outstanding and unpaid, the Company will not consolidate with or permit itself to be merged into any other corporation or corporations, or sell, transfer or otherwise dispose of all or

substantially all of its properties and assets, except in the manner and upon the terms and conditions set forth in this Section 5.17.

Nothing contained herein or in the Note shall prevent (and the Note shall be construed as permitting and authorizing, without acceleration of the maturity of the Note) any lawful consolidation or merger of the Company with or into any other corporation or corporations lawfully authorized to acquire and operate the properties of the Company, or a series of consolidations or mergers, or successive consolidations or mergers, in which the Company or its successor or successors shall be a party, or any sale of all or substantially all the properties of the Company as an entirety to a corporation lawfully authorized to acquire and operate the same; provided that, upon any consolidation, merger or sale, the corporation formed by such consolidation, or into which such merger may be made if other than the Company, or making such purchase shall execute and deliver to the Trustee an instrument, in form reasonably satisfactory to the Trustee, whereby such corporation shall effectually assume the due and punctual payment of the principal of and premium, if any, and interest on the Note according to its tenor and the due and punctual performance and observance of all covenants and agreements to be performed by the Company pursuant to the Note and the Participation Agreement on the part of the Company to be performed and observed; and, thereupon, such corporation shall succeed to and be substituted for the Company hereunder, with the same effect as if such successor corporation had been named herein as obligor.

Every such successor corporation shall possess, and may exercise, from time to time, each and every right and power hereunder of the Company, in its name or otherwise; and any act, proceeding, resolution or certificate by any of the terms of the Note required or provided to be done, taken and performed or made, executed or verified by any board or officer of the Company shall and may be done, taken and performed or made, executed and verified with like force and effect by the corresponding board or officer of any such successor Company.

If consolidation, merger or sale or other transfer is made as permitted by this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

Section 5.18 Financial Statements of Company. The Company agrees to have an annual audit made by independent accountants and to furnish the Trustee with a balance sheet and statements of income, retained earnings and cash flow showing the financial condition of the Company and its consolidated subsidiaries, if any, at the close of each fiscal year, and the results of operations of the Company and its consolidated subsidiaries, if any, for each fiscal year, as audited by said accountants, on or before the last day of the third month following the close of the fiscal year or as soon thereafter as they are reasonably available. The Company further agrees to furnish to the Trustee, the Authority and to any owner of Bonds if requested in writing by such owner all financial statements which it sends to its shareholders.

ARTICLE VI.

REDEMPTION OF BONDS

Section 6.01 Redemption of Bonds. If the Company is not in default in making Note Payments, the Authority and the Trustee, at the request of the Company, at any time the aggregate monies in the Bond Fund are sufficient to effect a redemption of Bonds and if the same are then redeemable under the provisions of the Indenture and the Bonds, shall forthwith take all steps that may be necessary under the applicable redemption provisions of Article V of the Indenture to effect redemption of all or part of the then Outstanding Bonds as may be specified by the Company on such redemption date.

ARTICLE VII.

EVENTS OF DEFAULT AND REMEDIES

Section 7.01 Events of Default Defined. The following shall be an "Event of Default" under this Participation Agreement and the term "Event of Default" shall mean, whenever it is used in this Participation Agreement, any one or more of the following events:

(a) Failure by the Company to pay or cause to be paid, when due and payable, any installment of Note Payments and, in the case of failure to pay any installment of interest on the Note, continuance of such failure for one (1) Business Day.

(b) Failure by the Company to observe and perform any covenant, condition or agreement in this Participation Agreement or the Note on its part to be observed or performed, other than as referred to in subsection (a) of this Section 7.01 (and other than failure to pay the amounts due under Sections 4.02(f), 4.13 and 5.08 of this Participation Agreement), for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Company unless the Trustee (with any required consent of Bondholders under the provisions of the Indenture) shall agree in writing to an extension of such time prior to its expiration, provided that if any such failure shall be such that it cannot be cured or corrected within such ninety-day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected.

(c) The dissolution or liquidation of the Company or the filing by the Company of a voluntary petition in bankruptcy, or failure by the Company promptly to discharge or cause to be discharged any execution, garnishment or attachment of such consequence as will impair its ability to carry on its operations generally or the commission by the Company of any act of bankruptcy, or adjudication of the Company as a bankrupt, or assignment by the Company for the benefit of its creditors, or the entry by the Company into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Company in any proceeding for its reorganization instituted under the provisions of the federal bankruptcy laws. The term "dissolution or liquidation of the Company", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Company resulting either from a merger or consolidation of the Company into or with another corporation or a dissolution or liquidation of the Company following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such action with respect to the Company contained in Section 5.17 hereof.

(d) The occurrence of an event of default as defined in Section 12.01 of the Indenture.

Subsection (b) of this Section 7.01 is subject to the following limitations: Except for the obligations of the Company contained in Article IV hereof, if by reason of force majeure the Company is unable in whole or in part to carry out the agreements on its part herein contained,

the Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall include the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of New York or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; typhoons; storms; floods; washouts; droughts; arrests; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company. The Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company.

Section 7.02 Remedies on Default. In the event any of the Bonds shall at the time be Outstanding and unpaid and provision for the payment thereof shall not have been made in accordance with the provisions of the Indenture, whenever any Event of Default referred to in Section 7.01 hereof shall have happened and be subsisting, the Authority or the Trustee, following acceleration of the Bonds in accordance with provisions of Section 12.03 of the Indenture where so provided, may take any one or more of the following remedial steps:

(a) The Trustee as provided in the Indenture may, at its option, or shall, to the extent required by the Indenture, declare all payments payable under clauses (a) - (e) of Section 4.02 hereof and the Note for the remainder of the term of this Participation Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Authority or the Trustee may take whatever action at law or in equity that may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Participation Agreement or the Note whether for specific performance of any covenant or agreement contained herein or therein or in aid of the execution of any power herein granted.

Any amounts collected pursuant to action taken under this Section 7.02 shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

If any such declaration of acceleration of the Bonds shall have been annulled pursuant to the terms of the Indenture and if, at any time after such declaration, but before all the Bonds shall have matured by their terms, all arrears of interest upon the Note, and interest on overdue installments of interest (to the extent enforceable under applicable law) at the rate or rates per annum specified for the Note and the principal of and premium, if any, on the Note which shall have become due and payable otherwise than by acceleration, and all other sums payable hereunder, except the principal of, and interest on, the Note which pursuant to such declaration shall have become due and payable, shall have been paid by or on behalf of the Company or

provision satisfactory to the Trustee shall have been made for such payment, then such acceleration of the Note shall ipso facto be deemed to be rescinded and any such Default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent Default or impair or exhaust any right or remedy consequent thereon.

Section 7.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Participation Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Authority hereunder shall also extend to the Trustee and the Trustee and the Holders of the Bonds issued under the Indenture shall be deemed third party beneficiaries of all covenants and agreements herein contained.

In case the Trustee (as assignee of the Authority under the Indenture) or the Authority shall have proceeded to enforce its rights under this Participation Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then and in every such case, the Company, the Authority and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Authority and the Trustee shall continue as though no such proceeding had been taken.

The Company covenants that, in case an Event of Default shall occur with respect to any Note Payments payable under Sections 4.02(a) - (e) hereof and the Note, then, upon demand of the Trustee (as assignee of the Authority under the Indenture) the Company will pay to the Trustee the whole amount that then shall have become due and payable under said Sections, with interest (to the extent permitted by law) on said amount at the rate of interest then borne by the Bonds pursuant to the Indenture, but not exceeding the maximum rate permitted by law, until paid, and in addition thereto, such further amounts as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys, and counsel, and any other expenses or liabilities incurred by the Trustee other than those incurred through bad faith or negligence.
In case the Company shall fail forthwith to pay such amounts upon such demand, the Authority or the Trustee (as assignee of the Authority under the Indenture) shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company and collect, in the manner provided by law out of the property of the Company, the monies adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company under the Federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or in the case of any other similar judicial proceedings relative to the Company or to the creditors or property of the Company, the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and provide a claim or claims for the whole amount owing and unpaid pursuant to this Participation Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Holders and the Trustee allowed in such judicial proceedings relative to the Company, its creditors, or its property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Nothing herein contained shall be construed to prevent the Authority from enforcing directly any of its rights under Sections 4.02, 4.13 and 5.08 hereof; provided that, in case the Company shall have failed to pay amounts required to be paid under Sections 4.02(f), 4.13 and 5.08 hereof which event shall have continued for a period of thirty (30) days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Authority or the Trustee, the Authority or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to enforce performance or observance of any obligations or agreements of the Company under Sections 4.02(f), 4.13 and 5.08 hereof.

Section 7.04 No Additional Waiver Implied by One Waiver. In the event any agreement contained herein or in the Note should be breached by any party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VIII.

MISCELLANEOUS

Section 8.01 Disposition of Amounts after Payment of Bonds. Any amounts remaining in the funds created under the Indenture after payment in full of principal of and premium, if any, and interest on all the Bonds, or provision for payment thereof having been made in accordance with the provisions of the Indenture, and payment of all the fees, charges and expenses of the Authority, the Trustee, the Auction Agent, any Remarketing Agent, and the Registrar and Paying Agent and any other paying agent in accordance with the Indenture and this Participation Agreement, shall belong to and be promptly paid to the Company by the Trustee in accordance with the provisions of the Indenture.

Section 8.02 Notices. All notices, certificates, requests or other communications between the Authority, the Company and the Trustee required to be given under this Participation Agreement or under the Indenture shall be sufficiently given and shall be deemed given when delivered by hand or first class mail, postage prepaid, addressed as follows: if to the Authority, at Corporate Plaza West, 286 Washington Avenue Extension, Albany, New York 12203, Attention: President; if to the Company, at 4 Irving Place, New York, New York 10003, Attention: Secretary; and if to the Trustee or the Registrar and Paying Agent, at 140 Broadway, New York, New York 10005-1180, Attention: Corporate Trust Administration. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Authority, the Company or the Trustee shall also be given to the others. The Company, the Authority and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent

Section 8.03 Successors and Assigns. This Participation Agreement shall inure to the benefit of and shall be binding upon the Authority, the Company, the Trustee and their respective successors and assigns.

Section 8.04 Amendment of Participation Agreement. This Participation Agreement may not be amended except by an instrument in writing signed by the parties and upon compliance with the provisions of Sections 14.06 and 14.07 of the Indenture.

Section 8.05 Participation Agreement Supersedes Any Prior Agreements. This Participation Agreement and the Bond Purchase Agreement supersede any other prior agreements or understandings, written or oral, between the parties with respect to the transactions contemplated hereby and thereby.

Section 8.06 Further Assurances and Corrective Instruments. The Authority and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or for carrying out the expressed intention of this Participation Agreement in accordance with the provisions of the Indenture.

Section 8.07 Counterparts. This Participation Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same Participation Agreement.

Section 8.08 Severability. If any clause, provision or section of this Participation Agreement is held illegal, invalid or unenforceable by any court or administrative body, this Participation Agreement shall be construed and enforced as if such illegal or invalid or unenforceable clause, provision or section had not been contained in this Participation Agreement. In case any agreement or obligation in this Participation Agreement be held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority or the Company, as the case may be, to the full extent permitted by law.

Section 8.09 Delegation of Duties by Authority. It is agreed that under the terms of this Participation Agreement and also under the terms of the Indenture the Authority has delegated certain of its duties hereunder to the Company. The fact of such delegation shall be deemed a sufficient compliance by the Authority to satisfy the duties so delegated and the Authority shall not be liable in any way by reason of acts done or omitted by the Company or any Authorized Company Representative. The Authority shall have the right at all times to act in reliance upon the authorization, representation or certification of an Authorized Company Representative unless such reliance is in bad faith.

Section 8.10 Survival of Representations, Warranties and Covenants. The respective agreements, representations, warranties and covenants set forth herein will remain in full force and will survive the execution and delivery of this Participation Agreement.

Section 8.11 NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION OF THIS PARTICIPATION AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be duly executed as of the day and year first written above.

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

(SEAL)

By: */s/ F. William Valentino*
President

Attest:

/s/ William M. Flynn
Secretary to the Board and
Vice President for Governmental
Relations

CONSOLIDATED EDISON COMPANY OF
NEW YORK, INC.

(SEAL)

By: /s/ *Robert P. Stelben*
Name: Robert R. Stelben
Title: Vice President and Treasurer

Attest:

/s/ Peter A. Irwin
Assistant Secretary

EXHIBIT A

(To Participation Agreement, dated as of July 1, 1999,

between New York State Energy Research and Development Authority and Consolidated Edison Company of New York, Inc.)

DESCRIPTION OF PROJECT EXEMPT FACILITIES

[A copy of Exhibit A to each of the Participation Agreements entered into in connection with the Prior Bonds will be inserted at this place]

EXHIBIT B

(To Participation Agreement dated as of July 1, 1999, between New York State Energy Research and Development Authority and Consolidated Edison Company of New York, Inc.)

DESCRIPTION OF OTHER PROJECT FACILITIES

[A copy of Exhibit B to each of the Participation Agreements entered into in connection with the Prior Bonds will be inserted at this place]

EXHIBIT C

(To Participation Agreement dated as of July 1, 1999 between New York State Energy Research and Development Authority and Consolidated Edison Company of New York, Inc., relating to Series 1999A Bonds)

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
$292,700,000 PROMISSORY NOTE
FOR
FACILITIES REVENUE BONDS, SERIES 1999 A
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)
New York, New York
July 29, 1999

FOR VALUE RECEIVED, Consolidated Edison Company of New York, Inc., a New York corporation (the "Company"), promises to pay to the order of HSBC Bank USA, as trustee (the "Trustee") under the hereinafter referred to Indenture, in lawful money of the United States, the principal sum of $292,700,000, together with interest thereon at such rate or rates and with such redemption premiums, if any, and at such times as in the aggregate will equal the total of all
principal, interest and redemption premium, if any, becoming due and payable on the Facilities Revenue Bonds, Series 1999A (Consolidated Edison Company of New York, Inc. Project) (the "Bonds"), issued by New York State Energy Research and Development Authority (the "Authority") in the aggregate principal amount of $292,700,000 pursuant to a Trust Indenture (the "Indenture") dated as of July 1, 1999, between the Authority and the Trustee. This Note is being delivered pursuant to and in accordance with the Participation Agreement dated as of July 1, 1999, between the Company and the Authority (the "Participation Agreement"), the terms and provisions of which are incorporated herein by reference and made a part hereof. All terms used and not otherwise defined herein are used as defined in the Indenture.

In the event the Company should fail to make any payment required by this Note, the Company's obligation to make such payment shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon at the rate of interest borne by the Bonds, to the extent, but not exceeding the maximum rate, permitted by law, until paid.

This Note, unless paid earlier as permitted by the Participation Agreement, shall mature on May 1, 2034.

This Note is subject to optional and mandatory prepayment and to acceleration as provided in the Participation Agreement.

All payments hereunder shall be payable at the principal office of the Trustee in New York, New York.

The obligation of the Company to make payments under this Note shall be an absolute, direct, general obligation, and shall be unconditional and shall not be abated, rebated, set off, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever (other than for prior payment).

The Company hereby waives presentment for payment, demand, demand and protest and notice of protest, demand and dishonor and nonpayment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Treasurer

(SEAL)

ATTEST:

_____
Assistant Secretary

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

AND

THE CHASE MANHATTAN BANK

(NATIONAL ASSOCIATION), TRUSTEE

INDENTURE

DATED AS OF DECEMBER 1, 1990

PROVIDING FOR THE ISSUANCE OF

DEBT SECURITIES

CROSS REFERENCE SHEET*

Between

**Provisions of Trust Indenture Act of 1939,
As Amended
and**

**Indenture dated as of December 1, 1990 between
Consolidated Edison Company of New York, Inc.
and The Chase Manhattan Bank
(National Association), Trustee**

Section of Act	Section of Indenture
310 (a) (1) and (2)	4.04 and 7.08
310 (a) (3) and (4)	Not Applicable
310 (b)	7.07 and 7.09 (b)
310 (c)	Not Applicable
311 (a) and (b)	7.12
311 (c)	Not Applicable
312 (a)	5.01 and 5.02(a)
312 (b) and (c)	5.02 (b) and (c)
313 (a) (1), (2), (3), (4), (6) and (7)	5.04 (a)
313 (a) (5)	Not Applicable
313 (b) (1)	Not Applicable
313 (b) (2)	5.04 (b)
313 (c)	5.04 (c)
313 (d)	5.04 (d)
314 (a)	5.03
314 (b)	Not Applicable
314 (c) (1) and (2)	14.06
314 (c) (3)	Not Applicable
314 (d)	Not Applicable
314 (e)	14.06
314 (f)	Not Applicable
315 (a), (c) and (d)	7.01
315 (b)	6.07
315 (e)	6.08
316 (a) (1)	6.06
316 (a) (2)	Omitted
316 (a) last paragraph	8.04
316 (b)	6.04
317 (a)	6.02
317 (b)	4.05 and 7.05
318 (a)	14.07

_____
*This Cross Reference Sheet is not part of the Indenture.

TABLE OF CONTENTS*

*The Table of Contents is not part of the Indenture.

 Exhibit 4.2.15.1

THIS INDENTURE, dated as of December 1, 1990, between CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., a corporation organized and existing under the laws of the State of New York (herein called the "Company") and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), a national banking association (herein called the "Trustee"):

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance in one or more series from time to time of its unsecured debentures, notes or other evidences of indebtedness (hereinafter called the "Securities") and to provide the general terms and conditions upon which the Securities are to be authenticated, issued and delivered;

WHEREAS, the Trustee has power to enter into this Indenture and to accept and execute the trusts herein created; and

WHEREAS, the Company represents that all acts and things necessary to make the Securities, when executed by the Company and authenticated and delivered by the Trustee as in this Indenture provided, and duly issued by the Company, the valid, binding and legal obligations of the Company will, at the time of such execution, authentication and delivery, have been done and performed; that all acts and things necessary to constitute these presents a valid indenture and agreement according to its terms have been done and performed; that the execution of this Indenture by the Company has in all respects been duly authorized; and that the issue hereunder of the Securities will, at the time of the issue thereof, have in all respects been duly authorized; and the Company, in the exercise of each and every legal right and power in it vested, executes this Indenture and proposes to make, execute, issue and deliver the Securities;

NOW, THEREFORE:

In consideration of the premises, of the purchase and acceptance of the Securities by the holders thereof and of the sum of $1 duly paid by the Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective holders from time to time of the Securities or of any series thereof, as follows:

Article One.
Definitions

Section 1.01 **Certain Terms Defined**. The following terms (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. All other terms used in this Indenture which are defined (either directly or by reference) in the Trust Indenture Act of 1939 (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the meanings so assigned to such terms.

Board of Trustees:

The term "Board of Trustees" shall mean the Board of Trustees of the Company or any duly authorized committee of such Board.

Board Resolution:

The term "Board Resolution" means a copy of a resolution or resolutions certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Trustees and to be in full force and effect on the date of such certification, and delivered to the Trustee.

Company:

The term "Company" shall mean the person named as the Company in the first paragraph of this instrument until a successor corporation shall have become such pursuant to Article Eleven of this Indenture, and thereafter "Company" shall mean such successor corporation.

Company Order:

The term "Company Order" shall mean the written order, request or instruction of the Company signed on behalf of the Company by its Chairman of the Board, Vice Chairman, President or a Vice President and by its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary.

Corporation:

The term "corporation" shall mean any corporation, voluntary association, joint stock company, business trust or other similar organization.

Depositary:

The term "Depositary" shall mean, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the person designated as Depositary by the Company pursuant to Section 2.03 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each person who is then a Depositary hereunder, and if at any time there is more than one such person, "Depositary" as used with respect to the Securities of any such series shall mean the Depositary with respect to the Securities of that series.

Event of Default:

The term "Event of Default" shall mean any event specified in Section 6.01, continued for the period time, if any, and after the giving of the notice, if any, therein designated.

Global Security:

The term "Global Security" shall mean a Security evidencing all or part of a series of Securities issued to a Depositary for such series in accordance with Section 2.01.

Indenture:

The term "Indenture" shall mean this instrument as originally executed or as it may from time to time be supplemented and amended by one or more indentures supplemental hereto pursuant to Article Ten hereof and shall include the form and terms of particular series of Securities established as contemplated in Section 2.03.

Interest:

The term "interest," when used with respect to an Original Issue Discount Security which by its terms bears interest only after maturity, shall mean interest payable after maturity.

Interest Payment Date:

The term "interest payment date" when used with respect to any Security or any instalment of interest thereon shall mean the date specified in such Security as the fixed date on which such instalment of interest is due and payable.

Officers' Certificate:

The term "Officers' Certificate" shall mean a certificate signed by the Chairman of the Board, Vice Chairman, President, or any Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company.

Opinion of Counsel:

The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or of counsel to the Company.

Original Issue Discount Security:

The term "Original Issue Discount Security" shall mean any Security that provides for an amount less than the principal thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 6.01.

Outstanding:

The term "Outstanding", when used with reference to Securities, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Securities theretofore authenticated and delivered by the Trustee under this Indenture, except:

(a) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities or portions thereof for the payment or redemption of which moneys, or as provided in Section 12.02 hereof, direct obligations of the United States of America, in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent), provided that if such Securities are to be redeemed

prior to the maturity thereof, notice of such redemption shall have been given as in Article Three provided, or provision satisfactory to the Trustee shall have been made for giving such notice); and

(c) Securities which have been paid pursuant to Section 2.07 or in exchange for or in lieu of which other Securities shall have been authenticated and delivered pursuant to Section 2.07;

provided, however, that in determining whether the holders of the requisite principal amount of Outstanding Securities have taken any action, given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether a quorum is present at a meeting of Securityholders, the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the maturity thereof pursuant to Section 6.01.

Person:

The term "person" shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

Principal Office of the Company:

The term "principal office of the Company," except as to payment, registration of transfer and exchange of the Securities, shall mean the principal office of the Company, which office at the date hereof is located at 4 Irving Place, New York, New York 10003, Attention: Treasurer. With respect to payment, registration of transfer and exchange, "principal office of the Company," shall mean the Con Edison Investor Services Center, which at the date hereof is located at 30 Flatbush Avenue, Brooklyn, New York 11217.

Record Date:

The term "record date" shall mean, with respect to any interest payable on any Security on any interest payment date, the close of business on the date specified in such Security or, in the case of defaulted interest, the close of business on any subsequent record date established as provided in Section 2.02 (in each case whether or not such day is a business day).

Registered Holder:

The term "registered holder, "Securityholder" or other similar term shall mean the person or persons in whose name or names a particular Security shall be registered upon the Security Register.

Responsible Officer:

The term "responsible officer," when used with respect to the Trustee, shall mean any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

Securityholder:

The term "Securityholder" shall have the meaning specified under the term "registered holder."

Security Register:

The term "Security Register" shall have the meaning specified in Section 2.05.

Successor:

The term "Successor" shall have the meaning specified in Section 11.02.

Trustee:

The term "Trustee" shall mean the person named as Trustee in the first paragraph of this instrument and, subject to the provisions of Article Seven of this Indenture, shall also include its successors and assigns, and if at any time there is more than one trustee, "Trustee" as used with respect to the Securities of any series shall mean the trustee with respect to Securities of that series.

Trust Indenture Act of 1939:

The term "Trust Indenture Act of 1939" shall mean the Trust Indenture Act of 1939 as it is in force at the date as of which this instrument was executed.

Vice President:

The term "Vice President" when used with respect to the Company, shall mean any Vice President, any Senior Vice President, any Executive Vice President and any Senior Executive Vice President of the Company.

Article Two.
Issue, Description, Execution, Exchange and Registration of Transfer of Securities

Section 2.01 **Authentication, Delivery and Dating.** At any time and from time to time after the execution and delivery of this instrument, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication. The Trustee shall thereupon authenticate and deliver such Securities upon receipt of, and pursuant to, a Company Order, without any further action by the Company. In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 7.01) shall be fully protected in relying upon:

(a) a Board Resolution relating thereto and, if applicable, an appropriate record of any action taken pursuant to such resolution, certified by the Secretary or an Assistant Secretary of the Company;

(b) an executed supplemental indenture, if any;

(c) an Officers' Certificate, dated the date such Officers' Certificate is delivered to the Trustee, prepared in accordance with Section 14.06; and

(d) an Opinion of Counsel prepared in accordance with Section 14.06, which shall also state:

(1) that the form and terms of such Securities have been established by or pursuant to one or more Board Resolutions, by a supplemental indenture as permitted by Section 10.01 (e), or by both such resolution or resolutions and such supplemental indenture, in conformity with the provisions of this Indenture;

(2) that the supplemental indenture, if any, when executed and delivered by the Company and the Trustee, will constitute a valid and legally binding obligation of the Company; and

(3) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel,

will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject, as to enforcement to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles.

The Trustee shall have the right to decline to authenticate and deliver any Securities under this Section if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

If the Company shall establish pursuant to Section 2.03 that the Securities of a series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee upon receipt of, and pursuant to, a Company Order, shall, in accordance with this Section, authenticate and deliver one or more Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by one or more Global Securities, (ii) shall be registered in the name of the Depositary for such Global Security or Global Securities or the nominee of such Depositary; and (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instruction.

Each Depositary designated pursuant to Section 2.03 for a Global Security must, at the time of its designation and at all times while it serves as Depositary, be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and any other applicable statute or regulation.

Each Security shall be dated the date of its authentication.

Notwithstanding the provisions of this Section and Section 2.03, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 2.03 or the Company Order, Board Resolution, Officers' Certificate and Opinion of Counsel otherwise required pursuant to this Section at or prior to the time of authentication of each Security of such series

if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued. After any such first delivery, any separate request by the Company that the Trustee authenticate Securities of such series for original issue will be deemed to be a certificate by the Company that all conditions precedent provided for in this Indenture relating to the authentication and delivery of such Securities continue to have been compiled with.

Section 2.02 **Forms Generally**. The Securities of each series shall be issuable in registered form without coupons and shall be in substantially the form as shall be established by or pursuant to one or more Board Resolutions or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as the officers of the Company executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Securities may be listed, or to conform to usage. The Securities shall be issued, except as otherwise provided with respect to any series of Securities pursuant to Section 2.03, in the denomination of $1,000 and any larger denomination which is an integral multiple of $1,000 approved by the Company, such approval to be evidenced by the execution thereof.

The person in whose name any Security is registered at the close of business on any record date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date, notwithstanding the cancellation of such Security upon any transfer or exchange subsequent to such record date and prior to such interest payment date, unless such Security is redeemed on a date fixed for redemption after such record date and prior to such interest payment date; provided, however, that if and to the extent the Company shall fail to pay on any interest payment date the interest due on such date, such defaulted interest shall be paid to the persons in whose names outstanding Securities are registered at the close of business on the tenth day preceding the date of payment of such defaulted interest or, at the election of the Company, to the persons in whose names outstanding

Securities are registered on a subsequent record date established by notice given by mail by or on behalf of the Company to the holders of such Securities not less than 10 days preceding such subsequent record date, which subsequent record date shall precede by at least 10 days the date of payment of such defaulted interest. Such notice shall be given to the persons in whose names such outstanding Securities are registered at the close of business on the fifth business day next preceding the date of the mailing of such notice.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods on a steel engraved border or steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

The Trustee's certificate of authentication on all Securities shall be in substantially the following form:

This is one of the Securities of the series designated herein issued under the Indenture described herein.

THE CHASE MANHATTAN BANK
(National Association),
as Trustee
By_____

Authorized Officer

Section 2.03 **Amount; Terms of Series**. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is not limited.

The Securities may be issued in one or more series. There shall be established by or pursuant to one or more Board Resolutions, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series:

(a) the title of the Securities of the series (which shall distinguish the Securities of the series from the Securities of all other series, except to the extent that additional Securities of an existing series are being issued);

(b) any limit upon the aggregate principal amount of the Securities of the series which may be outstanding under this Indenture (except as otherwise provided in Section 2.07);

(c) the date or dates on which the principal of and premium, if any, on the Securities of the series is payable;

(d) the rate or rates at which the Securities of the series shall bear interest, if any, or the method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue, or the method by which such date or dates shall be determined, the interest payment dates on which any such interest shall be payable and the record dates for the determination of holders to whom interest is payable;

(e) if the amount of payments of the principal of, premium, if any, or interest, if any, on the Securities of the series may be determined with reference to an index, formula, or other method, the manner in which such amounts shall be determined;

(f) the place or places where the principal of, premium, if any, and interest on Securities of the series shall be payable;

(g) the price or prices at which, the period or periods within which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company;

(h) the obligation, if any, of the Company to redeem, purchase or repay Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a holder thereof and the price or prices at which, the period or periods within which and the terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

(i) whether the Securities of the series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the Depositary for such Global Security or Global Securities;

(j) if other than the principal amount thereof, the portion of the principal amount of any Securities

which shall be payable upon declaration of acceleration of maturity thereof pursuant to Section 6.01;

(k) if other than denominations of $1,000 or any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

(l) if the provisions of Section 12.02 are to apply to the Securities of the series, a statement indicating the same; and

(m) any other terms of the Securities of the series, including additional covenants of the Company and specific deletions in the Events of Default applicable to the series from those set forth in Section 6.01 (which terms shall not be inconsistent with the provisions of this Indenture or adversely affect the rights of the holders of any other series of Securities then outstanding).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided by or pursuant to any such Board Resolution, and set forth in such Officers' Certificate, or in any such indenture supplemental hereto.

Section 2.04 **Execution**. The Securities shall be signed on behalf of the Company by the Chairman or President or any Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, under its corporate seal. Such signatures may be manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced on the Securities. The seal of the Company may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Securities.

Only such Securities as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, executed by the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder.

In case any officer of the Company who shall have signed any of the Securities either manually or by facsimile signature shall cease to be such officer before the

Securities so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Securities nevertheless may be authenticated and delivered or disposed of as though the person who signed such Securities had not ceased to be such officer of the Company; and any Security may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Security, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such officer.

Section 2.05 **Exchange, Registration and Registration of Transfer**. The Company shall keep, at the office or agency to be maintained by the Company in accordance with Section 4.02, a register or registers (herein sometimes referred to collectively as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of each series of the Securities and for the registration of transfers of Securities of each series as in this Article provided. The Security Register shall be in written form or convertible into written form without unreasonable delay, and shall be open for inspection by the Trustee at all reasonable times. Subject to the provisions of the last paragraph of this Section 2.05, upon surrender for registration of transfer of any Security of any series at the office or agency maintained in accordance with Section 4.02, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series and of like tenor, of any authorized denominations and of a like aggregate principal amount and maturity.

At the option of the holder thereof, Securities of any series (except a Global Security) may be exchanged for other Securities of the same series and of like tenor, of any authorized denominations and of a like aggregate principal amount and maturity, upon surrender of the Securities to be exchanged at the office or agency maintained in accordance with Section 4.02. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the holder making the exchange is entitled to receive.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Securities in definitive form, a Global Security representing all or a portion of the Securities of a series

may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

If at any time the Depositary for the Securities of a series notifies the Company that it is unwilling or unable to continue as Depositary for the Securities of such series or if at any time the Depositary for the Securities of such series shall no longer be eligible under Section 2.01, the Company shall appoint a successor Depositary with respect to the Securities of such series. If a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 2.03 (i) shall no longer be effective with respect to the Securities of such series and the Company will execute, and the Trustee, upon receipt of, and pursuant to a Company Order will authenticate and deliver Securities of such series in definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Global Securities representing such series in exchange for such Global Security or Global Securities.

The Company may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Global Securities. In such event the Company will execute, and the Trustee, upon receipt of, and pursuant to, a Company Order will authenticate and deliver Securities of such series in definitive form and in an aggregate principal amount equal to the principal amount of the Global Security or Global Securities representing such series in exchange for such Global Security or Global Securities.

If specified by the Company pursuant to Section 2.03 with respect to a series of Securities, the Depositary for such series of Securities may surrender a Global Security for such series of Securities in exchange in whole or in part for Securities of such series in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to each person specified by such Depositary a new Security or Securities of the same series, in definitive form, of any authorized denomination as requested by such person in aggregate principal amount equal to and in exchange for such person's beneficial interest in the Global Security; and

(ii) to such Depositary a new Global Security in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Securities delivered to holders thereof pursuant to the immediately preceding clause (i) of this Section.

Upon exchange of a Global Security for Securities in definitive form, such Global Security shall be cancelled by the Trustee. Securities issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Security shall instruct the Trustee. The Trustee shall deliver such Securities to the persons in whose names such Securities are so registered.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration or transfer or exchange.

All Securities presented or surrendered for registration of transfer, exchange or payment shall (if so required by the Company or the Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company and the Trustee, duly executed by the registered holder or by his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Company shall not be required (a) to issue, register the transfer of or exchange Securities of any series for a period of 15 days next preceding any selection of Securities of such series to be redeemed, or (b) to

register the transfer of or exchange any Security or portion thereof called or selected for redemption.

Section 2.06 Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute and the Trustee shall authenticate and deliver temporary Securities of such series (printed, lithographed or typewritten) of any authorized denomination, and substantially in the form of the definitive Securities of such series, but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Company. Temporary Securities may be issued without a recital of specific redemption prices and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Security shall be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities of such series. Without unnecessary delay the Company will execute and will furnish definitive Securities of each series and thereupon any or all temporary Securities of such series may be surrendered in exchange therefor, at the principal office of the Company, and, subject to Section 2.05 hereof, the Company shall execute and the Trustee shall authenticate and deliver in exchange for such temporary Securities an equal aggregate principal amount of definitive Securities of such series of authorized denominations. Until so exchanged, the temporary Securities shall be entitled to the same benefits under this Indenture, and shall be subject to the same provisions hereof (except as provided in this Section), as definitive Securities of such series authenticated and delivered hereunder.

Section 2.07 Mutilated, Destroyed, Lost and Stolen Securities. In case any temporary or definitive Security shall become mutilated or be destroyed, lost or stolen, the Company in the case of a mutilated Security shall, and in the case of a destroyed, lost or stolen Security in its discretion may, execute, and upon the Company's request the Trustee shall authenticate and deliver, a new Security of the same series and bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen. The applicant for a substitute Security shall first furnish to the Company and to the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also first furnish to the Company and to the Trustee evidence to their satisfaction of the

destruction, loss or theft of such Security and of the ownership thereof. The Trustee may authenticate any such substitute Security and deliver the same upon the written request or authorization of the Company. Upon the issue of any substitute Security, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. If any Security that has become, or is about to become, due and payable is mutilated, or is destroyed, lost or stolen, the Company may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Security) if the applicant for such payment shall furnish to the Company and to the Trustee such security or indemnity as they may require to save each of them harmless, and, in case of destruction, loss or theft, evidence to the satisfaction of the Company and the Trustee of the destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security issued pursuant to this Section shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series duly issued hereunder. All Securities shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.08 **Cancellation of Surrendered Securities; Destruction Thereof**. All Securities surrendered for the purpose of payment, redemption, exchange or registration of transfer or for credit against any sinking fund payment, shall, if surrendered to the Company or any paying agent, promptly be delivered to the Trustee for cancellation, or, if surrendered to the Trustee, shall be cancelled by it, and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. Upon the request of the Company, the Trustee shall deliver to the Company cancelled Securities held by the Trustee, or, in the absence of such request, the Trustee may destroy the same and deliver a certificate of such destruction to the Company. If the

Company shall acquire any of the Securities, however, such acquisition shall not operate as a satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation.

Article Three.
Redemption of Securities and Sinking Funds

Section 3.01 **Applicability of Right of Redemption**. Redemption of Securities (other than pursuant to a sinking fund or analogous provision) permitted by the terms of any series of Securities shall be made in accordance with such terms and Sections 3.02 and 3.03; provided, however, that if any such terms of a series of Securities shall conflict with any provision of this Article, the terms of such series shall govern.

Section 3.02 **Election to Redeem; Notice of Redemption; Partial Redemption**. The election of the Company to redeem any Securities of any series shall be evidenced by or pursuant to a Board Resolution. In case the Company shall desire to exercise such right to redeem all, or, as the case may be, any part of the Securities of any series in accordance with the right reserved so to do, it shall give notice of such redemption to holders of the Securities to be redeemed as hereinafter in this Section provided.

Notice of redemption to the holders of Securities to be redeemed as a whole or in part shall be given by mailing of a notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to the registered holders of Securities to be redeemed in whole or in part at their last addresses as they shall appear upon the Security Register. Such mailing shall be by first-class mail postage prepaid. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the registered holder receives the notice. In any case, the failure to give such notice by mail, or any defect in such notice, to the registered holder of any Security designated for redemption in whole or in part shall not affect the validity of the proceedings for redemption of any other Security.

Each such notice of redemption shall specify the date fixed for redemption and the price at which Securities are to be redeemed, shall state that the conditions precedent to such redemption, if any, have occurred and

describe the same, and shall state that payment of the redemption price of the Securities to be redeemed, together with accrued interest thereon to the date fixed for redemption (except that if such redemption date is an interest payment date, the interest due on such date with respect to a particular Security shall be payable to the holder of such Security on the record date for such interest payment date), will be made at the office or agency to be maintained by the Company in accordance with Section 4.02 upon presentation and surrender of such Securities and that from and after said date interest thereon will cease to accrue. If less than all the Securities of a series are to be redeemed, the notice to each registered holder of Securities to be redeemed shall identify such registered holder's Securities to be redeemed as a whole or in part. In case any Security is to be redeemed in part only (which part shall be $1.00 or a multiple of $1.00), the notice which relates to such Securities shall state the portion of the principal amount to be redeemed, and that on and after the redemption date, upon surrender of such Security, a new Security or Securities of the same series in principal amount equal to the unredeemed portion thereof will be issued. No Security of a denomination of $1,000 principal amount may be redeemed in part.

To the extent that the Securities of any series have different terms, the Company shall designate the Securities to be redeemed if less than all of the series is to be redeemed. If less than all the Securities of a series having the same terms are to be redeemed, the Company shall give the Trustee, not less than 45 days (or such lesser number of days as the Trustee shall approve) prior to the date fixed by the Company for the redemption of Securities, written notice of the aggregate amount of the Securities to be redeemed, and thereupon the Trustee shall select, in such manner as in its sole discretion it shall deem appropriate and fair, the Securities of such series or portions thereof to be redeemed, and shall thereafter promptly notify the Company and any paying agent in writing of the Securities of such series or portions thereof to be redeemed.

Any notice of redemption to be mailed by the Company pursuant to this Section may be mailed, at the Company's direction, by the Trustee in the name and at the expense of the Company.

Section 3.03 Payment of Securities Called for Redemption. If notice of redemption shall have been given in the manner provided in Section 3.02, the Securities or portions of Securities specified in such notice shall become

due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption (except that if such redemption date is an interest payment date the interest due on such date shall be payable to the holder of such Security on the record date for such interest payment date), and on and after such date of redemption (unless the Company shall default in the payment of such Securities or portions thereof at the redemption price, together with interest accrued thereon to the date fixed for redemption) interest on the Securities or portions of Securities so called for redemption shall cease to accrue, and such Securities and portions of Securities shall be deemed not to be outstanding hereunder and shall not be entitled to any benefit under this Indenture except to receive payment of the redemption price, together with accrued interest thereon to the date fixed for redemption. On presentation and surrender of such Securities on or after said date at said place of payment in said notice specified, the said Securities or specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together (subject to the right of the holder on the record date if such redemption date is an interest payment date) with interest accrued thereon to the date fixed for redemption.

Upon presentation and surrender of any Security which is to be redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the holder thereof, at the expense of the Company, a new Security or Securities of the same series of authorized denominations in principal amount equal to the unredeemed portion of the Security so surrendered.

Section 3.04 **Applicability of Sinking Fund**. Redemption of Securities permitted or required pursuant to a sinking fund for the retirement of Securities of a series by the terms of such series of Securities shall be made in accordance with such terms of such series of Securities and this Article; provided, however, that if any such terms of a series of Securities shall conflict with any provision of this Article, the terms of such series shall govern.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a “mandatory sinking fund payment,” and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an “optional sinking fund payment”. If provided for by the terms of Securities of any series, the

cash amount of any mandatory sinking fund payment may be subject to reduction as provided in Section 3.05.

Section 3.05 **Satisfaction of Mandatory Sinking Fund Payments with Securities**. Subject to Section 3.06, in lieu of making all or any part of any mandatory sinking fund payment with respect to any Securities of a series in cash, the Company may at its option (a) deliver to the Trustee Securities of that series theretofore purchased or otherwise acquired by the Company, or (b) receive credit for the principal amount of Securities of that series which have been previously delivered to the Trustee by the Company or redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities; provided that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the redemption price specified in such Securities for redemption through operation of the sinking fund and the cash amount of such mandatory sinking fund payment shall be reduced accordingly.

Section 3.06 **Redemption of Securities for Sinking Funds**. Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee a Company Order specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied through delivery and/or crediting of Securities of that series pursuant to Section 3.05 (which Securities will, if not previously delivered, accompany such Company Order) and whether the Company intends to exercise its right to make a permitted optional sinking fund payment with respect to such series. Such Company Order shall be irrevocable, and upon its delivery the Company shall be obligated to make the cash payment or payments therein referred to, if any, prior to such sinking fund payment date. In the case of the failure of the Company to deliver such Company Order, the sinking fund payment due with respect to the next sinking fund payment date for that series of Securities shall be paid entirely in cash and shall be sufficient to redeem the principal amount of such Securities subject to a mandatory sinking fund payment without the option to deliver or credit Securities as provided in Section 3.05 and without the right to make any optional sinking fund payment with respect to such series.

Any sinking fund payment or payments (mandatory or optional) made in cash, plus any unused balance of any preceding sinking fund payments made in cash, which shall equal or exceed $100,000 (or a lesser sum if the Company shall so request) with respect to the Securities of any particular series shall be applied by the Trustee, a paying agent or the Company, if it acts as its own paying agent, on the sinking fund payment date next following the date of such payment to the redemption of such Securities at the redemption price specified in such Securities for operation of the sinking fund, together with accrued interest to the sinking fund payment date. Any sinking fund moneys not so applied or allocated to the redemption of Securities shall be added to the next cash sinking fund payment received by the Trustee, such paying agent or the Company for such series and, together with such payment, shall be applied in accordance with the provisions of this Section. Any and all sinking fund moneys with respect to the Securities of any particular series held by the Trustee, such paying agent or the Company on the last sinking fund payment date with respect to Securities of such series and not held for the payment or redemption of particular Securities shall be applied by the Trustee, such paying agent or the Company, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of principal of such Securities at maturity.

Not more than 60 days and not less than 45 days prior to each sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in accordance with Section 3.02. The Company shall cause notice of the redemption thereof to be given not less than 30 nor more than 60 days prior to the sinking fund payment date in the manner provided in Section 3.02, except that the notice of redemption shall also state that the Securities of such series are being redeemed by operation of the sinking fund and the sinking fund payment date. Such notice having been duly given, the redemption of such Securities shall be made on the sinking fund payment date upon the terms and in the manner stated in Section 3.03.

Article Four.
Particular Covenants of the Company

Section 4.01 **Payment of Principal, Premium, if any, and Interest**. The Company covenants and agrees for the benefit of each series of Securities that it will duly and

punctually pay or cause to be paid the principal of and premium, if any, and interest, if any, on each of the Securities of that series at the times and places and in the manner provided herein and in the Securities of that series.

Section 4.02 Office or Agency for Certain Purposes. The Company will maintain an office or agency (or offices or agencies) where the Securities may be presented for registration of transfer and exchange as in this Indenture provided, and where notices and demands to or upon the Company in respect of the Securities or of this Indenture may be served and where the Securities may be presented for payment. The principal office of the Company shall be such office or agency unless the Company shall maintain some other office or agency for such purposes and shall give the Trustee and the registered holders of the Securities written notice of the location thereof.

Section 4.03 Maintenance of Corporate Existence. The Company will preserve its corporate existence, but this covenant shall not require the Company to continue its corporate existence in the event of a consolidation or merger of the Company in accordance with the provisions of Article Eleven hereof as a result of which the Company shall lose its corporate identity, or in the event of a sale or conveyance of the property of the Company as an entirety or substantially as an entirety in accordance with the provisions of said Article Eleven.

Section 4.04 Appointments to Fill Vacancies in Trustee's Office. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.05 Provisions as to Paying Agent.

(a) If the Company shall act as its own paying agent with respect to any series of Securities, it will, on or before each due date of the principal of or premium, if any, or interest, if any, on the Securities of that series, set aside, segregate and hold in trust for the benefit of the holders of such Securities or of the Trustee, as the case may be, a sum sufficient to pay such principal or premium, if any, or interest so becoming due and will notify the Trustee of any failure to take such action and of any failure by the Company (or by any other obligor on the Securities of that series) to make any payment of the principal of or premium, if any, or interest on the Securities of such series when the same shall be due and payable.

(b) Whenever the Company shall have one or more paying agents, other than the Company, for any series of Securities, it will, on or before each due date of the principal of or premium, if any, or interest, if any, on any Securities of that series, deposit with a paying agent a sum sufficient to pay the principal and premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the holders of such Securities, and (unless such paying agent is the Trustee) the Company will notify the Trustee of such action or the failure to take such action.

(c) If the Company shall appoint a paying agent other than the Trustee or the Company with respect to any series of Securities, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to this Section that such agent will:

(1) hold all sums held by it as such agent for the payment of the principal of or premium, if any, or interest on the Securities of such series (whether such sums have been paid to it by the Company or by any other obligor on the Securities of such series) in trust for the benefit of the holders of the Securities of such series or of the Trustee, as the case may be;

(2) give the Trustee notice of any default by the Company (or by any other obligor on the Securities of such series) in the making of any payment of the principal of or premium, if any, or interest on the Securities of such series when the same shall be due and payable; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such paying agent.

(d) Anything in this Section to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it, or by any paying agent hereunder, as required by this Section, such sums to be held by the Trustee upon the trusts herein contained.

(e) Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as

provided in this Section is subject to Sections 12.04 and 12.05.

Section 4.06 **Annual Officers' Certificate to Trustee**. The Company will deliver to the Trustee prior to November 1 in each year (beginning with 1991), an Officers' Certificate stating that in the course of the performance by the signers of their duties as officers of the Company they would normally obtain knowledge of any default by the Company in the performance of any covenants contained in Sections 4.03 and 11.02, stating whether or not they have obtained knowledge of any such default and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

Section 4.07 **Reports to Be Furnished Securityholders**. The Company will transmit or cause to be transmitted to the Securityholders, as soon as practicable after the mailing of such material to its stockholders, copies of all annual financial reports distributed to its stockholders generally. Reports pursuant to this Section shall be transmitted by mail to all registered holders of Securities, as the names and addresses of such holders appear upon the Security Register.

Section 4.08 **Further Assurances**. From time to time whenever reasonably demanded by the Trustee, the Company will make, execute and deliver or cause to be made, executed and delivered any and all such further and other instruments and assurances as may be reasonably necessary or proper to carry out the intention or facilitate the performance of the terms of this Indenture.

Article Five.
Securityholders' Lists, Communications to Securityholders, and Reports by the Company and the Trustee

Section 5.01 **Company to Furnish Trustee Information as to Names and Addresses of Securityholders**. The Company shall furnish or cause to be furnished to the Trustee (a) on June 15 and December 15 in each year (beginning with June 15, 1991), a list in such form as the Trustee may reasonably require of the names and addresses of the holders of each series of Securities as of a date not more than 15 days prior to the time such list is furnished, and (b) at such other times as the Trustee may request in writing within 30 days after receipt by the Company of any

such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, provided that, if and so long as the Trustee is the sole Security registrar, no such list need be furnished.

Section 5.02 Preservation of Information; Communications to Securityholders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of each series of Securities received by it in the capacity of Security registrar or contained in the most recent list furnished to it under Section 5.01. The Trustee may destroy any such list upon receipt of a new list so furnished.

(b) In case 3 or more holders of Securities of the same series or of any series, as the case may be (hereinafter referred to as "applicants"), apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least 6 months preceding the date of such application, and such application states that the applicants' desire to communicate with other holders of Securities of the same series or of any series, as the case may be, with respect to their rights under this Indenture or under the Securities of such series or of any series, as the case may be, and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within 5 business days after the receipt of such application, at its election either:

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with paragraph (a) of this Section; or

(2) inform such applicants as to the approximate number of holders of Securities of such series or of any series, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with paragraph (a) of this Section, and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Securityholder of such series or of any series, as the case may be, whose name and address appears in the information preserved at the time by the Trustee in accordance with

paragraph (a) of this Section, a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of such mailing, unless within 5 days after such tender the Trustee shall mail to such applicants, and file with the Securities and Exchange Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Securities of such series or of all series, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If said Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, said Commission shall find, after notice and opportunity for a hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Securityholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of the Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Securities in accordance with paragraph (b) of this Section, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under paragraph (b) of this Section.

Section 5.03 Reports by Company.

(a) The Company agrees to file with the Trustee, within 15 days after the Company is required to file the same with the Securities and Exchange Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as said Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with said Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports

pursuant to either of such Sections, then to file with the Trustee and said Commission, in accordance with rules and regulations prescribed from time to time by said Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

(b) The Company agrees to file with the Trustee and the Securities and Exchange Commission, in accordance with the rules and regulations prescribed from time to time by said Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

(c) The Company agrees to transmit to the holders, of Securities within 30 days after the filing thereof with the Trustee (unless some other time shall be required by the rules and regulations prescribed from time to time by the Securities and Exchange Commission), in the manner and to the extent provided in Section 5.04(c) with respect to reports pursuant to Section 5.04(a), such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraph (a) or (b) of this Section as may be required by the rules and regulations prescribed from time to time by the Securities and Exchange Commission.

Section 5.04 Reports by Trustee.

(a) On or before December 15, 1991, and on or before December 15 in every year thereafter, so long as any Securities are outstanding hereunder, the Trustee shall transmit to the Securityholders as hereinafter in this Section provided a brief report dated as of the preceding October 15 with respect to:

(1) its eligibility under Section 7.08, and its qualifications under Section 7.07, or in lieu thereof, if to the best of its knowledge it has continued to be eligible and qualified under such Sections, a written statement to such effect;

(2) the character and amount of any advances (and, if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it

claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than ½ of 1% of the principal amount of the Securities outstanding on the date of such report;

(3) the amount, interest rate, and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity on the date of such report with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 7.12(b) (2), (3), (4) or (6);

(4) the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(5) any additional issue of Securities which the Trustee has not previously reported; and

(6) any action taken by the Trustee in the performance of its duties under this Indenture which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 6.07.

(b) The Trustee shall transmit to the Securityholders, as hereinafter provided, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to paragraph (a) of this Section (or if no such report has yet been so transmitted since the date of execution of this Indenture), for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this paragraph, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of Securities outstanding at such time, such report to be transmitted within 90 days after such time.

(c) Reports pursuant to this Section shall be transmitted by mail to all registered holders of Securities, as the names and addresses of such holders appear upon the Security Register.

(d) A copy of each such report shall, at the time of such transmission to Securityholders, be filed by the Trustee with each stock exchange upon which the Securities are listed and also with the Securities and Exchange Commission.

If the Company lists the Securities of any series on any stock exchange, it will promptly so notify the Trustee.

Article Six.
Remedies of the Trustee and Securityholders on Event of Default

Section 6.01 **Events of Default Defined; Acceleration of Maturity; Waiver of Default**. In case one or more of the following shall have occurred and be continuing with respect to the Securities of any series, it shall be an event of default of such series (unless it is specifically deleted in a supplemental indenture or Board Resolution under which such series of Securities is issued or has been modified in any such supplemental indenture), that is to say:

(a) default in the payment of any instalment of interest upon any Security of such series as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of the principal of or premium, if any, on any Security of such series as and when the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company contained in the Securities of such series or in this Indenture (other than a covenant or agreement which has been expressly included in the Securities or in this Indenture solely for the benefit of a series of Securities other than

that series) for a period of 60 days after the date on which written notice of such failure, requiring the Company to remedy the same and stating that such notice is a "Notice of Default" hereunder, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Securities of such series at the time outstanding; or

(d) if a decree or order for relief shall be entered by a court of competent jurisdiction in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or of a major part of its property, or ordering the winding up or liquidation of the Company's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) if the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the Company shall consent to the entry by order of a court of competent jurisdiction of a decree or order in respect of the Company in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or to the commencement of any bankruptcy or insolvency proceeding against the Company; or

(f) if the Company shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of a major part of its property; or

(g) the occurrence of any other Event of Default with respect to Securities of such series as provided in a supplemental indenture applicable to such series of Securities pursuant to Section 10.01 (d);

then and in each and every such case, unless the principal of the Securities of such series shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Securities of such series then outstanding hereunder, by notice in writing to the Company (and to the Trustee if

given by Securityholders), may declare the principal of all the Securities of such series to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities of such series contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Securities of such series shall have been so declared due and payable, and before any sale of property under any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured instalments of interest upon all the Securities of such series and the principal of and premium, if any, on any and all Securities of such series which shall have become due otherwise than by declaration (with interest on overdue instalments of interest, to the extent legally enforceable under applicable law, and on such principal of and premium, if any, on each Security of such series at the rate borne by such Security to the date of such payment or deposit) and the expenses of the Trustee, and reasonable compensation to the Trustee, its agents, attorneys and counsel, and any and all defaults under this Indenture, other than the nonpayment of principal on Securities of such series which shall have become due by declaration, shall have been remedied -- then, and in every such case the holders of a majority in aggregate principal amount of the Securities of such series then outstanding, by written notice to the Company and to the Trustee, may on behalf of the holders of all of the Securities of such series waive all defaults and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture for the holders of Securities of any series and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the holders of the Securities of such series shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the holders of the Securities of such series shall continue as though no such proceedings had been taken.

The Company and the Trustee may, to the extent provided in Section 10.01, enter into one or more indentures supplemental hereto with respect to any series of the Securities which may provide for additional, different or fewer Events of Default with respect to such series of Securities.

Section 6.02 **Collection of Indebtedness by Trustee; Trustee May Prove Debt**. The Company covenants that (1) in case default shall be made in the payment of any installment of interest on any of the Securities, as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (2) in case default shall be made in the payment of the principal of or premium, if any, on any of the Securities when and as the same shall have become due and payable, whether upon maturity of the Securities or upon redemption or upon declaration or otherwise -- then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of holders of such Securities, the whole amount that, then shall have become due and payable on such Securities for principal and premium, if any, and interest, with interest upon the overdue principal and premium, if any, of each such Security and (to the extent legally enforceable under applicable law) upon instalments of interest, at the rate borne by such Security; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses or liabilities incurred by the Trustee hereunder other than through its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity against the Company or other obligor on such Securities for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or such other obligor upon such Securities and collect in the manner provided by law out of the property of the Company or such other obligor upon such Securities, wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor upon the Securities of any series under Title 11 of the United States Code or any other applicable Federal

or state bankruptcy, insolvency or other similar law relative to the Company or such other obligor , its creditors or its property, or in case a receiver or trustee shall have been appointed for its property or in case of any other judicial proceedings relative to the Company or other obligor upon the Securities of any series, its creditors or its property, the Trustee, irrespective of whether the principal of the Securities of any series shall then be due and payable as therein expressed, upon redemption or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Securities of any series, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Securityholders of any series allowed in any judicial proceeding relative to the Company or other obligor upon the Securities of any series, its creditors, or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Securityholders to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due it for compensation and expenses, including counsel fees incurred by it up to the date of such distribution.

All rights of action and of asserting claims under this Indenture, or under any of the Securities of any series, may be enforced by the Trustee without the possession of any of the Securities of such series, or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of the Securities of such series. In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the holders of the Securities of a series, and it shall not be necessary to make any holders of the Securities of such series parties to any such proceedings.

In case of an Event of Default, hereunder with respect to Securities of a particular series, the Trustee may, but unless first requested so to do by the holders of at least a majority in aggregate principal amount of the Securities of such series at the time outstanding and furnished with reasonable indemnity against all costs, expenses and liabilities shall not (subject to the provisions of Section 7.01) be under any obligation to, proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of the holder of any Security any plan of reorganization, arrangement, adjustment or composition affecting the Securities of any series or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder of any Security in any such proceeding.

Section 6.03 Application of Proceeds. Any moneys collected by the Trustee with respect to a series of Securities pursuant to Section 6.02 shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys:

First: To the payment of all costs and expenses in connection with the collection of such moneys, and all amounts payable to the Trustee under Section 7.06;

Second: To the payment of the entire amounts then due and unpaid upon the Securities in respect of which or for the benefit of which such moneys shall have been collected, without any preference or priority, ratably according to the amounts due and payable upon such Securities upon presentation of the several Securities and notation of such payment thereon, if partly paid, and upon surrender thereof, if fully paid.

Any surplus then remaining shall be paid to the Company or to such other person as shall be entitled to receive it.

Section 6.04 Limitations on Suits by Securityholders. No holder of any Security of any series

shall have any right by virtue or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of default and of the continuance thereof with respect to the Securities of that series, and unless also the holders of not less than 25% in aggregate principal amount of the Securities of that series then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have failed to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 6.06, it being understood and intended, and being expressly covenanted by the holder of every Security of such series with every other holder of Securities of such series and the Trustee, that no one or more holders of Securities of such series shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of the holders of any other of such Securities or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Securities of such series. For the protection and enforcement of this Section, each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture, however, the right of any holder of any Security to receive payment of the principal of and premium, if any, and interest on such Security, on or after the respective due dates expressed in such Security, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder.

Section 6.05 **Powers and Remedies Cumulative; Delay or Omission Not Waiver**. All powers and remedies given by this Article to the Trustee or to the holders of Securities of any series shall, to the extent permitted by law and subject to Section 6.04, be deemed cumulative and

not exclusive of any thereof or of any other powers and remedies available to the Trustee or such Securityholders by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this indenture, and no delay or omission of the Trustee or of any holder of the Securities of any series to exercise any right or power accruing upon any default occurring and continuing as aforesaid, shall impair any such right or power, or shall be construed to be waiver of any such default or an acquiescence therein; and, subject to Section 6.04, every power and remedy given by this Article or by law to the Trustee or to such Securityholders may be exercised from time to time, and as often as shall be deemed expedient by the Trustee or by such Securityholders.

Section 6.06 Control by Securityholders; Waiver of Default. The holders of a majority in aggregate principal amount of the Securities of any series at the time outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to Securities of such series; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture; and provided further, that nothing in this Indenture shall impair the right of the Trustee to take any action deemed proper by the Trustee and which is not inconsistent with such direction by such Securityholders. The holders of at least a majority in aggregate principal amount of the Securities of any series at the time outstanding may on behalf of the holders of all of the Securities of such series waive any past default hereunder with respect to the Securities of such series and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Securities of such series. In the case of any such waiver, the Company, the Trustee and the holders of the Securities of such series shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 6.07 Trustee to Give Notice of Defaults Known to It, but May Withhold in Certain Circumstances. The Trustee shall, within 90 days after the occurrence of a default with respect to the Securities of any series, give to the Securityholders of such series, in the manner and to the extent provided in Section 5.04 (c) with respect to reports pursuant to Section 5.04 (a), notice of all defaults known to the Trustee, unless such defaults shall have been

cured before the giving of such notice (the term "defaults" for the purposes of this Section being hereby defined to be the events specified in Sections 6.01 (a), (b), (c), (d), (e), (f) and (g) with respect to Securities of such series not including periods of grace, if any, provided for therein and irrespective of the giving of the written notice specified in subparagraph (c) of Section 6.01); provided, however, that in case of any default of the character specified in subparagraph (c) of Section 6.01 no such notice shall be given until at least sixty (60) days after the occurrence thereof; and provided further, that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or responsible officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Securityholders of such series.

Section 6.08 **Right of Court to Require Filing of Undertaking to Pay Costs**. All parties to this Indenture agree, and each holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in principal amount of the Securities of any series outstanding, or to any suit instituted by any Securityholder of any series for the enforcement of the payment of the principal of or premium, if any, or interest on any Security of such series, on or after the due dates expressed in such Security.

Article Seven.
Concerning the Trustee

Section 7.01 Duties and Responsibilities of Trustee. With respect to the holders of any series of Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the Securities of that series and after the curing or waiving of all Events of Default which may have occurred with respect to such series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to Securities of any series has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture with respect to such series and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default with respect to the Securities of any series and after the curing or waiving of all such Events of Default with respect to such series which may have occurred:

(1) the duties and obligations of the Trustee with respect to the Securities of that series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision

hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the registered holders given as provided in Section 6.06 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it.

Section 7.02 **Certain Rights of Trustee**. Except as otherwise provided in Section 7.01:

(a) the Trustee may rely and shall be protected in acting, or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein may be evidenced to the Trustee by a Company Order (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Trustees may be evidenced to the Trustee by a Board Resolution.;

(c) the Trustee may consult with counsel and the written advice of counsel or any Opinion of Counsel shall be full and complete authorization and protection

in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders, pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 7.03 Trustee Not Responsible for Recitals, etc. The recitals contained herein and in the Securities, except the Trustee's certificate of

authentication and the representation as to the power of the Trustee to enter into this Indenture and accept and execute the trusts hereby created, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of any of the Securities or of the proceeds of such Securities.

Section 7.04 Trustee and Others May Hold Securities. Subject to Sections 7.07 and 7.12, the Trustee or any paying agent or Security registrar or any other agent of the Company or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company or other obligor on the Securities with the same rights it would have if it were not Trustee, paying agent, Security registrar or such other agent.

Section 7.05 Moneys Held by Trustee or Paying Agent. Subject to Sections 12.04 and 12.05, all moneys received by the Trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but any paying agent that is a bank need not segregate such moneys from other funds except to the extent required by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received by it hereunder except such as it may agree with the Company to pay thereon. So long as no Event of Default with respect to Securities of any series, other than an Event of Default under subparagraph (c) of Section 6.01, shall have occurred and be continuing, all interest allowed on any such moneys shall be paid from time to time upon the written .order of the Company, signed by its President, or any Vice President or its Treasurer or an Assistant Treasurer.

Section 7.06 Compensation of Trustee and Its Lien. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and, except as herein otherwise expressly provided, the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances· incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons

not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. If any property other than cash shall at any time be subject to the lien of this Indenture, the Trustee, if and to the extent authorized by a receivership or bankruptcy court of competent jurisdiction or by the supplemental instrument subjecting such property to such lien, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or, other prior liens or encumbrances thereon. The Company also covenants and agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability' or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in the premises. The obligations of the Company under this Section shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 6.01, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any bankruptcy law.

Section 7.07 Qualification of Trustee; Conflicting Interests.

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section, with respect to the Securities of any series, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign with respect to the Securities of such series in the manner and with the effect specified in Section 7.09.

(b) In the event that the Trustee shall fail to comply with paragraph (a) of this Section, the Trustee shall, within 10 days after the expiration of such 90 day period, transmit notice of such failure to the Securityholders in the manner and to the extent provided in Section 5.04 (c) with respect to reports pursuant to Section 5.04 (a).

(c) For the purposes of this Section the Trustee shall be deemed to have a conflicting interest with respect to the Securities of any series if:

(1) the Trustee is trustee under this Indenture with respect to Securities of any series then outstanding other than that series or is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company are outstanding unless such other indenture is a collateral trust indenture under which the only collateral consists of Securities issued under this Indenture; provided, that there shall be excluded from the operation of this paragraph this Indenture with respect to the Securities of any series other than that series and any other indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company . are outstanding if (A) this Indenture (with respect to the Securities of that series and each other series for which the Trustee is trustee hereunder) · and such other indenture or indentures are wholly unsecured, and such other indenture or indentures are or shall be qualified under the Trust Indenture Act of 1939, unless the Securities and Exchange Commission shall have found and declared by order pursuant to Section 305(b) or Section 307(c) of the Trust Indenture Act of 1939 that differences exist between the provisions of this Indenture with respect to Securities of that series and one or more other series or the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to the Securities of that series and such other series or such other indenture or indentures, or (B) the Company shall have sustained the burden of proving, on application to the Securities and Exchange Commission and after opportunity for hearing thereon, that the trusteeship under this Indenture with respect to the Securities of that series and such other series or such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of

investors to disqualify the Trustee from acting as such under this Indenture with respect to the Securities of that series and such other series or under such other indenture or indentures;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Securities issued under this Indenture or an underwriter for the Company;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee, or representative of the Company or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting except that (A) one individual may be a director and/or an executive officer of the Trustee and a director and/or an executive officer of the Company but may not be at the same time an executive officer of both the Trustee and the Company and (B) if and so long as the number of directors of the Trustee in office is ·more than 9, one additional individual may be a director and/or an executive officer of the Trustee and a director of the Company and (C) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent, or depositary, or in any other similar capacity, or, subject to the provisions of subparagraph (c) (1) of this Section, to act as trustee, whether under an indenture or otherwise;

(5) 10% or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, partner, or executive officer thereof, or 20% or more of such voting securities is beneficially owned, collectively, by any 2 or more of such persons; or 10% or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director, partner, or executive officer thereof, or is beneficially

owned, collectively, by any 2 or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, (A) 5% or more of the voting securities, or 10 % or more of any other class of security, of the Company not including the Securities issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (B) 10% or more of any class of security of an underwriter for the Company;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 5% or more of the voting securities of any person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 10% or more of any class of security of any person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of the Company; or

(9) the Trustee owns on May 15 in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under subparagraphs (c) (6), (7) or (8) of this Section. As to any such securities of which the Trustee acquired ownership through becoming executor, administrator, or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply for a period of 2 years from the date of such acquisition to the extent that such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after May 15 in each calendar year, the Trustee

shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such May 15. If the Company fails to make payment in full of the principal of or premium, if any, or interest on any of the Securities when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this subparagraph, all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of subparagraphs (c) (6), (7) and (8) of this Section.

The specification of percentages in subparagraphs (c) (5) to (9) of this Section, inclusive, shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of subparagraphs (c) (3) or (7) of this Section.

For the purposes of subparagraphs (c) (6), (7), (8), and (9) of this Section only, (A) the terms “security” and “securities” shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (B) an obligation shall be deemed to be in default when a default in payment of principal shall have continued for 30 days or more, and shall not have been cured; and (C) the Trustee shall not be deemed to be the owner or holder of (i) any security which it holds as collateral security (as trustee or otherwise) for an obligation which is not in default as defined in clause (B) above, or (ii) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (iii) any security which it holds as agent for collection, or as custodian, escrow agent, or depositary, or in any similar representative capacity.

Except as above provided, the word “security” or “securities” as used in this Indenture shall mean any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, or, in general, any interest or instrument commonly known as a “security”, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

(d) For the purposes of this Section:

(1) The term underwriter" when used with reference to the Company shall mean every person, who, within 3 years prior to the time as of which. the determination is made, has purchased from the Company with a view to, or has offered or sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term “director” shall mean any director of a corporation or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) The term “person” shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "voting security" shall mean any security presently entitling the· owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

(5) The term "Company" shall mean any obligor upon the Securities.

(6) The term "executive officer" shall mean the president, every vice-president, every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

The percentages of voting securities and other securities specified in this Section shall be calculated in accordance with the following provisions:

(A) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(B) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(C) The term “amount,” when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(D) The term "outstanding" means issued and not held by ·or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(i) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(ii) securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(iii) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

(iv) securities held in escrow if placed in escrow by the issuer thereof;

provided, however, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(E) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges; provided, however, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different· classes and provided, further, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

Section 7.08 Persons Eligible for Appointment as Trustee. The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States or any State or territory thereof or of

the District of Columbia authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by Federal, state, territorial, or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 7.09.

Section 7.09 Resignation and Removal of Trustee; Appointment of Successor.

(a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign with respect to any one or more or all series of Securities by giving written notice to the Company and by mailing notice of such resignation, to the holders of Securities of that or those series at their last addresses as they shall appear on the Security Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee or trustees with respect to the applicable series by written instrument executed by order of the Board of Trustees, one copy of which instrument shall be delivered to the resigning trustee and one copy to the successor trustee. If no successor trustee shall ·have been so appointed with respect to a particular series and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide holder of a Security or Securities of the applicable series for at least 6 months may·, subject to Section 6.08, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) If at any time:

(1) the Trustee shall fail to comply with Section 7.07(a) after written request therefor by the Company or by any Securityholder who has been a bona fide holder of a Security or Securities for at least 6 months, or

(2) the Trustee shall cease to be eligible under Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Company may remove the Trustee with respect to the applicable series of Securities, and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Trustees of the Company, one copy of which instrument shall be delivered to the trustee so removed and one copy to the successor trustee, or, subject to Section 6.08, any Securityholder who has been a bona fide holder of a Security or Securities of any such series for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee with respect to such series. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee with respect to such series.

(c) The holders of a majority in aggregate principal amount of the Securities of any series at the time outstanding may at any time remove the Trustee with respect to that series and appoint with respect to such series a successor trustee by delivering to the trustee so removed, to the successor trustee so appointed and to the Company, the evidence provided for in Section 8.01 of the action taken by the Securityholders.

(d) Any resignation or removal of the Trustee and any appointment of a successor trustee pursuant to this Section shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10 **Acceptance of Appointment by Successor Trustee**. Any successor trustee appointed under Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee with respect to any or all applicable series an instrument accepting such

appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations with respect to such series of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights, powers and trusts with respect to such series of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to Section 7.06.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the predecessor Trustee and each successor Trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not retiring shall continue to be vested in the predecessor Trustee, and shall add to or change any ·of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee with respect to any series of Securities shall accept appointment as provided in this Section unless at the time of such acceptance such successor Trustee shall with respect to such series be qualified under Section 7.07 and eligible under Section 7.08.

Upon acceptance of appointment by a successor Trustee with respect to the Securities of any series, the

Company shall mail notice of the succession of such Trustee hereunder to the holders of Securities of such series at their last addresses as they shall appear on the Security Register. If the Company fails to mail such notice within 10 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Company.

Section 7.11 Merger, Conversion or Consolidation of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor trustee shall be eligible under the provisions of Section 7.08 hereof and that, if such successor trustee shall not be qualified under the provisions of Section 7.07 hereof, such successor trustee shall, within 90 days after becoming such successor trustee, either become qualified under the provisions of said Section 7.07 or resign in the manner and with the effect specified in Section 7.09 hereof.

Section 7.12 Preferential Collection of Claims Against Company. (a) Subject to paragraph (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within 4 months prior to a default, as defined in paragraph (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the holders of the Securities, and the holders of other indenture securities (as defined in paragraph (c) of this Section):

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such 4 months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in subparagraph (a) (2) of this Section, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such 4 months' period, or an amount equal to the proceeds of any such property, if disposed of subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any person (other than the Company) who is liable thereon, (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities, or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable state law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such 4 months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such 4 months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default, as defined in paragraph (c) of this Section, would occur within 4 months; or

(D) to receive payment on any claim referred to in clause (B) or (C), against the release of any property held as security for such claim as provided in such clause (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of clauses (B), (C), and (D), property substituted after the beginning of such 4 months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the

property released, have the same status as the property released, and, to the extent that any claim referred to in any of such clauses is created in renewal of or in substitution for or for the purpose of repaying or refunding any preexisting claim of the Trustee as such creditor, such claim shall have the same status as such preexisting claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned among the Trustee, the Securityholders and the holders of other indenture securities in such manner that the Trustee, the Securityholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable state law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, the Securityholders, and the holders of other indenture securities, dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable state law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims, from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable state law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the second portion, if any, of such claim. The court in which such bankruptcy, receivership, or proceeding for reorganization is pending shall have jurisdiction (i) to apportion among the Trustee, the Securityholders, and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, the Securityholders and the holders of other indenture securities with respect to their respective

claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee who has resigned or been removed after the beginning of such 4 months' period shall be subject to this paragraph (a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such 4 months' period, it shall be subject to this paragraph (a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as trustee, occurred after the beginning of such 4 months' period; and

(ii) such receipt of property or reduction of claim occurred within 4 months after such resignation or removal.

(b) There shall be excluded from the operation of paragraph (a) of this Section a creditor relationship arising from:

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Securityholders at the time and in the manner provided in Section 5.04;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in paragraph (c) of this Section;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in paragraph (c) of this Section.

(c) As used in this Section:

(1) The term "default" shall mean any failure to make payment in full of the principal of or premium, if any, or interest on any of the Securities or upon any other indenture securities when and as such principal, premium or interest becomes due and payable.

(2) The term "other indenture securities" shall mean securities upon which the Company is an obligor (as defined in the Trust Indenture Act of 1939) outstanding under any other indenture (A) under which the Trustee is also trustee, (B) which contains provisions substantially similar to the provisions of paragraph (a) of this Section, and (C) under which a default exists at the time of the apportionment of the funds and property held in said special account.

(3) The term "cash transaction" shall mean any transaction in which full payment for goods or securities sold is made within 7 days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(4) The term "self-liquidating paper" shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession

of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(5) The term "Company" shall mean any obligor upon the Securities.

Article Eight.
Concerning the Securityholders

Section 8.01 **Evidence of Action Taken by Securityholders**. Whenever in this Indenture it is provided that the holders of a specified percentage or a majority in aggregate principal amount of the Securities or of any series of Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage or majority have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Securityholders in person or by agent or proxy appointed in writing, or (b) by the record of the holders of Securities voting in favor thereof at any meeting of Securityholders duly called and held in accordance with the provisions of Article Nine, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Securityholders.

Section 8.02 **Proof of Execution of Instruments and of Holding of Securities**. Subject the provisions of Sections 7.01, 7.02 and 9.05, proof of the execution of any instrument by a Securityholder or his agent or proxy and proof of the holding by any person of any of the Securities shall be sufficient if made in the following manner:

The fact and date of the execution by any such person of any instrument may be proved by the certificate of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in any State within the United States, that the person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any

such notary or other such officer. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument may also be proved in any other manner which the Trustee may deem sufficient.

The ownership of Securities may be proved by the Security Register or by a certificate of the Security registrar.

The Trustee may require such additional proof, if any, of any matter referred to in this Section as it shall deem necessary.

The record of any Securityholders' meeting shall be proved as provided in Section 9.06.

Section 8.03 Registered Holders of Securities May Be Treated As Owners. The Company, the Trustee, any paying agent, and any Security registrar may deem and treat the person whose name any Security shall be registered upon the Security Register as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notice of ownership or writing thereon made by anyone other than the Security registrar) for the purpose of receiving payment thereof or on account thereof and of interest thereon as herein provided and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Security registrar shall be affected by any notice to the contrary. All such payments so made to any such registered holder for the time being, or upon his order, shall be valid, and to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

Section 8.04 Securities Owned by Company Deemed Not Outstanding. In determining whether the holders of the requisite aggregate principal amount of Securities have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Company or any other obligor on the Securities or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination, except that for the purposes of determining whether the Trustee shall be protected in relying on any such

direction, consent or waiver, only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding for the purpose of this Section, if the pledgee shall establish to the satisfaction of the Trustee that the pledgee has the right to vote such Securities and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. Subject to the provisions of Section 7.01, in case of a dispute as to such right, any decision by the Trustee, taken upon the advice of counsel, shall be full protection to the Trustee.

Section 8.05 **Right of Revocation of Action Taken**. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Securities or of any series of Securities specified in this Indenture in connection with such action, any holder of a Security the serial number of which is shown by the evidence to be included in the Securities the holders of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the holder of any Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Security, and of any Security issued in exchange therefor or in place thereof, irrespective of whether or not any notation in regard thereto is made upon such Security or any Security issued in exchange therefor or in place thereof. Any action taken by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Securities.

Article Nine.
Securityholders' Meetings

Section 9.01 **Purposes for Which Securityholders' Meetings May Be Called**. A meeting of Securityholders may be called at any time and from time to time pursuant to this Article for any of the following purposes:

(1) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Securityholders pursuant to Article Six:

(2) to remove the Trustee and appoint a successor trustee pursuant to Article Seven;

(3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to Section 10.02; or

(4) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of the Securities under any other provision of this Indenture or under applicable law.

Section 9.02 Call of Meetings by Trustee. The Trustee may at any time call a meeting of Securityholders of any series to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine. Notice of every meeting of Securityholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed by the Trustee, first-class postage prepaid, not less than 20 nor more than 180 days prior to the date fixed for the meeting, to the holders of Securities of such series at their last addresses as they shall appear upon the Security Register.

Section 9.03 Company and Securityholders May Call Meeting. In case the Company, pursuant to a resolution of its Board of Trustees, or the holders of at least 10% in aggregate principal amount of the Securities of any series than outstanding, shall have requested the Trustee to call a meeting of Securityholders of such series, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the mailing of the notice of such meeting within 20 days after receipt of such request, then the Company or the holders of such Securities in the amount above specified may determine the time and the place in said Borough of Manhattan for such meeting and may call such meeting to take any action authorized in Section 9.01, by mailing notice thereof as provided in Section 9.02.

Section 9.04 **Persons Entitled to Vote at Meeting**. To be entitled to vote at any meeting of Securityholders of a series a person shall be (a) a registered holder of one or more Securities of such series or (b) a person appointed by an instrument in writing as proxy for the holder or holders of such Securities by a registered holder of one or more such Securities. The only persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05 **Determination of Voting Rights; Conduct and Adjournment of Meeting**. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Securityholders, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 8.02 or other proof. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 8.02 and the appointment of any proxy shall be proved in the manner specified in said Section 8.02 or by having the signature of the person executing the proxy witnessed or guaranteed by any bank, banker, trust company or firm satisfactory to the Trustee.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Securityholders as provided in Section 9.03, in which case the Company or the Securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of the Securities represented at the meeting and entitled to vote.

Subject to the provisions of Section 8.04, at any meeting each Securityholder of a series of proxy shall be entitled to one vote for each $1,000 principal amount of Securities of such series held or represented by him (in the

case of Original Issue Discount Securities, such principal amount is the amount that would be due and payable upon the acceleration of the maturity thereof pursuant to Section 6.01) provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Securities of such series held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other Securityholders of such series. Any meeting of Securityholders duly called pursuant to Section 9.02 or 9.03 may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

At any meeting, the presence of persons holding or representing Securities in an aggregate principal amount sufficient to take action upon the business for the transaction of which such meeting was called shall be necessary to constitute a quorum; but, if less than a quorum be present, the persons holding or representing a majority of the Securities represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present.

Section 9.06 **Counting Vote and Recording Action of Meeting**. The vote upon any resolution submitted to any meeting of Securityholders of a series shall be by written ballots on which shall be subscribed the signatures of the holders of Securities of such series or of their representatives by proxy and the serial number or numbers of the Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Sections 9.02 or 9.03. The record shall show the serial numbers of the Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the

other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Article Ten.
Supplemental Indentures

Section 10.01 Supplemental Indentures Without Consent of Securityholders. The Company, when authorized by a resolution of its Board of Trustees, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as it shall be in force at the date of execution of such indenture or indentures) for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the Successor of the covenants, agreements and obligations of the Company pursuant to Article Eleven;

(b) to add to the covenants and agreements of the Company such further covenants, agreements, restrictions or conditions for the protection of the holders of the Securities of all or any series as its Board of Trustees and the Trustee shall consider to be for the protection of the holders of Securities of such series (and if such covenants, agreements, restrictions or conditions are to be for the benefit of less than all series of Securities, stating that such covenants, agreements, restrictions or conditions are expressly being included for the benefit of such series), and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, agreements, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, agreement, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an

immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default or may limit the right of the holders of Securities to waive such default;

(c) to add, delete or modify any Events of Default with respect to all or any series of the Securities, the form and terms of which are being established pursuant to such supplemental indenture as permitted in Sections 2.01, 2.02 and 2.03 (and, if any such event of default is applicable to fewer than all such series of the Securities, specifying the series to which such event of default is applicable), and to specify the rights and remedies of the Trustee and the holders of such Securities in connection therewith;

(d) to prohibit the authentication and delivery of additional series of Securities, to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provisions contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture as shall not be inconsistent with the provisions of this Indenture or any supplemental indenture and shall not adversely affect the interests of the holders of the Securities;

(e) to establish the form and terms of the Securities of any series as permitted in Sections 2.01, 2.02 and 2.03, or to authorize the issuance of additional Securities of a series previously authorized or to add to the conditions, limitations or restrictions on the authorized amount, terms or purposes of issue, authentication or delivery of the Securities of any series, as herein set forth, or other conditions, limitations or restrictions thereafter to be observed; and

(f) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Section 7.10.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section shall be executed by the Company and the Trustee and shall not require the consent of the holders of any of the Securities at the time outstanding, notwithstanding Section 10.02.

Section 10.02 Supplemental Indentures With Consent of Securityholders. With the consent (evidenced as provided in Section 8.01) of the holders of not less than a majority in aggregate principal amount of the Securities of any series at the time outstanding, the Company, when authorized by a resolution of its Board of Trustees, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as it shall be in force at the date of execution of such indenture or indentures) for the purpose, with respect to Securities of such series, of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Securities of such series; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity, or the earlier optional date of maturity, if any, of any Security, or reduce the principal amount thereof or the premium thereon, if any, or reduce the rate or extend the time of payment of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that provided in such Security without the consent of the holder of each Security so affected, or (ii) reduce the principal amount of Securities of any series, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Securities of such series then outstanding.

Upon the request of the Company, accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Securityholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such

supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

A supplemental indenture which changes or eliminates any provision of this Indenture or of any series of Securities which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of holders of Securities of such series with respect to such provision, shall be deemed not to affect the rights under this Indenture of the holders of Securities of any other series.

It shall not be necessary for the consent of the Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture under this Section, the Company shall mail a notice, setting forth in general terms the substance of such supplemental indenture, to the holders of Securities at their last addresses as they shall appear on the Security Register. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 10.03 Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions of this Article, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Securities shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.04 Notation on Securities in Respect of Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article or after any action taken at a Securityholders' meeting pursuant to the provisions of Article Nine may, and if required by the

Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture or as to any such action. If the Company and the Trustee shall so determine, new Securities of any series so modified as to conform, in the opinion of the Company and the Trustee, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Securities of such series then outstanding.

Section 10.05 Opinion of Counsel to Be Given Trustee. The Trustee, subject to Sections 7.01 and 7.02, may receive an Opinion of Counsel as conclusive evidence that any such supplemental indenture is authorized by the terms of this Indenture and that it is proper for the Trustee under the provisions of this Article to join in the execution thereof.

Article Eleven.
Consolidation, Merge and Sale

Section 11.01 Company May Consolidate or Merge, etc. Subject to the provisions of Section 11.02, nothing contained in this Indenture shall prevent any consolidation of the Company with or the merger of the Company into any other corporation, or any merger of any other corporation into the Company, or successive consolidations or mergers to which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, transfer or lease of the properties of the Company as an entirety or substantially as an entirety to any other corporation lawfully entitled to acquire the same.

Section 11.02 Conditions to Consolidation or Merger, etc. The Company covenants and agrees that it will not consolidate with or merge into any other corporation, or sell, transfer or lease its properties as an entirety or substantially as an entirety to any person unless, and the Company covenants and agrees that any such consolidation, merger, sale, transfer or lease shall be upon the conditions that (i) the successor corporation formed by or surviving any such consolidation or merger or the person to which such sale, transfer or lease shall have been made (“the Successor") shall be a corporation organized and existing under the laws of the United States of America or a state thereof, (ii) the due and punctual payment of the principal of and premium, if any, and interest on the Securities

according to their tenor, and the due and punctual performance and observance of all the terms, covenants and conditions of this Indenture, the Securities and all indentures supplemental hereto to be performed or observed by the Company shall, by an indenture supplemental hereto, executed and delivered to the Trustee, be expressly assumed by the Successor, as fully and effectually as if such Successor had been an original party hereto, and (iii) immediately after such merger, consolidation, sale, transfer or lease, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

The Successor, upon executing such indenture supplemental hereto, in form satisfactory to the Trustee, shall succeed to and be substituted for the Company with the same effect as if it had been an original party hereto, thus relieving the Company of all liabilities hereunder and under the Securities, and the Successor shall possess and from time to time may exercise each and every power hereunder of the Company, and may execute and deliver Securities hereunder, either in the name of the Company or the Successor, and any act or proceeding required by this Indenture to be done or performed by any board or officer of the Company may be done or performed with like force and effect by the like board or officer of the Successor.

Section 11.03 Documents and Opinion to Be Furnished to the Trustee. The Company covenants and agrees that if it shall consolidate with or merge into any other corporation or if it shall sell, transfer or lease its properties, as an entirety or substantially as an entirety, the Company will promptly furnish to the Trustee:

(1) A certificate signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Successor stating that the covenants of the Company contained in Section 11.02 have been complied with;

(2) An executed counterpart of any instrument or instruments executed by the Company or the Successor in the performance of such covenants; and

(3) An Opinion of Counsel stating that in the opinion of such counsel such ·covenants have been complied with and that any instrument or instruments executed by the Company or the Successor in the performance of such covenants comply with the requirements of such covenants.

Each certificate, instrument and opinion furnished to the Trustee pursuant to the provisions of this Section shall conform to the requirements of Section 14.06.

Subject to the provisions of Sections 7.01 and 7.02, the Trustee may receive an Opinion of Counsel conforming to the requirements of Section 14.06 as conclusive evidence that any such consolidation, merger, sale, transfer or lease, any such assumption and any such supplemental indenture or other instrument or instruments comply with the provisions of this Article.

Article Twelve.
Satisfaction and Discharge of Indenture;
Defeasance; Unclaimed Moneys

Section 12.01 Satisfaction and Discharge of Indenture. If (a) the Company shall deliver to the Trustee for cancellation all outstanding Securities, or (b) all outstanding Securities not delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption and the Company shall deposit with the Trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such Securities not delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due to such date of maturity or redemption, and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect, and the Trustee, on demand of the Company and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. The Company agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee without negligence or bad faith in connection with this Indenture or the Securities.

Section 12.02 Defeasance. Provided that the same has been duly authorized with respect to Securities of a particular series pursuant to Section 2.03(1), if, at any time after the date hereof, the Company shall deposit with the Trustee, in trust for the benefit of the holders thereof, (i) funds sufficient to pay, or (ii) such amount of

direct noncallable obligations of, or noncallable obligations the payment of principal of and interest on which is fully guaranteed by, the United States of America, or to the payment of which obligations or guarantees the full faith and credit of the United States of America is pledged, as will, or will together with the income thereon without consideration of any reinvestment thereof, be sufficient to pay all sums due for principal of, premium, if any, and interest on the Securities of such series, as they shall become due from time to time, and shall pay all costs, charges and expenses incurred or to be incurred by the Trustee in relation thereto or in carrying out the provisions of this Indenture, this Indenture shall cease to be of further effect with respect to Securities of such series (except as to (i) rights of registration of transfer, substitution and exchange of Securities of such series, (ii) rights of holders to receive payments of, principal of, premium, if any, and interest on the Securities of such series as they shall become due from time to time and other rights, duties and obligations of Securityholders as beneficiaries hereof with respect to the amounts so deposited with the Trustee, and (iii) the rights, obligations and immunities of the Trustee hereunder (for which purposes the Securities of such series shall be deemed outstanding)), and the Trustee, on the written request of the Company, accompanied by the Officers' Certificate and Opinion of Counsel required by Section 14.06, shall execute and deliver to the Company such instruments as shall be requisite to evidence the satisfaction thereof with respect to Securities of such series.

Section 12.03 Application by Trustee of Funds Deposited for Payment of Securities. All moneys deposited with the Trustee pursuant to Sections 12.01 and 12.02, or received by the Trustee in respect of obligations deposited with the Trustee pursuant to Section 12.02 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company acting as its own paying agent), to the holders of the particular Securities, for the payment of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal, premium, if any, and interest.

Section 12.04 Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture all moneys then held by any paying agent, other than the Trustee, under this Indenture shall, upon and in accordance with demand of the Company, be paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

Section 12.05 Return of Unclaimed Moneys. Any moneys deposited with the Trustee or any paying agent not applied but remaining unclaimed by the holders of Securities for 2 years after the date upon which the principal of and premium, if any, or interest on such Securities shall have become due and payable shall be repaid to the Company by the Trustee or such agent on written demand; and the holder of any of the Securities entitled to receive such payment shall thereafter look only to the Company for the payment thereof and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease.

Article Thirteen.
Immunity of Incorporators, Stockholders, Officers and Directors

Section 13.01 Personal Immunity from Liability of Incorporators, Stockholders, etc. No recourse under or upon any obligation, covenant or agreement of this Indenture or any indenture supplemental hereto, or of any Security, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator or against any past, present or future stockholder, officer or member of the Board of Trustees, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability and any and all such claims being hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Securities.

Article Fourteen.
Miscellaneous Provisions

Section 14.01 Successors. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Company shall bind its successors and assigns, whether so expressed or not.

Section 14.02 Benefits of Indenture Restricted to Parties and Securityholders. Nothing in this Indenture or in the Securities, expressed or implied, shall give or be

construed to give to any person, other than the Company, the Trustee and the Securityholders, any legal or equitable right, remedy or claim under or in respect of this Indenture.

Section 14.03 **Payments Due on Sundays and Holidays**. In any case where the date of maturity of principal of or interest on any Securities or the date fixed for redemption of any Securities shall be a Sunday or legal holiday or a day on which banking institutions in the City of New York are authorized by law to close, then payment of interest or principal and premium, if any, may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption and no interest shall accrue for the period after such date.

Section 14.04 **Notices and Demands on Company and Trustee.** Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities on the Company shall be in writing and shall be deemed to have been sufficiently given or served, for all purposes, if given or served at, or sent by registered mail to, the principal office of the Company (until another address is filed in writing by the Company with the Trustee). Any notice, direction, request or demand by any Securityholder to or upon the Trustee shall be in writing and shall be deemed to have been sufficiently given or made, for all purposes, if given or made at, or sent by registered mail to, the office of the Trustee located at One New York Plaza, New York, New York 10081, Attention: Corporate Trust Administration Division, or at any other address previously furnished in writing to the Company by the Trustee. Any notice required or permitted to be mailed to a Securityholder by the Company or the Trustee pursuant to the provisions of this Indenture shall be in writing and shall be deemed to be properly mailed by being deposited, first class mail postage prepaid, in a post office letter box in the United States addressed to such Securityholder at the address of such holder as shown on the Security Register.

Section 14.05 **Law of New York to Govern.** This Indenture and each Security shall be deemed to be a contract made under the law of the State of New York, and for all purposes shall be construed in accordance with the law of said State.

Section 14.06 Officers' Certificates and Opinions of Counsel; Statements to be Contained Therein. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relative to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture, and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture, shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 14.07 Conflict of any Provision of Indenture with Trust Indenture Act of 1939. If and to the extent that any provision of this Indenture (or any provision of the terms of a series of Securities) limits, qualifies or conflicts with another provision included in this Indenture which is required to be included in this Indenture by any of sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

Section 14.08 Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 14.09 Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any

particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC.

By: Raymond J. McCann
Executive Vice President and
Chief Financial Officer

[CORPORATE SEAL]
ATTEST:

Peter A. Irwin
Assistant Secretary

THE CHASE MANAHTTAN BANK
(National Association), Trustee

By: Ann L. Edmonds
Vice President

[CORPORATE SEAL]
ATTEST:

Kathleen Perry
Assistant Secretary

STATE OF NEW YORK,:
COUNTY OF NEW YORK,: ss.:

On the 5th day of December, 1990 before me personally came RAYMOND J. McCANN, to me known, who, being by me duly sworn, did depose and say that he is Executive Vice President and Chief Financial Officer of CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Trustees of said corporation; and that he signed his name thereto by like authority.

[NOTARY SEAL]

Elizabeth B. Leslie
NOTARY PUBLIC

STATE OF NEW YORK,:
COUNTY OF NEW YORK,: ss.:

On the 5th day of December, 1990 before me personally came Ann L. Edmonds to me known, who being by me duly sworn, did depose and say that she is a Vice President of THE CHASE MANHATTAN BANK (Nationa1 Association), one of the corporations described in and which executed the above instrument; that she knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that she signed her name thereto by like authority.

[NOTARY SEAL]

Della K. Benjamin
NOTARY PUBLIC

Exhibit 4.2.15.2

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

AND

THE CHASE MANHATTAN BANK
(National Association), Trustee

_____

FIRST SUPPLEMENTAL INDENTURE

Dated as of March 6, 1996

_____

Providing for the Issuance of Debt Securities

This First Supplemental Indenture, dated as of March 6, 1996, between CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., a corporation organized and existing under the laws of the State of New York (herein called the "Company") and THE CHASE MANHATTAN BANK (National Association), a national banking association (herein called the "Trustee"):

WHEREAS, the Company has executed and delivered to the Trustee an Indenture, dated as of December 1, 1990, (the "Indenture") to provide for the issuance in one or more series of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities") and to provide for the general terms and conditions upon which the Securities are to be authenticated, issued and delivered; and

WHEREAS, in accordance with Section 10.01(b) of the Indenture, the Company and the Trustee, without the consent of Securityholders, may enter into indentures supplemental to the Indenture for the purpose of adding to the covenants and agreements contained therein such further covenants and agreements for the protection of the holders of the Securities of all or any series as the Company's Board of Trustees and the Trustee shall consider to be for the protection of such series; and

WHEREAS, in accordance with Section 10.01(e) of the Indenture, the Company and the Trustee, without the consent of Securityholders, may enter into indentures supplemental to the Indenture for the purpose of adding to the terms under which the Securities of any series may be issued; and

WHEREAS, the Company has duly authorized the execution and delivery of this First Supplemental Indenture to amend and supplement the Indenture to provide for the issuance in one or more series of Subordinated Securities (as defined in Exhibit A hereto) that are subordinate in the right of payment to the prior payment in full of all Senior Indebtedness (as defined in Exhibit A hereto); and

WHEREAS, the Trustee has power to enter into this First Supplemental Indenture; and

WHEREAS, all conditions and requirements necessary to make this First Supplemental Indenture a valid, binding and legal instrument in accordance with its terms have been done, performed and fulfilled, and the execution and delivery of this First Supplemental Indenture has been authorized in accordance with the resolution of the Company's Board of Trustees;

NOW, THEREFORE, in consideration of the premises and of the sum of $1 duly paid by the Trustee at the execution of these presents, the receipt of which is hereby acknowledged, the Company covenants and agrees with the Trustee as follows:

ARTICLE ONE

Amendments to the Indenture

Section 1.01. Amendment to Section 2.03 of the Indenture. Section 2.03 of the Indenture is hereby amended by changing the designation of subsection "(m)" to subsection "(o)", and Section 2.03 is further amended by adding the following as subsections "(m)" and "(n)":

"(m) if the provisions of Section 2.09 are to apply to the Securities of the series, the terms upon which the Company may elect to not pay interest on an interest payment date;"

"(n) if the provisions of Article 15 are to apply to the Securities of the series, a statement indicating the same; and"

Section 1.02. Addition of Section 2.09. The Indenture is hereby amended by adding the following as Section 2.09:

"Section 2.09. Extension of Interest Payment Period. With respect to Securities of any series as to which, pursuant to Section 2.03(m), it has been established that this Section 2.09 applies, subject to such terms as may be established pursuant to Section 2.03(m), the Company may at any time and from time to time, so long as the Company is not in default in the payment of interest on such Securities as and when the same shall become due and payable, elect to not pay interest on an interest payment date, and such election shall not be an Event of Default with respect to the Securities of any series."

Section 1.03. Addition of Article 15. The Indenture is hereby amended by adding Exhibit A hereto as Section 15 of the Indenture.

ARTICLE TWO

Miscellaneous

Section 2.01. Definitions. Unless the context shall otherwise require and except as to terms otherwise defined herein, all terms used herein which are defined in the Indenture are used herein as defined therein.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC.

By RAYMOND J. MCCANN
Executive Vice President and
Chief Financial Officer

[CORPORATE SEAL]
Attest:

PETER A. IRWIN
Assistant Secretary

THE CHASE MANHATTAN BANK
(National Association), Trustee

By VALERIE DUNBAR
Vice President

[CORPORATE SEAL]
Attest:

JOHN J. NEEDHAM, JR.
Assistant Secretary

EXHIBIT A
ARTICLE FIFTEEN
Subordination

Section 15.01. Securities Subordinated to Senior Debt. With respect to Securities of any series as to which, pursuant to Section 2.03(n), it has been established that this Article 15 applies (herein called the "Subordinated Securities"), the Company covenants and agrees, and each holder of Subordinated Securities, by his acceptance thereof, likewise covenants and agrees, that the indebtedness represented by the Subordinated Securities and the payment of the principal of, premium, if any, and interest on each and all of the Subordinated Securities are hereby expressly subordinate and junior to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness. "Senior Indebtedness" means all indebtedness of the Company for the repayment of money borrowed (whether or not represented by bonds, debentures, notes or other securities) other than the indebtedness evidenced by the Subordinated Securities and any indebtedness subordinated to, or subordinated on parity with, the Subordinated Securities. "Senior Indebtedness" does not include customer deposits or other amounts securing obligations of others to the Company.

Section 15.02. Events of Subordination. In the event (a) of any distribution of assets of the Company upon any dissolution, winding up, liquidation or reorganization of the Company, whether in bankruptcy, insolvency, reorganization or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Company or otherwise, except a distribution in connection with a consolidation, merger or sale, transfer or lease of the properties of the Company which complies with the requirements of Section 11.02, or (b) the principal of any Senior Indebtedness shall have been declared due and payable by reason of an event of default with respect thereto and such event of default shall not have been rescinded, then:

(1) in the circumstance described in the foregoing clause (a) the holders of all Senior Indebtedness, and in the circumstance described in the foregoing clause (b) the holders of all Senior Indebtedness outstanding at the time the principal of such Senior Indebtedness shall have been so declared due and payable, shall first be entitled to receive payment of the full amount due thereon in respect of principal, premium, if any, and interest, or provision shall be made for such amount in money or money's worth, before the holders of any of the Subordinated Securities are entitled to receive any payment on account of the principal of, premium, if any, or interest on the indebtedness evidenced by the Subordinated Securities;

(2) any payment by, or distribution of assets of, the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article with respect to the Subordinated Securities, to the payment of all Senior Indebtedness, provided that the rights of the holders of the Senior Indebtedness are not altered by such reorganization or readjustment), to which the holders of any of the Subordinated Securities or the Trustee would be entitled except for the provisions of this Article shall be paid or delivered by the person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of such Senior Indebtedness held or represented by each, to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid after giving effect to any concurrent payment or distribution (or provision therefor) to the holders of such Senior Indebtedness, before any payment or distribution is made to the holders of the indebtedness evidenced by the Subordinated Securities or to the Trustee under this Indenture; and

(3) in the event that, notwithstanding the foregoing, any payment by, or distribution of assets of, the Company of any kind of character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article with respect to the Subordinated Securities, to the payment of all Senior Indebtedness, provided that the rights of the holders of Senior Indebtedness are not altered by such reorganization or readjustment), shall be received by the Trustee or the holders of any of the Subordinated Securities before all Senior Indebtedness is paid in full, such payment or distribution shall be paid over to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably as aforesaid, for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution (or provision therefor) to the holders of such Senior Indebtedness.

Section 15.03. Subrogation. Subject to the payment in full of all Senior Indebtedness, the holders of the Subordinated Securities shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distribution of cash, property or securities of the Company applicable to such Senior Indebtedness until all amounts owing on the Subordinated Securities shall be paid in full, and, as among the Company, its creditors other than holders of such Senior Indebtedness, and the holders of the Subordinated Securities, no such payment or distribution made to the holders of Senior Indebtedness by virtue of this Article which otherwise would have been made to the holders of the Subordinated Securities shall be deemed to be a payment by the Company on account of such Senior Indebtedness, it being understood that the provisions of this Article are and are intended solely for the purpose of defining the relative rights of the holders of the Subordinated Securities, on the one hand, and the holders of Senior Indebtedness, on the other hand.

Section 15.04. Obligation of Company Unconditional. Nothing contained in this Article or elsewhere in this Indenture or in the Subordinated Securities is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Indebtedness, and the holders of the Subordinated Securities, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Subordinated Securities the principal of, premium, if any, and interest on the Subordinated Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Subordinated Securities and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Subordinated Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee and the holders of the Subordinated Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any such dissolution, winding up, liquidation or reorganization proceeding affecting the affairs of the Company is pending or upon a certificate of the trustee in bankruptcy, receiver, assignee for the benefit of creditors, liquidating trustee or agent or other Person making any payment or distribution, delivered to the Trustee or to the holders of the Subordinated Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of

the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount paid or distributed thereon and all other facts pertinent thereto or to this Article. In the event that the Trustee determines, in good faith, that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Section, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, as to the extent to which such Person is entitled to participate in such payment or distribution, and as to other facts pertinent to the right of such Person under this Section, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 15.05. Payments on Subordinated Securities Permitted. Nothing contained in this Article or elsewhere in this Indenture, or in any of the Subordinated Securities, shall affect the obligation of the Company to make, or prevent the Company from making, payments of the principal of, premium, if any, or interest on the Subordinated Securities in accordance with the provision hereof and thereof, or shall prevent the Trustee or any paying agent of the Company from applying any moneys deposited with it hereunder to the payment of the principal of, premium, if any, or interest on the Subordinated Securities, in each case except as otherwise provided in this Article.

Section 15.06. Effectuation of Subordination by Trustee. Each holder of Subordinated Securities, by his acceptance thereof, authorizes and directs the Trustee in his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes.

Section 15.07. Knowledge of Trustee. Notwithstanding the provisions of this Article or any other provisions of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by the Trustee, or the taking of any other action by the Trustee (and shall not be liable for making such payment or taking such action), unless and until a responsible officer of the Trustee having responsibility for the administration of the trust established by this Indenture shall have received written notice thereof from the Company, any holder of Subordinated Securities, any paying agent of the Company or any holder or representative of any class of Senior Indebtedness, and, prior to the receipt of any such written notice, the Trustee shall be entitled in all respects to assume that no such facts

exist; provided that, if prior to the third business day preceding the date upon which by the terms hereof any monies become payable for any purpose (including, without limitation, the payment of either the principal of or interest on any Subordinated Security), or the date of the execution of an instrument pursuant to Section 12.02 acknowledging satisfaction

and discharge of this Indenture, a responsible officer of the Trustee shall not have received with respect to such monies or to such funds or obligations deposited pursuant to Section 12.02, the notice provided for in this Section 15.07, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies or such funds or obligations and apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date.

Section 15.08. Trustee's Relation to Senior Indebtedness. The Trustee shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness at the time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in Section 7.12 or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder. Nothing in this Article shall apply to claims of or payments to the Trustee under or pursuant to Section 7.06.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness, and the Trustee shall not be liable to any holder of Senior Indebtedness, if it shall mistakenly pay over or deliver to holders of Subordinated Securities, the Company or any other Person monies or assets to which any holder of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

Section 15.09. Rights of Holders of Senior Indebtedness Not Impaired. No right of any present or future holder of any Senior Indebtedness to enforce the subordination herein shall at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Exhibit 4.2.8.1

Execution Copy

TRUST INDENTURE

BETWEEN

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

AND

HSBC BANK USA,
as Trustee

Dated as of July 1, 1999

-relating to-

$292,700,000 Facilities Revenue Bonds, Series 1999A
(Consolidated Edison Company of New York, Inc. Project)

TABLE OF CONTENTS

THIS TRUST INDENTURE, made and dated as of the first day of July, 1999, by and between New York State Energy Research and Development Authority (the "Authority"), a body corporate and politic, constituting a public benefit corporation, and HSBC Bank USA, as trustee (the "Trustee"), a corporation organized and existing under and by virtue of the laws of the State of New York with its principal corporate trust office located in The City of New York.

W I T N E S S E T H T H AT:

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the Authority has been established as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power company to participate in the construction of facilities to be used for the furnishing of electric energy to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources and aesthetics; and

WHEREAS, pursuant to the Act, the Authority has also been empowered to extend credit and make loans from bond and note proceeds to any person for the construction, acquisition and installation of, or for the reimbursement to any person for costs not limited to, any land, works, system, building or other improvement, and all real and personal properties of any nature or any interest in any of them which are suitable for or related to the furnishing, generation or production of energy or the conversion of oil-burning facilities to alternate fuel; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient monies for achieving its corporate purposes including the refunding of outstanding obligations of the Authority; and

WHEREAS, the Authority is also authorized under the Act to enter into any contracts and to execute all instruments necessary or convenient for the exercise of its corporate powers and the fulfillment of its corporate purposes; and

WHEREAS, contemporaneously with the execution hereof, Consolidated Edison Company of New York, Inc. (the "Company") and the Authority have entered into a Participation Agreement of even date herewith (herein referred to as the "Participation Agreement"), providing for the refunding of Electric Facilities Revenue Bonds, Series 1989 C (Consolidated Edison Company of New York, Inc. Project) and Electric Facilities Revenue Bonds, Series 1990 A (Consolidated Edison Company of New York, Inc. Project) (collectively, the "Prior Bonds") of the Authority which were issued to finance the acquisition, construction and installation of certain facilities for the furnishing of electric energy within the Company's service area and as part of such participation, that the Authority issue bonds pursuant to the Act to provide funds to refund the Prior Bonds; and

WHEREAS, the Participation Agreement provides that the Authority will issue its bonds and make the proceeds of such bonds available to the Company to refund the Prior Bonds; and

WHEREAS, simultaneously with the issuance and delivery of such bonds, the Company will execute and deliver a promissory note dated the date of issuance of such bonds (the "Note") as evidence of its obligation to make payments required by the Participation Agreement; and

WHEREAS, pursuant to Resolution No. 934 adopted April 19, 1999, the Authority has determined to issue its Facilities Revenue Bonds, Series 1999A (Consolidated Edison Company of New York, Inc. Project) in an aggregate amount not exceeding $292,700,000 (the "Bonds") for the purpose of paying a portion of the redemption price of the Prior Bonds; and

WHEREAS, all acts, conditions and things necessary or required by the Constitution and statutes of the State of New York, or otherwise, to exist, happen, and be performed as prerequisites to the passage of this Indenture, do exist, have happened, and have been performed; and

WHEREAS, the Trustee has accepted the trusts created by this Trust Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Bonds are authenticated, issued and delivered, and in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure payment of the principal of and premium, if any, and interest on the Bonds according to their tenor and effect and the performance and observance by the Authority of all covenants, agreements and conditions herein and in the Bonds contained, the Authority has acknowledged, executed, signed and delivered this Indenture and hereby assigns, confirms, pledges with and sets over and entrusts to the Trustee hereunder, its successors in trust and assigns, subject to the provisions of this Indenture (the following being called the Trust Estate"): (1) the Revenues (as hereinafter defined); (2) the Participation Agreement and the Note and all rights, remedies and interest of the Authority under the Participation Agreement and the Note, and any other agreement relating to the Project (exclusive of the Authority's rights with respect to (a) administrative compensation, attorney's fees and indemnification, (b) the receipt of notices, opinions, reports, copies of instruments and other items of a similar nature required to be delivered to the Authority under the Participation Agreement, (c) granting approvals and consents and making determinations when required under the Participation Agreement, (d) making requests for information and inspections in accordance with the Participation Agreement, (e) Article III and Sections 4.02(f), 4.14 and 5.08 of the Participation Agreement and, insofar as the obligations of the Company under Section 4.12 relate to taxes and assessments imposed upon the Authority and not the Trustee, Section 4.12 thereof, and (f) the right to amend the

Participation Agreement); (3) the Tax Regulatory Agreement, and all rights, remedies and interest of the Authority thereunder, subject to the provisions of the Tax Regulatory Agreement relating to the amendment thereof and to a reservation by the Authority of the right to enforce the obligations of the Company thereunder independently of the Trustee; (4) all other monies, rights and properties held by the Trustee or other depositary under this Indenture including, but only for the benefit of the persons specified herein, the proceeds of any draw, borrowing or payment under any Credit Facility (as hereinafter defined), and the securities (and the interest, income and profits therefrom) in which such monies may from time to time be invested (exclusive of the proceeds of a Liquidity Facility (as hereinafter defined) or the Project Fund (as hereinafter defined)); and (5) any and all other real or personal property of every nature from time to time hereafter by delivery or by writing of any kind specially mortgaged, pledged, or hypothecated, as and for additional security hereunder, by the Company in favor of the Trustee or the Authority which are hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD, all and singular of said Trust Estate unto the Trustee, its successors in trust and assigns, forever, in trust, nevertheless, to inure to the use and benefit of the Holders of all the Bonds, for the securing of the observance or performance of all the terms, provisions and conditions therein and herein contained and for the equal and proportionate benefit and security of all and singular the present and future Holders of the Bonds, without preference, priority, prejudice or distinction as to lien or otherwise of any Bond over any other Bond, to the end that each Holder of a Bond shall have the same rights, privileges and lien under and by virtue of this Trust Indenture, except as hereinafter otherwise specifically provided;

AND UPON THE CONDITION THAT, if the Authority shall cause to be paid fully and promptly and indefeasibly when due all of its indebtedness, liabilities, obligations and sums at any time secured hereby, including interest, its Trustee's fees and reasonable expenses (including its reasonable attorneys' fees and expenses), and shall promptly, faithfully and strictly keep, perform and observe, or cause to be kept, performed and observed, all of its covenants, obligations, warranties and agreements contained herein, then and in such event, this Trust Indenture shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said income and Revenues hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Holders, from time to time, of the said Bonds, or any part thereof, as follows (provided that in the performance of the agreements of the Authority herein contained any obligation it may thereby incur for the payment of money shall never constitute a general or moral obligation of the State of New York or any political subdivision thereof within the meaning of any state constitutional provision or statutory limitation, and shall not be secured directly or indirectly by the full faith and credit, the general credit or any revenue or taxes of the State of New York or any political subdivision thereof, but shall be

payable solely out of the income and Revenues derived under the Participation Agreement and the Note and from drawings under the Credit Facility, if any, and other monies, rights and properties of the Trust Estate), that is to say:

ARTICLE I.

DEFINITIONS; COMPUTATIONS; CERTIFICATES AND OPINIONS; EVIDENCE OF ACTION BY AUTHORITY

Section 1.01 Definitions of Specific Terms. Unless the context shall clearly indicate some other meaning or may otherwise require, the terms defined in this Section shall, for all purposes of this Indenture and of any indenture, resolution or other instrument amendatory hereof or supplemental hereto and of any certificate, opinion, instrument or document herein or therein mentioned, have the meanings herein specified, with the following definitions to be equally applicable to both the singular and plural forms of any terms herein defined and vice versa.

"Act" shall mean the New York State Energy Research and Development Authority Act, Title 9 of Article 8 of the Public Authorities Law of the State of New York, as from time to time amended and supplemented.

"Additional Payments" shall mean the Additional Payments as defined in Section 4.02(f) of the Participation Agreement.

"Adjustable Rate" shall mean any of the following types of interest rates: a Commercial Paper Rate, an Auction Rate, a Daily Rate, a Weekly Rate, a Monthly Rate, a Semi-annual Rate and a Term Rate.

"Administration Fees" shall mean the amounts payable by the Company to the Authority pursuant to Section 4.02(f) of the Participation Agreement to defray a portion of the expenses incurred by the Authority in conducting and administering its special energy project programs and the amount payable as state bond issuance charge pursuant to Section 4.02(f) of the Participation Agreement.

"Affiliate" shall mean any person known to the Auction Agent to be controlled by, in control of or under common control with the Company; provided that no Broker-Dealer controlled by, in control of or under common control with the Company shall be an Affiliate nor shall any corporation or any person controlled by, in control of or in common control with such corporation be an Affiliate solely because a director or executive officer of such Broker-Dealer is also a director of the Company.

"After-Tax Equivalent Rate" on any date of determination shall mean with respect to Auction Rate Bonds, the interest rate per annum equal to the product of (x) Commercial Paper/Treasury Rate on such date and (y) (1.00 minus the Statutory Corporate Tax Rate on such date).

"Agent Member" shall mean a member of, or participant in, the Securities Depository.

"All Hold Rate" shall mean on any date of determination with respect to Auction Rate Bonds the rate per annum equal to 85% (as such percentage may be adjusted pursuant to Section 3.10) of the lesser of (i) the Commercial Paper Index on such date and (ii) the After-Tax Equivalent Rate on such date provided, however, that in no event shall such All Hold Rate exceed the maximum rate, if any, permitted by applicable law.

"Alternate Support Facility" shall mean any Support Facility obtained pursuant to the provisions of Section 6.02 in replacement of an existing Support Facility.

"Applicable Percentage" on any date of determination shall mean the percentage determined as set forth below (as such percentage may be adjusted for Auction Rate Bonds pursuant to Section 3.10) based on the prevailing long-term rating of the Auction Rate Bonds in effect at the close of business on the Business Day immediately preceding such date of determination:

Prevailing Rating	Applicable Percentage
AAA/"Aaa"	175%
AA/"Aa"	175%
A/"A"	175%
BBB/"Baa"	200%
Below BBB/"Baa"	265%

For purposes of this definition, the "prevailing rating" of the Auction Rate Bonds will be (a) AAA/"Aaa," if the Auction Rate Bonds, have a rating of AAA or better by S&P and a rating of "Aaa" by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (b) if not AAA/"Aaa," then AA/"Aa" if the Auction Rate Bonds have a rating of AA- or better by S&P and a rating of "Aa3" or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (c) if not AAA/"Aaa" or AA/"Aa," then A/"A" if the Auction Rate Bonds have a rating of A- or better by S&P and a rating of "A3" or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (d) if not AAA/"Aaa," AA/"Aa" or A/"A," then BBB/"Baa," if the Auction Rate Bonds have a rating of BBB- or better by S&P and a rating of "Baa3" or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, and (e) if not AAA/"Aaa," AA/"Aa", A/"A" or BBB/"Baa," then below BBB/"Baa," whether or not the Auction Rate Bonds are rated by any securities rating agency.

If (x) the Auction Rate Bonds, are rated by a rating agency or agencies other than Moody's or S&P and (y) the Company has delivered on behalf of the Authority to the Trustee and the Auction Agent an instrument designating one or two of such rating agencies to replace Moody's or S&P, or both, then for purposes of the definition of "prevailing rating" Moody's or S&P, or both, will be deemed to have been replaced in accordance with such instrument; provided, however, that such instrument must be accompanied by the consent of the Remarketing

Agent. For purposes of this definition, S&P's rating categories of AAA, AA-, A- and BBB-, and Moody's rating categories of "Aaa," "Aa3," "A3" and "Baa3," refer to and include the respective rating categories correlative thereto in the event that either or both of such rating agencies have changed or modified their generic rating categories. If the prevailing ratings for the Bonds are split between the categories set forth above, the lower rating will determine the prevailing rating.

"Auction" shall mean each periodic implementation of the Auction Procedures for Auction Rate Bonds.

"Auction Agency Agreement" shall mean the Auction Agency Agreement to be entered into between the Company and the Auction Agent with respect to the Auction Rate Bonds, as from time to time amended and supplemented.

"Auction Agent" shall mean any entity appointed as such pursuant to Section 11.21 and its successors and assigns.

"Auction Date" shall mean with respect to each Auction Period, the last Thursday of the immediately preceding Auction Period (or such other day that the Remarketing Agent shall establish as the Auction Date therefor pursuant to Section 3.05); provided, that if such day is not a Business Day, the Auction Date shall be the next succeeding Business Day.

"Auction Period" shall mean, after a Change in the Interest Rate Mode to an Auction Rate, until the effective date of a Change in the Interest Rate Mode or the Stated Maturity, each period from and including the last Interest Payment Date for the immediately preceding Auction Period or Calculation Period, as the case may be, to and including the next succeeding Auction Date or, in the event of a Change in the Interest Rate Mode, to but excluding the effective date of such change, provided, if any day that would be the last day of any such period does not immediately precede a Business Day, such period shall end on the next day which immediately precedes a Business Day.

"Auction Procedures" shall mean with respect to the Auction Rate Bonds the procedures set forth in Sections 3.06 through 3.09.

"Auction Rate" shall mean with respect to Auction Rate Bonds and each Auction Period for such Auction Rate Bonds (other than an initial Auction Period after a Change in the Interest Rate Mode to an Auction Rate Period), the rate of interest per annum determined for the Bonds pursuant to Article III.

"Auction Rate Bonds" shall mean with respect to an Auction Rate Period, any Bonds or subseries of Bonds which bear the Auction Rate determined pursuant to Article III.

"Auction Rate Bonds Period Record Date" shall mean, with respect to each Interest Payment Date during an Auction Rate Period, the Business Day next preceding such Interest Payment Date.

"Auction Rate Period" shall mean any period during which the Auction Rate Bonds bear interest at an Auction Rate determined pursuant to the implementation of Auction Procedures established under Article III, which period shall commence on the Closing Date if the Bonds initially are offered as Auction Rate Bonds or on the effective date of a Change in the Interest Rate Mode to an Auction Rate and shall extend through the day immediately preceding the earlier of (a) the effective date of a Change in the Interest Rate Mode or (b) the Stated Maturity.

"Authority" shall mean New York State Energy Research and Development Authority, the public benefit corporation created by the Act, and its successors and assigns.

"Authorized Company Representative" shall mean any officer or other employee of the Company at the time designated to act on behalf of the Company by written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Company by its Chairman, President or a Vice President and its Secretary or an Assistant Secretary.

"Authorized Officer" shall mean the Chair, Vice-Chair, President, Vice President, Treasurer, Assistant Treasurer or Secretary of the Authority.

"Available Auction Rate Bonds" shall mean with respect to the Auction Rate Bonds, available Auction Rate Bonds as defined in Section 3.08.

"Beneficial Owner" shall mean with respect to the Auction Rate Bonds, a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder of the Auction Rate Bonds.

"Bid" shall mean with respect to the Auction Rate Bonds, Bid as defined in Section 3.06.

"Bidder" shall mean with respect to the Auction Rate Bonds, Bidder as defined in Section 3.06.

"Bond Counsel" shall mean an attorney or firm or firms of attorneys, satisfactory to the Authority and the Trustee, nationally recognized and experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

"Bond Fund" shall mean the special trust fund of the Authority designated as "Consolidated Edison Company of New York, Inc. Project Bond Fund" created and established under, and to be held and administered by the Trustee as provided in, Section 9.01 and, unless the context shall clearly indicate otherwise, shall include the "Interest Account," the "Principal Account," and the "Redemption Account" created and established therein.

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement, dated July 28, 1999, among the Authority, the Company and the underwriters for the Bonds.

"Bond Purchase Fund" shall mean the Bond Purchase Fund established pursuant to the Bond Purchase Trust Agreement.

"Bond Purchase Trust Agreement" shall mean the Bond Purchase Trust Agreement dated as of the date hereof between the Authority and the Registrar and Paying Agent, as from time to time amended or supplemented.

"Bond Year" shall have the meaning set forth in the Tax Regulatory Agreement.

"Bondholder", "Holder of a Bond" or "Holder" shall mean any registered owner of a Bond.

"Bonds" shall mean, the "Facilities Revenue Bonds, Series 1999A (Consolidated Edison Company of New York, Inc. Project)" presently to be issued as authorized in Section 2.02 at any time Outstanding.

"Broker-Dealer" shall mean any broker-dealer (as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures (i) that is an Agent Member (or an affiliate of an Agent Member), (ii) that has been selected by the Auction Agent with the consent of the Remarketing Agent, and (iii) that has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective

."Broker-Dealer Agreement" shall mean each agreement applicable to the Auction Rate Bonds, between a Broker-Dealer and the Auction Agent pursuant to which the Broker-Dealer, among other things, agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended and supplemented.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or any city in which is located the principal corporate trust office of the Trustee or the office of an issuer of a Support Facility at which demands for a draw on, or borrowing or payment under, the Support Facility will be made.

"Calculation Period" shall mean (a) during any Commercial Paper Rate Period following a Change in the Interest Rate Mode to a Commercial Paper Rate Period, the period from and including the effective date of the Change in the Interest Rate Mode to a Commercial Paper Rate Period to but not including any day not more than 270 days thereafter which is a day immediately preceding a Business Day established by the Remarketing Agent pursuant to Section 3.02 and, thereafter, any Calculation Period established by the Remarketing Agent pursuant to Section 3.02 which shall end on a day not later than 270 days from the commencement thereof; (b) during any Daily Rate Period, the period from and including a Business Day to but not including the next succeeding Business Day; (c) during the first Weekly Rate Period, the period from and including the date of issuance of the Bonds to and including the following Tuesday, and thereafter the period from and including Wednesday of each week to and including

the following Tuesday and during any other Weekly Rate Period following a Change in the Interest Rate Mode to a Weekly Rate, the period from and including the effective date of the Change in the Interest Rate Mode to and including the following Tuesday, and, thereafter, the period from and including Wednesday of each week to and including the following Tuesday; (d) during any Monthly Rate Period following a Change in the Interest Rate Mode to a Monthly Rate, the period from and including the effective date of the Change in the Interest Rate Mode to but excluding the first Business Day of the following month, and, thereafter each period from and including the first Business Day of the month to but excluding the first Business Day of the following month; (e) during any Semi-annual Rate Period following a Change in the Interest Rate Mode to a Semi-annual Rate, the period from and including the effective date of the Change in the Interest Rate Mode to but excluding the next succeeding Interest Payment Date and, thereafter, each period from and including the day following the end of the last Calculation Period to but excluding the next succeeding Interest Payment Date; (f) during any Term Rate Period, any period of not less than 365 days from and including a Business Day to and including any day (established by the Remarketing Agent pursuant to Section 4.01.1) not later than the day prior to the Stated Maturity; and (g) during any Fixed Rate Period following a Change in the Interest Rate Mode to a Fixed Rate, the period from and including the effective date of the Change in the Interest Rate Mode through the day immediately preceding the earlier of (x) the effective date of another Change in the Interest Rate Mode, or (y) the Stated Maturity.

"Change in the Interest Rate Mode" shall mean any change in the type of interest rate borne by the Bonds pursuant to Section 4.01 or Section 4.02.

"Change of Preference Law" shall mean any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the date hereof which (a) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (b) imposes, or would impose, reduces or would reduce, or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

"Closing Date" shall mean the date on which the Note becomes legally effective, the same being the date on which the Bonds are paid for by and delivered to the original purchasers thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder and applied to the Bonds or the use of proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Commercial Paper Dealers" means the commercial paper dealers specified by the Authority at the request of the Company at the time of any Change in the Interest Rate Mode to

an Auction Rate, or in lieu of any thereof, their respective affiliates or successors, provided that any such entity is a commercial paper dealer.

"Commercial Paper Index," on any date of determination, shall mean, with respect to Auction Rate Bonds, the interest index published by the Remarketing Agent representing the weighted average of the yield on tax-exempt commercial paper, or tax-exempt bonds bearing interest at a commercial paper rate or pursuant to a commercial paper mode, having a range of maturities or mandatory purchase dates between 25 and 36 days traded during the immediately preceding five Business Days.

"Commercial Paper Period Record Date" shall mean, with respect to each Interest Payment Date during a Commercial Paper Rate Period, the Business Day next preceding such Interest Payment Date.

"Commercial Paper Rate" shall mean with respect to each Calculation Period during a Commercial Paper Rate Period, a rate or rates of interest equal to the rate or rates of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate or rates of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate or rates of interest shall not exceed the lesser of 110% of the Commercial Paper Rate Index on and as of such date and the Maximum Allowed Rate.

"Commercial Paper Rate Index" shall mean with respect to the Determination Date of each Calculation Period during a Commercial Paper Rate Period, the average of yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued) all of which shall have a term as near as practicable to such Calculation Period or which are subject to optional or mandatory tender by the owner thereof at the end of a term as near as practicable to such Calculation Period, the interest on which is not included in gross income for federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper rating category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper rating category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a rating category that is lower than its highest note or commercial paper rating category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper rating category which is the same or correlative, in the Indexing Agent's judgment, to the note or commercial paper rating category or the long-term debt rating

category of the Bonds or (b) have outstanding securities rated by a Rating Agency in the same long-term debt rating category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Commercial Paper Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Commercial Paper Rate Period" shall mean any period during which the Bonds bear interest at a Commercial Paper Rate or Rates, which period shall commence on the effective date of a Change in the Interest Rate Mode to a Commercial Paper Rate or Rates, as the case may be, and extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode or (b) the Stated Maturity.

"Commercial Paper/Treasury Rate" on any date of determination shall mean with respect to Auction Rate Bonds (i) in the case of any Auction Period of less than 49 days, the interest equivalent of the 30-day rate, (ii) in the case of any Auction Period of 49 days or more and but less than 70 days, the interest equivalent of the 60-day rate, (iii) in the case of any Auction Period of 70 days or more but less than 85 days, the arithmetic average of the interest equivalent of the 60-day and 90-day rates, (iv) in the case of any Auction Period of 85 days or more but less than 99 days, the interest equivalent of the 90-day rate; (v) in the case of any Auction Period of 99 days or more but less than 120 days, the arithmetic average of the interest equivalent of the 90-day and 120-day rates and, (vi) in the case of any Auction Period of 120 days or more but less than 141 days, the interest equivalent of the 120-day rate, (vii) in the case of any Auction Period of 141 days or more but less than 162 days, the arithmetic average of the interest equivalent of the 120-day and 180-day rates, (viii) in the case of any Auction Period of 162 days or more but less than 183 days, the interest equivalent of the 180-day rate, (ix) in the case of any Auction Period of 183 days or more, the Treasury Rate for such Auction Period. The foregoing rates shall in all cases, except with respect to the Treasury Rate, be rates on commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or in the event that the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers, to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination.

If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Commercial Paper/Treasury Rate, the Commercial Paper/Treasury Rate shall be determined on the basis of a commercial paper quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers selected by the Authority at the request of the Company to provide such quotation or quotations not being supplied by any Commercial Paper

Dealer or Commercial Paper Dealers, as the case may be, or if the Authority does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "discount rate") for commercial paper of a given day's maturity shall be equal to the product of (A) 100 times (B) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which shall be 360.

"Commission" shall mean the Securities and Exchange Commission.

"Company" shall mean Consolidated Edison Company of New York, Inc., and any surviving, resulting or transferee corporation as provided in Section 5.17 of the Participation Agreement.

"Component Issuers" shall mean issuers of securities, the interest on which is excluded from gross income for federal income tax purposes, selected by the Indexing Agent.

"Computation Date" shall mean each date which is one (1) Business Day prior to any Determination Date.

"Computation Period" shall have the meaning set forth in the Tax Regulatory Agreement.

"Credit Facility" shall mean any Support Facility which provides for the payments referred to in clause (ii) of the definition thereof.

"Credit Facility Issuer" shall mean any bank or banks or other financial institution or institutions, having issued any Credit Facility.

"Current Adjustable Rate" shall mean the interest rate borne by Bonds immediately prior to a Change in the Interest Rate Mode or the establishment of a Fixed Rate.

"Daily Period Record Date" shall mean, with respect to each Interest Payment Date during a Daily Rate Period, the Business Day next preceding such Interest Payment Date.

"Daily Rate" shall mean with respect to each Calculation Period during a Daily Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Bonds in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon;

provided that such rate of interest shall not exceed the lesser of 110% of the Daily Rate Index on and as of such day and the Maximum Allowed Rate.

"Daily Rate Index" shall mean with respect to the Determination Date of each Calculation Period during a Daily Rate Period, the average of one-day yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent and which have redemption or tender provisions comparable to the then applicable provisions of the Bonds, computed by the Indexing Agent on and as of the Determination Date. If the Bonds are rated by a Rating Agency, each Component Issuer must have outstanding securities rated by a Rating Agency in a short-term debt rating category which is the same as the short-term debt rating category in which the Bonds are rated. The specific issuers included in the Component Issuers may be changed from time to time by the Indexing Agent in its discretion and shall be issuers whose securities, in the judgment of the Indexing Agent, have characteristics similar to the Bonds. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Daily Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Daily Rate Period" shall mean any period during which Bonds bear interest at a Daily Rate which period shall commence on the effective date of the Change in the Interest Rate Mode to a Daily Rate and shall extend through the day immediately preceding the earlier of (a) the effective date of a Change in the Interest Rate Mode or (b) the Stated Maturity.

"Determination Date" shall mean, for any Calculation Period, the first Business Day occurring during such Calculation Period; provided, however, with respect to Bonds which bear interest at the Weekly Rate, for the Calculation Period commencing on the Closing Date, the Determination Date shall mean the Business Day immediately preceding such Closing Date, and thereafter, each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday.

"Direct-Pay Credit Facility" shall mean any Credit Facility which by its terms permits the Trustee to draw moneys thereunder for deposit in the Bond Fund.

"Event of Default" shall mean Event of Default as defined in Section 12.01.

"Existing Holder" shall mean with respect to Auction Rate Bonds a Broker-Dealer that is listed as the holder of Auction Rate Bonds in the records of the Auction Agent.

"Failure to Deposit" shall mean any failure to make the deposit required by Section 9.02(a)(i) or 9.02(b)(i) by the time specified therein.

"Fiscal Year" shall mean the fiscal year of the Company as established from time to time by the Company which as of the Closing Date is the twelve-month period commencing on January 1 of each calendar year and ending on December 31 of the next calendar year.

"Fitch" shall mean Fitch IBCA, Inc. and its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or shall be replaced by some other nationally recognized rating agency by the Authority at the request of the Company, "Fitch" shall be deemed to refer to such other nationally recognized rating agency designated by the Authority at the request of the Company.

"Fixed Rate" shall mean, with respect to a Fixed Rate Period, the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of such date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such date to remarket the Bonds in a secondary market transaction at a price equal to 100% of the Outstanding principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Fixed Rate Index on and as of such date and 18% per annum;

"Fixed Rate Conversion Date" shall have the meaning set forth in Section 4.02.

"Fixed Rate Index" shall mean with respect to a Fixed Rate Conversion Date, the average of the yield evaluations (on the basis of full coupon securities trading at par with a term approximately equal to the Fixed Rate Period) of securities (whether or not actually issued), the interest on which is not included in gross income for federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent and which have a long-term rating by a Rating Agency in the same rating category as the Bonds are rated at the time by such Rating Agency or, if no such bonds are so rated, shall be debt which, in the judgment of the Indexing Agent, is of credit quality comparable to that of the Bonds, computed by the Indexing Agent on and as of the Fixed Rate Conversion Date. In the event that the Indexing Agent fails to compute the Fixed Rate Index and no other qualified municipal securities evaluation service can be appointed Indexing Agent by the Authority, the Fixed Rate Index shall be determined by the Remarketing Agent and shall be 90% of the average yield shown for the most recent calendar month for United States Treasury notes or bonds having the same number of years to maturity as the number of 12-month periods (or months if the Fixed Rate Period is less than one year) in the Fixed Rate Period, as published in the Federal Reserve Bulletin in the last issue before the Fixed Rate Conversion Date. If that issue does not contain such a yield, the Fixed Rate Index will be determined by linear interpolation between the yields shown in that issue for United States Treasury notes and bonds having the next shorter and next longer number of years (or months) to maturity. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Fixed Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Fixed Rate Period" shall mean any period during which Bonds bear interest at a Fixed Rate, which period shall commence on the effective date of a Change in the Interest Rate Mode to a Fixed Rate, and shall extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode, or (b) the Stated Maturity.

"Fixed Rate Record Date" shall mean, with respect to each Interest Payment Date during a Fixed Rate Period, the fifteenth day of the month next preceding such Interest Payment Date, or, if such day shall not be a Business Day, the next preceding Business Day.

"Governmental Obligations" shall mean any of the following which are non-callable:

(a) direct general obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America; and

b) bonds, debentures or notes issued by Government National Mortgage Association, Federal Financing Bank, Federal Farm Credit Bank, Federal Land Bank, Federal Home Loan Bank, Farmers Home Administration, Federal Home Mortgage Association or any other comparable federal agency hereafter created to the extent that said obligations are unconditionally guaranteed by the United States of America.

"Hold Order" shall mean with respect to the Auction Rate Bonds, Hold Order as defined in Section 3.06.

"Indenture" shall mean this Trust Indenture dated as of July 1, 1999 between the Authority and the Trustee, as the same may be amended or supplemented.

"Indexing Agent" shall mean the Indexing Agent appointed in accordance with Section 11.24.

"Initial Liquidity Facility" shall mean the Letter of Credit dated July 29, 1999 issued by Morgan Guaranty Trust Company of New York.

"Initial Liquidity Facility Issuer" shall mean Morgan Guaranty Trust Company of New York.

"Interest Payment Date" shall mean:

(a) during each Commercial Paper Rate Period, the Business Day immediately succeeding the last day of any Calculation Period;

(b) during an Auction Rate Period (i) for an Auction Period of 91 days or less, the Business Day immediately succeeding such Auction Period and (ii) for an Auction

Period of more than 91 days, each 13th Wednesday after the first day of such Auction Period and the Business Day immediately succeeding the last day of such Auction Period;

(c) during each Daily Rate Period, the first Business Day of each month thereof;

(d) during each Weekly Rate Period, the first Business Day of each month thereof;

(e) during each Monthly Rate Period, the first Business Day of each month thereof;

(f) during each Semi-annual Rate Period, (i) the first Business Day of the sixth calendar month following the month in which the first day of such Semi-annual Rate Period occurred, (ii) each anniversary of the date so determined, and (iii) each anniversary of the first day of the first month of such Semi-annual Rate Period;

(g) during each Term Rate Period, (i) the first Business Day of the sixth calendar month following the month in which the first day of such Term Rate Period occurred, (ii) each anniversary of the date so determined, (iii) each anniversary of the first day of the first month of such Term Rate Period, and (iv) the Business Day immediately succeeding such Term Rate Period;

(h) the May 1 or November 1 next succeeding a Fixed Rate Conversion Date and each May 1 and November 1 thereafter; provided, however, that if the May 1 or November 1 next succeeding a Fixed Rate Conversion Date occurs less than twenty-one (21) days after such Fixed Rate Conversion Date, the first Interest Payment Date shall be the second such date following such Fixed Rate Conversion Date;

(i) a Fixed Rate Conversion Date;

(j) any day on which Bonds are subject to mandatory tender for purchase pursuant to Section 5.04, 5.08 or 5.09 or redemption in whole pursuant to Section 5.01, 5.05, 5.06 or 5.07; and

(k) the Stated Maturity;

provided, however, that if any such date determined in any of the foregoing clauses is not a Business Day, the Interest Payment Date shall be the next succeeding day which is a Business Day.

"Investment Securities" shall mean any of the following which at the time are legal investments under the laws of the State of New York for the monies held hereunder:

(a) any obligation issued or guaranteed by, or backed by the full faith and credit of, the United States of America (including any certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof, which may consist of specified portions of the principal thereof or the interest thereon);

(b) deposit accounts in, or certificates of deposit issued by, and bankers acceptance of, any bank, trust company or national banking association which is a member of the Federal Reserve System (which may include the Trustee), having capital stock and surplus aggregating not less than $50,000,000;

(c) deposit accounts in, or certificates of deposit issued by and bankers acceptances of, any bank or trust company having capital stock and surplus aggregating not less than $50,000,000 and whose obligations are rated not less than "A" or equivalent by Moody's or S&P;

(d) obligations issued or guaranteed by any person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to the authority granted by the Congress of the United States;

(e) commercial paper rated in the highest investment grade or next highest investment grade by Moody's or S&P;

(f) obligations rated not less than "A" or equivalent by Moody's or S&P issued or guaranteed by any state of the United States or the District of Columbia, or any political subdivision, agency or instrumentality of any such state or District, or issued by any corporation;

(g) obligations of a public housing authority fully secured by contracts with the United States;

(h) repurchase agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or any government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York with respect to any of the foregoing obligations or securities. Any repurchase agreement entered into pursuant to this Indenture shall, by its terms, permit the Trustee to sell the related obligations or securities if the other party to such repurchase agreement shall fail to repurchase promptly such obligation or security on the day required by the repurchase agreement. All such repurchase agreements shall also provide for the delivery of the related obligations or securities to the Trustee or a depositary of the Trustee;

(i) money market or bond mutual funds, which funds have a composite investment grade rated not less than "A" or equivalent by Moody's or S&P; or

(j) investment agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or any governmental bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which has, or the parent company of which has, long-term debt rated at least "A" or its equivalent by S&P or Moody's, with respect to any of the obligations or securities specified in (a), (d), (e), (f) and (g) above. Any investment agreement entered into pursuant to this Indenture shall, by its terms provide that (i) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date), and (ii) the investment agreement is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof.

Any such Investment Securities may be held by the Trustee in book entry form, whereby certificated securities are held by an independent custodian and the Trustee is the beneficial owner of all or a portion of such certificated securities.

"Liquidity Facility" shall mean a Support Facility which provides for the payments referred to in clause (i) of the definition thereof.

"Liquidity Facility Issuer" shall mean any bank or banks or other financial institution or institutions, having issued any Liquidity Facility.

"Maximum Allowed Rate" shall mean as of any date 15% per annum, or if lower, the rate specified as such in any Support Facility then in effect.

"Maximum Auction Rate" shall mean on any date of determination with respect to Auction Rate Bonds, (i) in all cases other than as provided in (ii) or (iii) below, the interest rate per annum equal to the lesser of (A) Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to a Standard Auction Period and the Commercial Paper Index, and (B) the maximum rate, if any, permitted by applicable law, (ii) with respect to any change in an Auction Period and/or the Standard Auction Period pursuant to Section 3.04, including any automatic reversion to a Standard Auction Period pursuant to Section 3.03, the interest rate per annum equal to the highest of (a) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to a Standard Auction Period, and the Commercial Paper Index, and (b) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to the Auction Period which is proposed to be established and the Commercial Paper Index, and (c) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to the Auction Period in effect immediately prior to such proposed change in the Auction Period and the Commercial Paper Index, or (iii) with respect to any Change in the Interest Rate Mode from an Auction Rate pursuant to Section 4.01 or any change from an Auction Rate to a Fixed Rate pursuant to Section 4.02, the interest rate per annum equal to the higher of (a) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to a Standard Auction Period and the Commercial Paper Index, and (b) the Applicable Percentage of the higher

of the After-Tax Equivalent Rate determined on such date with respect to the Auction Period in effect immediately prior to such proposed change and the Commercial Paper Index.

"Monthly Period Record Date" shall mean, with respect to each Interest Payment Date during a Monthly Period, the Business Day next preceding such Interest Payment Date.

"Monthly Rate" shall mean with respect to each Calculation Period during a Monthly Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent, and the Company) by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Monthly Rate Index on and as of such date and the Maximum Allowed Rate.

"Monthly Rate Index" shall mean with respect to the Determination Date of each Calculation Period during a Monthly Rate Period, the average of 30-day yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper rating category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper rating category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a rating category that is lower than its highest note or commercial paper rating category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper rating category which is the same or correlative, in the Indexing Agent's judgment, to the note or commercial paper rating category or the long-term debt rating category of the Bonds or (b) have outstanding securities rated by a Rating Agency in the same long-term debt rating category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Monthly Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Monthly Rate Period" shall mean any period during which Bonds bear interest at a Monthly Rate which period shall commence with the effective date of the Change in the Interest Rate Mode to a Monthly Rate and shall extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode or (b) the Stated Maturity.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware and its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or if Moody's shall be replaced, subject to the definition of "prevailing rating" in the definition of Applicable Percentage, by some other nationally recognized rating agency by the Authority at the request of the Company, "Moody's" shall be deemed to refer to such other nationally recognized rating agency designated by the Authority at the request of the Company.

"Note" shall mean the promissory note of the Company executed by the Company and delivered to the Trustee, to evidence the obligations of the Company to repay the loan to be made by the Authority pursuant to the Participation Agreement.

"Note Payments" shall mean the portion of the Payments required to be made pursuant to Section 4.02 of the Participation Agreement and the Note to be applied to the payment of principal of, premium, if any, and interest on the Bonds.

"Notice of Election to Tender" shall mean the notice given by a Holder of Bonds pursuant to Section 5.03.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Option to Convert" shall mean the Authority's right and option to convert the rate of interest payable on the Bonds from an Adjustable Rate to a Fixed Rate as provided in Section 4.02.

"Order" shall mean with respect to Auction Rate Bonds, an Order as defined in Section 3.06.

"Outstanding", whether appearing in upper or lower case, when used with respect to any Bond shall mean, as of any date, any Bond theretofore or thereupon being authenticated and delivered pursuant to this Indenture, except:

1. a Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

2. a Bond in lieu of or in substitution for which another Bond shall have been issued under Sections 5.10, 5.11, 7.03 , 7.04 or 7.05; and

3. a Bond or portion thereof deemed to have been paid in accordance with Section 15.01;

provided, however, that with respect to Auction Rate Bonds for the purposes of the Auction Procedures on any Auction Date, Auction Rate Bonds as to which the Company or any person known to the Auction Agent to be an Affiliate of the Company is the Existing Holder thereof shall be disregarded and deemed not to be Outstanding.

"Overdue Rate" shall mean on any date of determination 265% of the Commercial Paper Index on such date of determination; provided that in no event shall the Overdue Rate exceed the maximum rate, if any, permitted by applicable law.

"Participation Agreement" shall mean the Participation Agreement dated as of July 1, 1999, between the Authority and the Company, as amended and supplemented by Supplemental Participation Agreements from time to time.

"Payments" shall mean collectively the Note Payments and the Additional Payments.

"Potential Beneficial Owner" shall mean with respect to any Auction Rate Bonds, a customer of a Broker-Dealer that is not a Beneficial Owner but that wishes to purchase Auction Rate Bonds, or that is a Beneficial Owner that wishes to purchase an additional principal amount of Auction Rate Bonds.

"Potential Holder" shall mean a Broker-Dealer that is not an Existing Holder or that is an Existing Holder that wishes to become an Existing Holder of an additional principal amount of Auction Rate Bonds.

"Principal Corporate Trust Office" shall mean the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 140 Broadway, New York, New York 10005-1180.

"Project" shall mean any acquisition, purchase, construction, reconstruction, improvement, betterment, extension and equipping, as described in Exhibit A and Exhibit B to the Participation Agreement as the same may be revised from time to time to reflect any changes or substitutions therein, additions thereto, or deletions therefrom permitted by the Participation Agreement.

"Project Fund" shall mean the special trust fund designated as "Consolidated Edison Company of New York, Inc. Series 1999A Project Fund" created and established under, and to be held and administered by the Trustee as provided in, Section 8.01.

"Purchase Price" shall mean the purchase price of Bonds tendered or deemed tendered for purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09, consisting of the principal amount of such Bonds together with any accrued and unpaid interest plus, in the event Bonds bearing interest at a Term Rate or a Fixed Rate are subject to tender for purchase pursuant to Section 5.04, any premium which would have been required to be paid as part of redemption price on any date on which such Bonds are subject to tender for purchase if such Bonds were subject

to optional redemption pursuant to Section 5.01 on such date. With respect to Bonds tendered for purchase on an Interest Payment Date, Purchase Price shall include any accrued interest on such Bonds which is not otherwise being paid pursuant to Section 9.03(a).

"Purchaser's Letter" shall mean a letter substantially in the form required by the Auction Agency Agreement, addressed to, among others, the Authority, the Auction Agent and a Broker-Dealer.

"Rate Index" means the Daily Rate Index, the Fixed Rate Index, the Commercial Paper Rate Index, the Monthly Rate Index, the Semi-annual Rate Index, the Term Rate Index, or the Weekly Rate Index.

"Rating Agency" means Moody's, if the Bonds are then rated by Moody's, S&P, if the Bonds are then rated by S&P, and Fitch, if the Bonds are then rated by Fitch.

"Rating category" shall mean one of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier, plus or minus sign, or otherwise.

"Record Date", at any time, shall mean each Commercial Paper Period Record Date during a Commercial Paper Rate Period, each Auction Rate Bonds Period Record Date during an Auction Rate Period, each Daily Period Record Date during a Daily Rate Period, each Weekly Period Record Date during a Weekly Rate Period, each Monthly Period Record Date during a Monthly Rate Period, each Semi-annual Period Record Date during a Semi-annual Rate Period, each Term Period Record Date during a Term Rate Period and each Fixed Rate Record Date during a Fixed Rate Period.

"Registrar and Paying Agent" shall mean HSBC Bank USA in its separate capacity as Registrar and Paying Agent for the Bonds, or its successors or assigns.

"Remarketing Agent" shall mean the Remarketing Agent or Remarketing Agents appointed pursuant to Section 11.14, its or their successors or assigns, including without limitation any "market agent" appointed in connection with Auction Rate Bonds.

"Remarketing Agreement" shall mean the Remarketing Agreement among the Company and the Remarketing Agents dated as of July 29, 1999 and any similar agreement or agreements between the Company and one or more successor Remarketing Agents, as from time to time amended.

"Revenues" shall mean and include all income, revenues and monies derived by the Authority under the Participation Agreement and the Note (except administrative compensation and indemnification payable under the Participation Agreement), and, without limiting the generality of the foregoing, shall include to the extent provided in this Indenture, earnings on the investment of monies held under this Indenture and the proceeds of the sale of any such

investments. The term "Revenues" shall not include monies received as proceeds from the sale of the Bonds or any other bonds, notes or evidences of indebtedness or as grants or gifts.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies and its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or if S&P shall be replaced, subject to the definition of "prevailing rating" in the definition of Applicable Percentage, by some other nationally recognized rating agency by the Authority at the request of the Company, "S&P" shall be deemed to refer to such other nationally recognized rating agency designated by the Authority at the request of the Company.

"Securities Depository" shall mean The Depository Trust Company and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository pursuant to Section 2.03, any other securities depository, which agrees to follow the procedures required to be followed by a Securities Depository in connection with the Bonds and which is selected by the Authority, with the consent of the Company, the Trustee, the Auction Agent and the Remarketing Agent pursuant to Section 2.03.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Sell Order" shall mean with respect to Auction Rate Bonds, Sell Order as defined in Section 3.06.

"Semi-annual Period Record Date" shall mean, with respect to each Interest Payment Date during a Semi-annual Rate Period, the fifteenth day of the calendar month next preceding such Interest Payment Date.

"Semi-Annual Rate" shall mean with respect to each Calculation Period during a Semi-annual Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Semi-annual Rate Index on and as of such date and the Maximum Allowed Rate.

"Semi-annual Rate Index" shall mean with respect to the Determination Date of ach Calculation Period during a Semi-annual Rate Period, the average of six-month yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by

the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper rating category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper rating category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a rating category that is lower than its highest note or commercial paper rating category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper rating category which is the same or correlative, in the Indexing Agent's judgment, to the note or commercial paper rating category or the long-term debt rating category of the Bonds or the other debt obligations supported by support facilities issued by the issuer of a Support Facility or (b) have outstanding securities rated by a Rating Agency in the same long-term debt rating category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Semi-annual Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Semi-annual Rate Period" shall mean any period during which Bonds bear interest at a Semi-annual Rate, which period shall commence on the effective date of a Change in the Interest Rate Mode to a Semi-annual Rate, and shall extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode, or (b) the Stated Maturity.

"Standard Auction Period" shall mean an Auction Period of 35 days unless a different Standard Auction Period is established pursuant to Section 3.04.

"Stated Maturity," with respect to each series of Bonds shall mean May 1, 2034, provided that, subject to the next sentence, in any case where the date of maturity of, or payment of premium on, interest on, or principal of, the Bonds or the date fixed for redemption of any Bonds shall be on a day other than a Business Day, then payment of interest, principal and premium, if any, need not be made on such date but may be made (without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption. Notwithstanding anything in this Indenture to the contrary, in no event shall the final maturity date of the Bonds extend beyond 35 years from the Closing Date, and the length of any Auction Period shall be reduced at the discretion of the Authority to the extent necessary to ensure compliance with the provisions of this sentence.

"Statutory Corporate Tax Rate" shall mean as of any date of determination the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year

on the taxable income of every corporation as set forth in Section 11 of the Code or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year, which on the date hereof is .35. Any change in the Statutory Corporate Tax Rate shall be evidenced by a certificate of the Company.

"Submission Deadline" shall mean 3:00 p.m., New York City time, on the Business Day preceding any Auction Date or such other time on the Business Day preceding any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"Submitted Bid" shall mean with respect to Auction Rate Bonds, Submitted Bid as defined in Section 3.08.

"Submitted Hold Order" shall mean with respect to Auction Rate Bonds, Submitted Hold Order as defined in Section 3.08.

"Submitted Order" shall mean with respect to Auction Rate Bonds, Submitted Order as defined in Section 3.08.

"Submitted Sell Order" shall mean with respect to Auction Rate Bonds, Submitted Sell Order as defined in Section 3.08.

"Substitute Commercial Paper Dealers" shall mean the commercial paper dealers specified by the Authority at the request of the Company at the time of any Change in the Interest Rate Mode to an Auction Rate or their respective affiliates or successors, if any such person is a commercial paper dealer, provided that none of such persons nor any of their affiliates or successors shall be a Commercial Paper Dealer.

"Substitute U.S. Government Securities Dealer" shall mean the dealer or dealers in U.S. government securities specified by the Authority at the request of the Company at the time of a Change in the Interest Rate Mode to an Auction Rate, or their respective affiliates or successors, if any such person is a dealer in U.S. government securities, provided that none of such persons nor any of their affiliates or successors shall be a U.S. Government Securities Dealer.

"Sufficient Clearing Bids" shall mean with respect to Auction Rate Bonds, Sufficient Clearing Bids as defined in Section 3.08.

"Supplemental Indenture" shall mean any indenture between the Trustee and the Authority entered into pursuant to and in compliance with the provisions of Article XIV hereof amending or supplementing the provisions of this Indenture as originally executed or as theretofore amended or supplemented.

"Supplemental Participation Agreement" shall mean an agreement supplementing or amending the Participation Agreement.

"Support Facility" shall mean any instrument satisfactory to the Authority entered into or obtained in connection with the Bonds, such as a letter of credit, committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing which provides for the payment of (i) the Purchase Price on Bonds tendered for purchase pursuant to the provisions hereof and the Bond Purchase Trust Agreement and/or (ii) principal of and interest on all Bonds coming due and payable during the term thereof. The Letter of Credit dated July 29, 1999 issued by Morgan Guaranty Trust Company of New York shall constitute a Support Facility within the meaning of this Indenture.

"Support Facility Issuer" shall mean any bank or banks, or other financial institution or institutions which is the issuer of any Support Facility.

"Tax Regulatory Agreement" shall mean the Tax Regulatory Agreement, dated the Closing Date, between the Authority and the Company, and any and all modifications, alterations, amendments and supplements thereto.

"Term Period Record Date" shall mean, with respect to each Interest Payment Date during a Term Rate Period, the fifteenth day of the month next preceding such Interest Payment Date.

"Term Rate" shall mean with respect to each Calculation Period during a Term Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket such Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Term Rate Index on and as of such date and the Maximum Allowed Rate.

"Term Rate Index" shall mean with respect to the Determination Date of each Calculation Period during a Term Rate Period, the average of the yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), having a term approximately equal to the Term Rate Period or which are subject to optional or mandatory tender by the owner thereof at the end of a term approximately equal to the Term Rate Period, the interest on which is not included in gross income for federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in one of its two highest long-term debt rating categories, each Component Issuer must have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a rating category that is lower than its two highest long-term debt rating categories (and the Bonds are not rated in one of the two highest such categories by the other Rating Agency), each Component Issuer must have outstanding securities rated by a Rating Agency in the same long-term debt rating category as the Bonds are rated by that Rating Agency.

The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Term Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Term Rate Period" shall mean any period during which Bonds bear interest at a Term Rate which period shall commence with the effective date of the Change in the Interest Rate Mode to a Term Rate and shall extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode or (b) the Stated Maturity.

"Terminating Event" shall mean any event or events under the terms of a Support Facility or any agreement providing for the issuance of such Support Facility which would cause the termination or expiration of such Support Facility but would specifically allow for the mandatory tender of Bonds pursuant to Section 5.09 with a draw on or borrowing or payment under such Support Facility prior to such termination or expiration. Specifically with respect to the Initial Liquidity Facility, the occurrence of an event of default under, and as defined in, the related Reimbursement Agreement shall constitute a Terminating Event within the meaning of this Indenture.

"Treasury Rate" on any date, shall mean (i) the yield, calculated in accordance with prevailing industry convention, of the rate on the most recently auctioned direct obligations of the U.S. Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Period, as quoted in The Wall Street Journal on such date for the Business Day next preceding such date; or (ii) in the event that any such rate is not published in The Wall Street Journal, then the bond equivalent yiel d, calculated in accordance with prevailing industry convention, as calculated by reference to the arithmetic average of the bid price quotations of the most recently auctioned direct obligation of the U.S. Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Period, based on bid price quotations on such date obtained by the Auction Agent from U.S. Government Securities Data. If any U.S. Government Securities Dealer does not quote a rate required to determine the Treasury Rate, the Treasury Rate shall be determined on the basis of the quotation or quotations furnished by the remaining U.S. Government Securities Dealer or Dealers and any Substitute U.S. Government Securities Dealer or Dealers selected by the Authority at the request of the Company to provide such rate or rates not being supplied by any U.S. Government Securities Dealer or U.S. Government Securities Dealers, as the case may be, or, if the Authority does not select any such Substitute U.S. Government Securities Dealer or Substitute U.S. Government Securities Dealers, by the remaining U.S. Government Securities Dealer or U.S. Government Securities Dealers.

"Trust Estate" shall mean the meaning assigned to such term in the first paragraph following the recitals herein.

"Trustee" shall mean the corporation having trust powers appointed by the Authority as Trustee hereunder and serving as such hereunder, and any surviving, resulting or transferee corporation as provided in Section 11.13. References to principal office of the Trustee shall mean the Principal Corporate Trust Office of the Trustee.

"U.S. Government" shall mean the federal government of the United States of America.

"U.S. Government Securities Dealers" shall mean the Remarketing Agents for any Auction Rate Bonds, or, in lieu of any thereof, their respective affiliates or successors, provided that any such entity is a U.S. Government securities dealer.

"Weekly Period Record Date" shall mean, with respect to each Interest Payment Date during a Weekly Rate Period, the Business Day next preceding such Interest Payment Date.

"Weekly Rate" shall mean with respect to each Calculation Period during a Weekly Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Bonds in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon; provided that such rate of interest shall not exceed the lesser of 110% of the Weekly Rate Index on and as of such date and the Maximum Allowed Rate.

"Weekly Rate Index" shall mean with respect to the Determination Date of each Calculation Period during a Weekly Rate Period, the average of 30-day yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper rating category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper rating category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a rating category that is lower than its highest note or commercial paper rating category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper rating category which is the same or correlative, in the Indexing Agent's judgment, to the note or commercial paper rating category or the long-term debt rating category of the Bonds or (b) have outstanding securities rated by a Rating Agency in the same long-term debt rating category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may

change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Weekly Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Weekly Rate Period" shall mean any period during which the Bonds bear interest at a Weekly Rate; the first such period shall commence on the date of initial issuance of the Bonds and shall extend through the day immediately preceding the earlier of (a) the effective date of a Change in the Interest Rate Mode or (b) the Stated Maturity.

"Winning Bid Rate" shall mean with respect to Auction Rate Bonds, Winning Bid Rate as defined in Section 3.08.

Section 1.02 Definitions of General Terms. Whenever in this Indenture any governmental unit including the Authority or any official, officer, director or department of a governmental unit, is defined or referred to, such definition or reference shall be deemed to include the governmental unit or official, officer, board, agency, commission, body or department succeeding to or in whom or which is vested, the functions, rights, powers, duties and obligations of such governmental unit, official, officer, director or department, as the case may be, encompassed by this Indenture.

Unless the context shall clearly indicate otherwise or may otherwise require, in this Indenture words importing persons include firms, partnerships, associations, corporations (public and private), public bodies and natural persons, and also include executors, administrators, trustees, receivers or other representatives.

Unless the context shall clearly indicate otherwise or may otherwise require computation on other than an annual basis, in this Indenture whenever any interest rate or rate of interest is defined or referred to, such rate shall be a rate per annum.

Unless the context shall clearly indicate otherwise or may otherwise require, in this Indenture (not including in such term wherever used in this paragraph any Supplemental Indenture): (i) references to articles, sections and other subdivisions, whether by number or letter or otherwise, are to the respective or corresponding articles, sections and subdivisions of this Indenture, as such articles, sections or subdivisions may be amended from time to time; (ii) the terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, refer to this Indenture and to this Indenture as a whole and not to any particular article, section or subdivision hereof; and (iii) the word "heretofore" means before the time of effectiveness of this Indenture; and the word "hereafter" means after the time of effectiveness of this Indenture.

ARTICLE II.
AUTHORIZATION OF BONDSAUTHORIZATION OF BONDS

Section 2.01 Limitation on Issuance of Bonds. No Bonds may be issued under the provisions of this Indenture except in accordance with the provisions of this Article.

Section 2.02 Authorization of Bonds. 1. There is hereby created and established under this Indenture one issue of revenue bonds of the Authority, limited to $292,700,000 in aggregate principal amount, of "Facilities Revenue Bonds, Series 1999A (Consolidated Edison Company of New York, Inc. Project)". In order to distinguish between Bonds which are subject to different interest rate determination methods and other features and to distinguish the portion of the Bonds to be remarketed by any particular Remarketing Agent, the Bonds may be designated and redesignated from time to time by the Authority in such a way as to identify one or more subseries of the Bonds. Such subseries may be designated as subseries A-1, subseries A-2, or subseries A-3, as the case may be, or may be further redesignated as subseries A-1-1, subseries A-2-1, or subseries A-3-1, as the case may be, and so forth. Each Bond shall bear upon the face thereof such designation or redesignation, if any. In the event any series of Bonds is designated as one or more subseries, all references to a series of the Bonds in this Indenture shall refer to each such subseries unless the context otherwise requires. The Bonds, upon original issuance, shall be issued in three separate subseries designated as "1999A-1" in the principal amount of $97,600,000 (the "Series 1999A-1 Bonds"), "1999A-2" in the principal amount of $97,600,000 (the "Series 1999A-2 Bonds") and "1999A-3" in the principal amount of $97,500,000 (the "Series 1999A-3 Bonds").

2. The Bonds shall be secured by the Trust Estate. The lien, pledge, charge and assignment of the Trust Estate created hereby shall be valid and binding from the time of the effectiveness of this Indenture, as set forth in Section 17.11, and the Note Payments made under the Note and the Participation Agreement shall be immediately subject thereto upon receipt by the Trustee.

3. The Bonds are limited obligations of the Authority payable solely from payments to be made by the Company pursuant to the Note and the Participation Agreement and the other monies, rights and properties pledged hereunder including the proceeds of the Support Facility, if any, hereafter obtained with respect thereto and secured by a pledge from the Authority to the Trustee of the Participation Agreement and the Note. The Bonds shall not be a debt of the State of New York, and the State of New York shall not be liable thereon.

4. The covenants and agreements herein set forth to be performed by the Authority shall be for the benefit, security and protection of any Holder of the Bonds.

5. Neither the Trustee nor any Holder of the Bonds shall be required to see that the monies derived from such Bonds are applied to the purpose or purposes for which such Bonds are issued.

6. The Bonds shall be issued under this Indenture for the purpose of paying a portion of the redemption price of the Prior Bonds.

7. The Bonds bearing a Commercial Paper Rate, a Daily Rate, a Weekly Rate or a Monthly Rate shall be fully registered Bonds in the denomination of $100,000 or any integral multiple thereof. The Bonds bearing an Auction Rate shall be fully registered Bonds in the denomination of $50,000 or any integral multiple thereof. The Bonds bearing a Semi-annual Rate, a Term Rate or a Fixed Rate shall be fully registered Bonds in the denomination of $5,000 or any integral multiple thereof.

8. The Bonds shall be numbered consecutively from "1999A- [insert "1, 2 or 3", as appropriate]-1" upwards as issued, or as otherwise provided by the Registrar and Paying Agent. If the Bonds are redesignated to identify one or more additional subseries, the Bonds shall be numbered in accordance with their subseries designation. The Bonds shall mature on the Stated Maturity.

9. The Bonds shall be initially issued in fully registered form, without coupons, and dated their date of first authentication and delivery.

10. Upon any Change in the Interest Rate Mode to an Auction Rate for an Auction Rate Period, there shall be Outstanding an aggregate principal amount of not less than $20,000,000 of Auction Rate Bonds and in the applicable denominations set forth in Section 2.02.7.

Section 2.03 Global Form; Securities Depository

1. Except as otherwise provided in this Section 2.03, the Bonds in the form of one separate global bond for each subseries shall be registered in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book entry form by the Securities Depository for the account of the Agent Members thereof.

Except as provided in subsections (3) and (4) of this Section 2.03, the Bonds of any subseries may be transferred, in whole but not in part, only to the Securities Depository or a nominee of the Securities Depository, or to a successor Securities Depository selected or approved by the Authority, with the consent of the Company, the Trustee, the Auction Agent (if any) and the Remarketing Agent for such subseries, or to a nominee of such successor Securities Depository. Each global certificate for the Bonds shall bear a legend substantially to the following effect: "Except as otherwise provided in Section 2.03 of the Indenture, this global bond may be transferred, in whole but not in part, only to the Securities Depository as defined in the Indenture or a nominee of the Securities Depository or to a successor Securities Depository or to a nominee of a successor Securities Depository."

2. The Authority, the Company, the Trustee, the Registrar and Paying Agent, the Auction Agent (if any) and the Remarketing Agent shall have no responsibility or obligation with respect to:

(a) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the Bonds;

(b) the delivery to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository or its nominee as registered owner, of any notice with respect to the Bonds;

(c) the payment to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository or its nominee as registered owner, of any amount with respect to the principal or premium, if any, or interest on the Bonds;

(d) its acceptance of any consent given by the Securities Depository or other action taken by the Securities Depository as registered owner; or

(e) the selection by the Securities Depository or any Agent Members of any beneficial owners to receive payment in the event of a partial redemption of Bonds, except for the Trustee's obligations under Section 5.12.

So long as the certificates for the Bonds of any subseries issued under the Indenture are not issued pursuant to subsection (4) of this Section 2.03, the Authority, the Company, the Trustee, the Auction Agent (if any), the Remarketing Agent and the Registrar and Paying Agent may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such series or subseries of Bonds for all purposes whatsoever, including without limitation:

(a) the payment of principal and premium, if any, and interest on such series or subseries of the Bonds;

(b) giving notices of redemption and other matters with respect to such series or subseries of the Bonds; and

(c) registering transfers with respect to such series or subseries of the Bonds.

Payment by the Trustee of principal or redemption price, if any, of and premium, if any, and interest on such Bonds to or upon the order of the Securities Depository or its nominee during any period when it is the registered owner of such Bonds shall be valid and effective to satisfy and discharge fully the Authority's obligation with respect to the amounts so paid.

3. (a) The Authority may discontinue the use of a Securities Depository for the Bonds at the time of a Change in the Interest Rate Mode.

(b) Registered ownership of the Bonds may be transferred on the registration books of the Authority maintained by the Registrar and Paying Agent and the Bonds may be delivered in physical form to the following: (i) any successor Securities Depository or its nominee; or (ii) any person, upon (A) the resignation of the Securities Depository or (B) the termination by the Authority of the use of the Securities Depository from its

functions as depository as set forth in this section, or (C) upon any Change in the Interest Rate Mode to any Adjustable Rate other than an Auction Rate.

(c) Upon any Change in the Interest Rate Mode to an Auction Rate, the Registrar and Paying Agent shall register the Auction Rate Bonds in the name of the Securities Depository or its nominee and on the effective date of such change provide the Company with a list of the Existing Holders of the Auction Rate Bonds.

4. If at any time the Securities Depository notifies the Authority and the Company that it is unwilling or unable to continue as Securities Depository with respect to the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Securities Depository is not appointed by the Authority with the consent of the Company, the Trustee, the Auction Agent (if any) and the Remarketing Agent, within 90 days after the Authority and the Company receive notice or become aware of such condition, as the case may be, this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds of such series or subseries as provided below. In addition, the Authority may determine at any time, at the request of the Remarketing Agent, that the Bonds shall no longer be represented by global bonds and that the provisions of subsections (1) and (2) above shall no longer apply to such series or subseries of Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds of such series or subseries as provided below. Certificates for the Bonds of any series or subseries issued in exchange for a global bond pursuant to this subsection shall be registered in such names in authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such certificates representing the Bonds of such series or subseries to the persons in whose names such Bonds are so registered on the Business Day immediately preceding the first day of an Auction Period (with respect to Auction Rate Bonds during any Auction Rate Period), or the effective date of a Change in the Interest Rate Mode (with respect to any other Change in the Interest Rate Mode), as the case may be.

5. The Authority and the Trustee are hereby authorized to enter into any arrangements determined necessary or desirable with any Securities Depository in order to effectuate this Section and both of them shall act in accordance with this Indenture and any such agreement. Without limiting the generality of the foregoing, any such arrangements may alter the manner of effecting delivery of Bonds and the transfer of funds for the payment of Bonds to the Securities Depository.

Section 2.04 Limitations on Transfer. So long as the ownership of the Auction Rate Bonds is maintained in book-entry form by the Securities Depository, a beneficial owner or an Existing Holder may sell, transfer or otherwise dispose of Auction Rate Bonds only pursuant to a Bid or Sell Order placed in an Auction or to a Broker-Dealer, provided, however, that (a) sale, transfer or other disposition of Auction Rate Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Auction Rate Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer

or other disposition for purposes of this Section 2.04 if such Broker-Dealer remains the Existing Holder of the Auction Rate Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition and (b) in the case of all transfers other than pursuant to Auctions such Broker-Dealer to whom such transfer is made shall advise the Auction Agent of such transfer.

Section 2.05 Application of Bond Proceeds. The proceeds of sale of the Bonds shall be deposited with the Trustee for deposit in the Project Fund to be paid out in accordance with Section 8.01.

Section 2.06 Delivery of the Bonds. The Bonds shall be executed by the Authority substantially in the form prescribed by Section 16.01 and in the manner herein set forth and shall be deposited with the Trustee for authentication, but before the Bonds shall initially be delivered by the Trustee, there shall be filed with the Trustee the following:

(a) an order executed by an Authorized Officer directing the authentication and delivery of the Bonds to or upon the order of the Securities Depository or its nominee, upon payment to the Trustee of the purchase price therein set forth;

(b) a fully executed counterpart of this Indenture;

(c) a fully executed counterpart of the Participation Agreement;

(d) a fully executed counterpart of the Remarketing Agreement;

(e) the fully executed Initial Liquidity Facility;

(f) a fully executed counterpart of the Bond Purchase Trust Agreement;

(g) the fully executed Note;

(h) a fully executed counterpart of the Tax Regulatory Agreement;

(i) an opinion of Counsel to the Company, addressed to the Underwriters (as defined in the Bond Purchase Agreement), with reliance letter addressed to the Authority, the Trustee and the Initial Liquidity Facility Issuer, substantially to the effect, and dated as, required by Section 7(d)(6)(ii) of the Bond Purchase Agreement;

(j) opinion of counsel to the Initial Liquidity Facility Issuer, addressed to the Initial Liquidity Facility Issuer and the Company, which opinion authorizes the Underwriters (as defined in the Bond Purchase Agreement), the Authority, the Trustee, the Registrar and Paying Agent and the Rating Agencies to rely thereon as though such opinion were addressed to them, substantially to the effect required by Section 7(d)(6)(iv) of the Bond Purchase Agreement;

(k) Opinion of Bond Counsel to the Authority and the Trustee (i) as to the validity of the Bonds and (ii) that all conditions precedent to the issuance of the Bonds have been met.

When the documents mentioned in clauses (a) to (k), inclusive, of this Section shall have been filed with the Trustee, and when the Bonds shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver the Bonds to the Securities Depository, but only upon payment to the Trustee of the purchase price of the Bonds specified in said order.

ARTICLE III.
INTEREST ON BONDS

Section 3.01 Interest on Bonds-General

1. Interest accruing on Bonds bearing interest at a Commercial Paper Rate, a Daily Rate, a Weekly Rate, a Monthly Rate or a Semi-annual Rate, shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. Interest accruing on Bonds bearing interest at a Term Rate or a Fixed Rate shall be computed on the basis of a 360-day year, consisting of twelve (12) thirty (30) day months. Interest accruing on Bonds bearing interest at an Auction Rate shall be computed on the basis of a 360-day year for the number of days actually elapsed. Bonds shall bear interest from the date of issuance thereof payable in arrears on each Interest Payment Date. The Bonds issued upon transfers or exchanges of Bonds shall bear interest from the Interest Payment Date next preceding their date of authentication, unless the date of authentication is an Interest Payment Date in which case such Bonds shall bear interest from such date, or unless the date of authentication is after the Record Date next preceding the next succeeding Interest Payment Date, in which case such Bonds shall bear interest from such next succeeding Interest Payment Date.

2. The Bonds shall be initially issued as Weekly Rate Bonds during a Weekly Rate Period. Each of the Series of Bonds shall bear interest at 3.10% for the period from and including the date of issuance of the Bonds to and including the following Tuesday. From and after any Change in the Interest Rate Mode pursuant to Section 4.01 or 4.02, the Bonds with respect to which such change is effective shall bear interest determined in accordance with the provisions of this Indenture pertaining to the new Adjustable Rate or the Fixed Rate, as the case may be. Bonds shall bear interest for each Calculation Period, Auction Period or Fixed Rate Period, as the case may be, at the rate of interest per annum for such Calculation Period, Auction Period or Fixed Rate Period established in accordance with this Indenture. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his or her address as it appears on the registration books kept by the Registrar and Paying Agent pursuant to the Indenture at the close of business on the applicable Record Date; provided, that (i) while the Securities Depository is the registered owner of the Bonds, all payments of principal of, premium, if any, and interest on the Bonds shall be paid to the Securities Depository or its nominee by wire transfer, (ii) prior to and including a Fixed Rate Conversion Date, interest on the Bonds shall be payable to any registered owner of at least one million dollars ($1,000,000) in aggregate principal amount of Bonds by wire transfer, upon written notice received by the Registrar and Paying Agent at least five days prior to the applicable Record Date, from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) during a Commercial Paper Rate Period, interest shall be payable on the Bonds only upon presentation and surrender thereof to the Registrar and Paying Agent upon purchase thereof pursuant to Section 5.03 and if such presentation and surrender is made by 2:00 p.m. (New York City time) such payment shall be by wire transfer. If and to the extent that there shall be a default in the payment of the interest due on any Interest Payment Date, such interest shall cease to be payable

to the person in whose name each Bond of such series was registered on such applicable Record Date and shall be payable, when and if paid to the person in whose name each Bond of such series is registered at the close of business on the record date fixed therefor by the Trustee, which shall be the fifth Business Day next preceding the date of the proposed payment. Except as provided above, payment of the principal of and premium, if any, on all Bonds shall be made upon the presentation and surrender of such Bonds at the principal office of the Registrar and Paying Agent as the same shall become due and payable. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America.

3. Not less than one Business Day prior to each Computation Date and two Business Days prior to a Fixed Rate Conversion Date, the Indexing Agent shall establish and provide to the Remarketing Agent the related rate index as set forth in the definition of such rate index in Section 1.01; provided that, for each Calculation Period during a Daily Rate Period, the Indexing Agent shall establish and provide the related rate index to the Remarketing Agent on each Determination Date; and provided further that, for each Calculation Period during a Monthly Rate Period, the Indexing Agent shall establish and provide the related rate index to the Remarketing Agent not later than each Computation Date. Notwithstanding the foregoing, in the event that the Remarketing Agent, in its sole judgment, shall determine on a Determination Date that any Daily Rate Index Weekly Rate Index or any Commercial Paper Rate Index so established is sufficiently non-representative of current market conditions that the Bonds may not be remarketed at par if such rate is set at a rate not greater than 110% of the applicable rate index, the Remarketing Agent may establish a new rate index on a Determination Date in accordance with the procedures and standards described in the definition of such rate index and for purposes of such rate index so established, all references to Indexing Agent in this Indenture shall be deemed to refer to the Remarketing Agent. On any date when any Weekly Rate Index or any Commercial Paper Rate Index is established by the Remarketing Agent pursuant to this paragraph, such rate index shall have the respective meaning set forth in Section 1.01 (except as otherwise provided in the preceding sentence); provided that for any Commercial Paper Rate Index, the Remarketing Agent shall select securities (whether or not actually issued) having a term approximately equal to the applicable Commercial Paper Rate Period or which are subject to optional or mandatory tender by the owner thereof at the end of a term approximately equal to (or as close thereto as is practicably available) the applicable Commercial Paper Rate Period.

4. By 12:00 noon (New York City time) on each Determination Date or by 3:00 p.m. (New York City time) on each Auction Date, as the case may be, the Remarketing Agent or the Auction Agent, as the case may be, shall make available to the Authority, the Trustee, the Registrar and Paying Agent, any issuer of a Support Facility, the Company, any Broker-Dealer or any registered owner of a Bond the interest rate or rates determined on such Determination Date or Auction Date.

5. If for any reason on any Determination Date (A) any rate of interest for a Calculation Period is not determined by the Remarketing Agent, (B) no Remarketing Agent is serving as such hereunder or (C) the rate so determined is held to be invalid or unenforceable by a final judgment of a court of competent jurisdiction, (i) during any Daily Rate Period, the interest rate for the next succeeding Calculation Period shall be the last interest rate in effect, or, if a

Daily Rate is not determined by the Remarketing Agent hereunder for five or more consecutive Business Days on the next and each succeeding Determination Date, the Daily Rate shall be a rate per annum equal to 80% of the latest 30-day dealer taxable commercial paper rate published by the Federal Reserve Bank of New York on or immediately before such Determination Date, (ii) during any Weekly Rate Period, the interest rate for the next succeeding Calculation Period shall be the last interest rate in effect, or, if a Weekly Rate is not determined by the Remarketing Agent for two or more consecutive Calculation Periods, the Weekly Rate shall be equal to 85% of the latest 30-day dealer taxable commercial paper rate published by the Federal Reserve Bank of New York on or before the day next preceding such Determination Date, (iii) during any Monthly Rate, Semi-annual Rate or Term Rate Period, the interest rate per annum for the next succeeding Calculation Period shall be equal to 85% of the rate listed in the table most recently circulated by the United States Treasury Department known as "Table [applicable dates shown on the most recent Table], Maximum Interest Rate Payable on United States Treasury Certificates of Indebtedness, Notes and Bonds-State and Local Government Series Subscribed for During Period [applicable dates shown on the most recent Table]" or any substantially equivalent table circulated by the United States Treasury Department for the maturity most closely approximating the Calculation Period, and (iv) during any Commercial Paper Rate Period, the next succeeding Calculation Period shall be a Calculation Period which shall consist of the period from and including the prior Interest Payment Date to but excluding the first Business Day of the following calendar month and the Commercial Paper Rate shall be equal to 85% of the interest rate applicable to 90-day United States Treasury Bills determined on the basis of the average per annum discount rate at which such 90-day Treasury Bills shall have been sold at the most recent Treasury auction within the 30 days next preceding such Calculation Period, or if there shall have been no such auction within the 30 days next preceding such Calculation Period, the Commercial Paper Rate shall be equal to the rate of interest borne by such Bond during the next preceding Calculation Period for such Bond. The rate of interest or Calculation Period and related Commercial Paper Rate shall be established pursuant to this subsection 5 until the Remarketing Agent again determines the rates of interest or Calculation Periods and related Commercial Paper Rates in accordance with this Indenture. The Trustee shall, upon the direction of the Company, select any person otherwise meeting the qualifications of Section 11.14 to obtain, calculate and prepare any of the information required by this subsection 5.

6. The determination of any rate of interest by the Remarketing Agent in accordance with this Indenture or by the Auction Agent in accordance with the Auction Procedures applicable to Auction Rate Bonds, or the establishment of Calculation Periods or Auction Periods by the Remarketing Agent as provided in this Indenture shall be conclusive and binding upon the Authority, the Company, the Trustee, the Registrar and Paying Agent, the Remarketing Agent, the Auction Agent, any issuer of a Support Facility, all Broker-Dealers and the registered or beneficial owners of the Bonds. Failure of the Remarketing Agent, the Trustee, the Registrar and Paying Agent, the Auction Agent or the Securities Depository or any Securities Depository participant to give any of the notices described in this Indenture, or any defect therein, shall not affect the interest rate to be borne by any of the Bonds nor the applicable Calculation Period or Auction Period nor in any way change the rights of the registered owners of the Bonds to tender their Bonds for purchase or to have them redeemed in accordance with this Indenture.

7. No transfer or exchange of Bonds shall be required to be made by the Registrar and Paying Agent after a Record Date until the next succeeding Interest Payment Date.

8. Except as otherwise provided in this subsection 8, the Trustee shall calculate and notify the Registrar and Paying Agent of the amount of interest due and payable on each Interest Payment Date or date on which a Bond is subject to purchase by 10:00 a.m. on the Business Day next preceding such Interest Payment Date or date set for purchase, as the case may be, unless such date is a date on which the interest rate is determined, in which case the amount of interest due and payable shall be calculated by 12:15 p.m. on such date. In preparing such calculation the Trustee may rely on calculations or other services provided by the Auction Agent, the Remarketing Agent, the Company or any person or persons selected by the Trustee in its discretion. During a Commercial Paper Rate Period, the Remarketing Agent shall notify the Trustee, the Registrar and Paying Agent and the Company of the amount of interest due and payable on each Interest Payment Date by 10:00 a.m. on the Business Day next preceding such Interest Payment Date. During an Auction Rate Period, the Auction Agent shall notify the Trustee and the Registrar and Paying Agent at least seven days prior to each Interest Payment Date of the Auction Rate and the aggregate amount of interest payable on such Interest Payment Date.

9. Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by any Bond exceed the maximum rate allowable by applicable law.

Section 3.02 Commercial Paper Rate.

1. During any Commercial Paper Rate Period, at or prior to 12:00 noon (New York City time) on each Determination Date, the Remarketing Agent shall establish Calculation Periods and related Commercial Paper Rates. In determining Calculation Periods, the Remarketing Agent shall take the following factors into account: (i) existing short-term taxable and tax-exempt market rates and indices of such short-term rates, (ii) the existing market supply and demand for short-term tax-exempt securities, (iii) existing yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the Bonds, (iv) general economic conditions, (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the Bonds and (vi) any information available to the Remarketing Agent pertaining to the Company regarding any events or anticipated events which could have a direct impact on the marketability of or interest rates on the Bonds. The Remarketing Agent shall select the Calculation Periods and the applicable Commercial Paper Rates that, together with all other Calculation Periods and related Commercial Paper Rates, in the sole judgment of the Remarketing Agent, will result in the lowest overall borrowing cost on the Bonds or are otherwise in the best financial interests of the Company, as determined in consultation with the Company. Any Calculation Period established hereunder may not extend beyond the second Business Day next preceding the expiration date of the Support Facility or the day prior to the Stated Maturity.

2. The Authority, at the request of the Company, may place such limitations upon the establishment of Calculation Periods pursuant to subsection 1 hereof as may be set forth in a written direction from the Authority, which direction must be received by the Trustee and the Remarketing Agent prior to 10:00 a.m. (New York City time) on the day prior to any Determination Date to be effective on such date, but only if the Trustee receives an Opinion of

Bond Counsel to the effect that such action is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.03 Auction Rate Period - Auction Rate: Auction Period - General 1. During any Auction Rate Period, the Auction Rate Bonds shall bear interest at the Auction Rate determined as set forth in this Section 3.03 and Sections 3.04 through 3.10. The Auction Rate for any initial Auction Period immediately after any Change in the Interest Rate Mode to an Auction Rate for an Auction Rate Period, shall be the rate of interest per annum determined and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by the Remarketing Agent on a date not later than the effective date of such Change in the Interest Rate Mode as the minimum rate of interest which, in the opinion of the Remarketing Agent, would be necessary as of such date to market Auction Rate Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate shall not exceed 110% of the sum of the Commercial Paper Index and .50% per annum. For any other Auction Period, the Auction Rate shall be the rate of interest per annum that results from implementation of the Auction Procedures. If on any Auction Date the Auction Agent shall fail to take any action necessary to determine, or take any action which effectively prevents the determination of, a rate of interest pursuant to the Auction Procedures, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as provided in clause (i) of the definition thereof on and as of such Auction Date. Determination of the Auction Rate pursuant to the Auction Procedures shall be suspended upon a Change in the Interest Rate Mode, the occurrence of a Failure to Deposit or the occurrence of an Event of Default. Upon the occurrence of a Failure to Deposit on any Auction Date, no Auction will be held, all Submitted Bids and Submitted Sell Orders shall be rejected, the existence of Sufficient Clearing Bids shall be of no effect and the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate on and as of such Auction Date. The Auction Rate for any Auction Period or remaining portion thereof following the occurrence of an Event of Default shall be equal to the Overdue Rate as determined on and as of the immediately preceding Auction Date. The Overdue Rate shall be redetermined by the Remarketing Agent on each Auction Date.

2. Auction Periods may be established pursuant to Section 3.04 at any time unless a Failure to Deposit or an Event of Default has occurred and has not been cured or waived. Each Auction Period shall be a Standard Auction Period unless a different Auction Period is established pursuant to Section 3.04 and each Auction Period which immediately succeeds a non-Standard Auction Period shall be a Standard Auction Period unless a different Auction Period is established pursuant to Section 3.04.

Section 3.04 Auction Rate Period - Auction Rate Bonds: Change of Auction Period by Authority 1. During an Auction Rate Period the Authority, at the request of the Company, may change the length of a single Auction Period or the Standard Auction Period by means of a written notice delivered at least 10 days prior to the Auction Date for such Auction Period to the Trustee, the Remarketing Agent, the Auction Agent, the Company and the Securities Depository in substantially the form furnished to the Trustee and the Auction Agent at the time of a Change in the Interest Rate Mode to an Auction Rate. Any Auction Period or Standard

Auction Period established by the Authority pursuant to this Section 3.04 may not exceed 365 days in duration. If such Auction Period will be of less than 28 days, such notice shall be effective only if it is accompanied by a written statement of the Registrar and Paying Agent, the Trustee, the Remarketing Agent, the Auction Agent and the Securities Depository to the effect that they are capable of performing their duties hereunder and under the Remarketing Agreement and the Auction Agency Agreement with respect to such Auction Period. If such notice specifies a change in the length of the Standard Auction Period, such notice shall be effective only if it is accompanied by the written consent of the Remarketing Agent to such change. The length of an Auction Period or the Standard Auction Period may not be changed pursuant to this Section 3.04 unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Period.

2. The change in length of an Auction Period or the Standard Auction Period shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the Company, on behalf of the Authority, by telecopy or similar means in substantially the form furnished to the Trustee and the Auction Agent at the time of a Change in the Interest Rate Mode to an Auction Rate authorizing the change in the Auction Period or the Standard Auction Period, which shall be specified in such certificate, and confirming that Bond Counsel expects to be able to give an Opinion of Bond Counsel on the first day of such Auction Period, (B) the Trustee shall not have delivered to the Auction Agent by 12:00 noon (New York City time) on the Auction Date for such Auction Period notice that a Failure to Deposit has occurred, (C) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period, and (D) the Trustee and the Auction Agent receive by 9:30 a.m. (New York City time) on the first day of such Auction Period, an opinion of Bond Counsel to the effect that the change in the Auction Period or the Standard Auction Period is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes. If the condition referred to in (A) above is not met, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures and the next succeeding Auction Period shall be a Standard Auction Period. If any of the conditions referred to in (B), (C) or (D) above is not met, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined as of such Auction Date.

Section 3.05 Auction Rate Period - Auction Rate Bonds: Change of Auction Date by Remarketing Agent. During an Auction Rate Period the Remarketing Agent, with the written consent of the Company, may change, in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date, the Auction Date for all future Auction Periods to a different day, so long as the first such Auction Date will be a Business Day in the calendar week in which the next succeeding Auction Date is then scheduled to occur. If a change in an Auction Date is undertaken in conjunction with a change in an Auction Period and the conditions for the establishment of such change in Auction Period are not met, the Auction Date may be, and the next succeeding Auction Period may be

adjusted to end on, a Business Day in the calendar week in which such Auction Date was scheduled to occur and such Auction Period was scheduled to end to accommodate the change in the Auction Date. The Remarketing Agent shall deliver a written notice of its determination to change an Auction Date by means of a written notice delivered at least 10 days prior to the Auction Date immediately preceding such Auction Date to the Authority, the Trustee, the Auction Agent, the Company and the Securities Depository which shall state (i) the determination of the Remarketing Agent to change the Auction Date, (ii) the new Auction Date and (iii) the date on which such Auction Date shall be changed. If as a result of any proposed change in the Auction Date any Auction Period would be less than 28 days in duration, such notice shall be effective only if it is accompanied by a written statement of the Auction Agent, the Registrar and Paying Agent, the Trustee, the Remarketing Agent and the Securities Depository to the effect that they are capable of performing their duties hereunder and under the Remarketing Agreement and Auction Agency Agreement with respect to any such Auction period.

Section 3.06 Auction Rate Period - Auction Rate Bonds: Orders by Beneficial Owners and Potential Beneficial Owners (a) Prior to the Submission Deadline on each Auction Date during the Auction Rate Period, the following orders may be submitted:

i. each Beneficial Owner may submit to the Broker-Dealer by telephone or otherwise information as to:

(A) the principal amount of Outstanding Auction Rate Bonds, if any, held by such Beneficial Owner which such Beneficial Owner desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period;

(B) the principal amount of Outstanding Auction Rate Bonds, if any, held by such Beneficial Owner which such Beneficial Owner offers to sell if the Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Beneficial Owner and/or

(C) the principal amount of Outstanding Auction Rate Bonds, if any, held by such Beneficial Owner which such Beneficial Owner offers to sell without regard to the Auction Rate for the next succeeding Auction Period;

ii. one or more Broker-Dealers may contact Potential Beneficial Owners by telephone or otherwise to determine the principal amount of Auction Rate Bonds which each such Potential Beneficial Owner offers to purchase if the Auction Rate for the next succeeding Auction Period shall not be less than the interest rate per annum specified by such Potential Beneficial Owner.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (i)(A), (i)(B) or (i)(C) or clause (ii) above is hereinafter referred to as an "Order" and collectively as "Orders" and each Beneficial Owner and each Potential Beneficial Owner placing an Order is hereinafter referred to as a "Bidder" collectively as "Bidders"; an Order containing the information referred to in clause (i)(A) above is hereinafter referred to as a "Hold Order" and

collectively as "Hold Orders"; an Order containing the information referred to in clause (i)(B) or clause (ii) above is hereinafter referred to as a "Bid" and collectively as "Bids"; and an Order containing the information referred to in clause (i)(C) above is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders". The submission by a Broker-Dealer of an Order to the Auction Agent shall likewise be referred to herein as an "Order" and collectively as "Orders" and an Existing Holder or Potential Holder who places an Order with the Auction Agent or on whose behalf an Order is placed with the Auction Agent shall likewise be referred to herein as a "Bidder" and collectively as "Bidders".

i. Subject to the provisions of Section 3.07, a Bid by a Beneficial Owner or an Existing Holder shall constitute an irrevocable offer to sell:

(A) the principal amount of Outstanding Auction Rate Bonds specified in such Bid if the Auction Rate determined on such Auction Date shall be less than the interest rate per annum specified therein; or

(B) such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds to be determined as set forth in subsection (a)(iv) of Section 3.09 if the Auction Rate determined on such Auction Date shall be equal to the interest rate per annum specified therein; or

(C) such principal amount of Outstanding Auction Rate Bonds if the interest rate per annum specified therein shall be higher than the Maximum Auction Rate, or such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds to be determined as set forth in subsection (b)(iii) of Section 3.09 if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

ii. Subject to the provisions of Section 3.07, a Sell Order by a Beneficial Owner or an Existing Holder shall constitute an irrevocable offer to sell

(A) the principal amount of Outstanding Auction Rate Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds as set forth in subsection (b)(iii) of Section 3.09 if Sufficient Clearing Bids do not exist.

iii. Subject to the provisions of Section 3.07, a Bid by a Potential Beneficial Owner or a Potential Holder shall constitute an irrevocable offer to purchase:

(A) the principal amount of Outstanding Auction Rate Bonds specified in such Bid if the Auction Rate determined on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds as set forth in subsection (a)(v) of Section 3.09 if the Auction Rate determined on such Auction Date shall be equal to such specified rate.

Section 3.07 Auction Rate Period - Auction Rate Bonds: Submission of Orders by Broker-Dealers to Auction Agent. (a) During an Auction Rate Period each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer, designating itself (unless otherwise permitted by the Company) as an Existing Holder in respect of the principal amount of Auction Rate Bonds subject to Orders submitted or deemed submitted to it by Potential Beneficial Owners, and shall specify with respect to each such Order:

(i) the name of the Bidder placing such Order (which shall be the Broker-Dealer unless otherwise permitted by the Company);

(ii) the aggregate principal amount of Auction Rate Bonds that are subject to such Order;

(iii) to the extent that such Bidder is an Existing Holder:

(A) the principal amount of Auction Rate Bonds, if any, subject to any Hold Order placed by such Existing Holder;

(B) the principal amount of Auction Rate Bonds, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the principal amount of Auction Rate Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(iv) to the extent such Bidder is a Potential Holder, the principal amount of Auction Rate Bonds subject to any Bid placed by such Potential Holder and the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(c) If an Order or Orders covering all Outstanding Auction Rate Bonds held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder and not subject to Orders submitted to the Auction Agent.

(d) Neither the Authority, the Company, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent

on behalf of any Existing Holder, Beneficial Owner, Potential Holder or Potential Beneficial Owner.

(e) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Auction Rate Bonds held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

i. all Hold Orders shall be considered valid, but only up to and including the principal amount of Auction Rate Bonds held by such Existing Holder, and, if the aggregate principal amount of Auction Rate Bonds subject to such Hold Orders exceeds the aggregate principal amount of Outstanding Auction Rate Bonds held by such Existing Holder, the aggregate principal amount of Auction Rate Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Auction Rate Bonds held by such Existing Holder;

ii. (A) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder over the aggregate principal amount of Auction Rate Bonds subject to any Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding Auction Rate Bonds subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and, the principal amount of Auction Rate Bonds subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of Auction Rate Bonds equal to such excess;

(C) subject to clauses (A) and (B) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amount of Outstanding Auction Rate Bonds, if any, subject to any portion of Bids not valid under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

iii. all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder over the aggregate principal amount of Auction Rate Bonds subject to valid Hold Orders referred to in paragraph (i) of this subsection (e) and valid Bids referred to in paragraph (ii) of this subsection (e).

(f) If more than one Bid for Auction Rate Bonds is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid for Auction Rate Bonds with the rate and principal amount therein specified.

(g) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Auction Rate Bonds not equal to $50,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Auction Rate Bonds not equal to $50,000 or an integral multiple thereof shall be rejected.

(h) Any Bid submitted by an Existing Holder or a Beneficial Owner specifying a rate lower than the All Hold Rate, if any, shall be treated as a Bid specifying the All Hold Rate, if any, and will not be accepted if submitted by a Potential Beneficial Owner or a Potential Holder.

Section 3.08 Auction Rate Period - Auction Rate Bonds: Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate. (a) During an Auction Rate Period not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order") and shall determine:

(i) the excess of the total principal amount of Outstanding Auction Rate Bonds over the aggregate principal amount of Outstanding Auction Rate Bonds subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Rate Bonds"); and

(ii) from the Submitted Orders whether the aggregate principal amount of Outstanding Auction Rate Bonds subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Auction Rate exceeds or is equal to the sum of:

(A) the aggregate principal amount of Outstanding Auction Rate Bonds subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Auction Rate; and

(B) the aggregate principal amount of Outstanding Auction Rate Bonds subject to Submitted Sell Orders

(in the event of such excess or such equality (other than because the sum of the principal amounts of Auction Rate Bonds in clauses (A) and (B) above is zero because all of the Outstanding Auction Rate Bonds are subject to Submitted Hold Orders), such Submitted Bids by Potential Holders are hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(iii) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the "Winning Bid Rate") which if:

(A)(I) each Submitted Bid from Existing Holders specifying such lowest rate and (II) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of Auction Rate Bonds that are the subject of such Submitted Bids; and

(B)(I) each Submitted Bid from Potential Holders specifying such lowest rate and (II) all other Submitted Bids from Potential Holders specifying lower rates were accepted, would result in such Existing Holders described in clause (A) above continuing to hold an aggregate principal amount of Outstanding Auction Rate Bonds which, when added to the aggregate principal amount of Outstanding Auction Rate Bonds to be purchased by such Potential Holders described in clause (B) above, would equal not less than the Available Auction Rate Bonds.

(b) Promptly after the Auction Agent has made the determinations pursuant to subsection (a) of this Section 3.08, the Auction Agent, by telecopy confirmed in writing, shall advise the Company and the Trustee and the Broker-Dealers of the Maximum Auction Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Period as follows:

(i) if Sufficient Clearing Bids exist, the Auction Rate for the next succeeding Auction Period therefor shall be equal to the Winning Bid Rate so determined;

(ii) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding Auction Rate Bonds are the subject of Submitted Hold Orders), the Auction Rate for the next succeeding Auction Period therefor shall be equal to the Maximum Auction Rate; and

(iii) if all of the Auction Rate Bonds are subject to Submitted Hold Orders, the Auction Rate for the next succeeding Auction Period therefor shall be equal to the All Hold Rate.

Section 3.09 Auction Rate Period - Auction Rate Bonds: Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Rate Bonds. During an Auction Rate Period Existing Holders shall continue to hold the principal amounts of Auction Rate Bonds that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to subsection (a) of this Section 3.09, the Submitted Bids and Submitted Sell Orders shall be accepted or rejected, and the Auction Agent shall take such other actions as are set forth below:

(a) If Sufficient Clearing Bids exist, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraphs (e) and (f) of this Section 3.09, Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(i) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

(ii) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

(iii) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

(iv) each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bid, unless the aggregate principal amount of Outstanding Auction Rate Bonds subject to all such Submitted Bids shall be greater than the principal amount of Auction Rate Bonds (the "remaining principal amount") equal to the excess of Available Auction Rate Bonds over the aggregate principal amount of the Auction Rate Bonds subject to Submitted Bids described in paragraphs (ii) and (iii) of this subsection (a), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of Auction Rate Bonds subject to such Submitted Bid, but only in an amount equal to the principal amount of Auction Rate Bonds obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Auction Rate Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(v) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of Auction Rate Bonds obtained by multiplying the excess of the Outstanding Available Auction Rate Bonds over the aggregate principal amount of Auction Rate Bonds subject to Submitted Bids described in paragraphs (ii), (iii) and (iv) of this subsection (a) by a fraction the numerator of which shall be the

aggregate principal amount of Auction Rate Bonds subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the principal amount of Outstanding Auction Rate Bonds subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(b) If Sufficient Clearing Bids do not exist (other than because all of the Outstanding Auction Rate Bonds are subject to Submitted Hold Orders), subject to the provisions of subsection (e) of this Section 3.09, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

i. Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

ii. Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids; and

iii. each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Auction Rate Bonds ubject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Auction Rate Bonds obtained by multiplying the aggregate principal amount of Auction Rate Bonds subject to Submitted Bids described in paragraph (ii) of this subsection (b) by a fraction, the numerator of which shall be the aggregate principal amount of Outstanding Auction Rate Bonds held by such Existing Holder subject to such Submitted Bid or submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding Auction Rate Bonds subject to all such Submitted Bids and Submitted Sell Orders.

(c) If all Outstanding Auction Rate Bonds are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(d) If (i) the Auction Agent shall fail to take any action necessary to determine, or take any action which effectively prevents the determination of, an interest rate pursuant to the Auction Procedures or (ii) the conditions set forth in subsection 2 of Section 3.04 to effect a change in the Auction Period are not met, all Submitted Bids and Submitted Sell Orders shall be rejected and the existence of Sufficient Clearing Bids shall be of no effect.

(e) If, as a result of the procedures described in subsection (a) or (b) of this Section 3.09, any Existing Holder would be entitled or required to sell, or any Potential Holder would be required to purchase, a principal amount of Auction Rate Bonds that is not equal to $50,000 or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of such Auction Rate Bonds to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount purchased or sold by each Existing Holder or Potential Holder shall be equal to $50,000 or an integral multiple thereof.

(f) If, as a result of the procedures described in subsection (a) of this Section 3.09, any Potential Holder would be entitled or required to purchase less than $50,000 in aggregate principal amount of Auction Rate Bonds, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate Auction Rate Bonds for purchase among Potential Holders so that only Auction Rate Bonds in principal amounts of $50,000 or an integral multiple thereof are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Auction Rate Bonds.

(g) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amounts of Auction Rate Bonds to be purchased and the aggregate principal amounts of Auction Rate Bonds to be sold by Potential Holders and Existing Holders and, with respect to each Potential Holder and Existing Holder, to the extent that such aggregate principal amount of Auction Rate Bonds to be sold differs from such aggregate principal amount of Auction Rate Bonds to be purchased, determine to which other Potential Holder(s) or Existing Holder(s) they shall deliver, or from which other Potential Holder(s) or Existing Holder(s) they shall receive, as the case may be, Auction Rate Bonds.

(h) None of the Authority, the Company or any Affiliate thereof may submit an Order in any Auction except as set forth in the next sentence. Any Broker-Dealer that is an Affiliate of the Company may submit Orders in an Auction but only if such Orders are not for its own account, except that if such affiliated Broker-Dealer holds Auction Rate Bonds for its own account, it must submit a Sell Order on the next Auction Date with respect to such Auction Rate Bonds.

Section 3.10 Auction Rate Period - Auction Rate Bonds: Adjustment in Percentage. 1. During an Auction Rate Period the Remarketing Agent may adjust the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate if any such adjustment is necessary, in the judgment of the Remarketing Agent, to reflect any Change of Preference Law such that the All Hold Rate and Maximum Auction Rate shall have substantially equal market values before and after such Change of Preference Law. In making any such adjustment, the Remarketing Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates, (ii) the market supply and demand for short-term tax-exempt securities, (iii) yield curves for short-term

and long-term tax-exempt securities or obligations having a credit rating that is comparable to the Bonds, (iv) general economic conditions and (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the Bonds.

2. The Remarketing Agent shall communicate its determination to adjust the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate pursuant to subsection 1 hereof by means of a written notice delivered at least five days prior to the Auction Date on which the Remarketing Agent desires to effect the change to the Authority, the Trustee, the Auction Agent and the Company in substantially the form attached to the Auction Agency Agreement. Such notice is required to state the determination of the Remarketing Agent to change such percentage and the date such adjustment is proposed to take effect (which date shall be an Auction Date). Upon receiving approval of the Company (which approval shall not be unreasonably withheld), by means of a written notice delivered at least 10 days prior to the Auction Date on which the Remarketing Agent desires to effect the change to the Trustee, the Authority and the Auction Agent in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit E. Such notice is required to state the determination of the Remarketing Agent to change such percentages and the date such adjustment is proposed to take effect (which date shall be an Auction Date). Such notice shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on such Auction Date to the effect that such adjustment is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Auction Rate Bonds from gross income for federal income tax purposes. The Auction Agent is required to mail notice thereof to the Existing Holders within two Business Days of receipt thereof.

3. An adjustment in the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate shall take effect on an Auction Date only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding such Auction Date, a certificate from the Remarketing Agent by telecopy or similar means, (i) authorizing the adjustment of the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate which shall be specified in such authorization, and (ii) confirming that Bond Counsel expects to be able to give an opinion on such Auction Date to the effect that the adjustment in the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Auction Rate Bonds from gross income for federal income tax purposes, and (B) the Trustee and the Auction Agent receive by 9:30 a.m. (New York City time) on such Auction Date, an opinion of Bond Counsel to the effect that the adjustment in the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Auction Rate Bonds from gross income for federal income tax purposes. If the condition referred to in (A) above is not met, the existing percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate shall remain in effect and the Auction Rate for the next succeeding Auction Period

shall be determined pursuant to the Auction Procedures. If the condition referred to in (B) above is not met, the existing percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate shall remain in effect and the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined on such Auction Date.

ARTICLE IV.

CHANGES IN THE INTEREST RATE MODE

Section 4.01 Optional Conversion to an Adjustable Rate by Authority. 1. At the times specified below, the Bonds, in whole or in part, shall cease to bear interest at the Adjustable Rate or the Fixed Rate then borne by the Bonds and shall bear interest at such Adjustable Rate as shall be specified by the Authority, at the request of the Company, in a written notice delivered at least 30 days prior to the proposed effective date of the Change in the Interest Rate Mode to the Trustee, the Remarketing Agent, the Registrar and Paying Agent and the Company (and to the Auction Agent and the Securities Depository if such Change in the Interest Rate Mode is to or from an Auction Rate) in substantially the form attached hereto as, or containing substantially the information contained in Exhibit A hereto. A Change in the Interest Rate Mode may only be effected on a day on which the affected Bonds may be redeemed at the option of the Authority. A notice of Change in the Interest Rate Mode shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on the proposed effective date of such Change in the Interest Rate Mode to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes.

In the case of any Change in the Interest Rate Mode to a Term Rate, the notice required by this section shall specify the length of the Calculation Period and, unless otherwise specified, such Calculation Period shall thereafter apply to the Bonds until a Change in the Interest Rate Mode effected pursuant to Section 4.01 or Section 4.02. Any change in the Calculation Period during a Term Rate Period shall be deemed an optional conversion pursuant to this Section 4.01 and may not be made unless all the requirements of a conversion pursuant to this Section 4.01 are met.

2 The Trustee shall mail, or cause the Registrar and Paying Agent to mail, the notice received pursuant to subsection 1 of this Section 4.01 on or before the third Business Day after receipt thereof to the Bondholders.

3 A Change in the Interest Rate Mode to an Adjustable Rate shall be effective pursuant to Subsection 1 of this Section 4.01 only if

(A) with respect to any Change in the Interest Rate Mode from an Auction Rate or from a Fixed Rate to an Adjustable Rate, the Trustee and the Auction Agent (if any) shall receive:

i. a certificate of an Authorized Company Representative by no later than the tenth day prior to the effective date of such Change in the Interest Rate Mode stating that a written agreement between the Company and the Remarketing Agent to remarket the Bonds on such effective date at a price of 100% of the principal amount thereof has been entered into, which agreement (i) may be subject to such reasonable terms

and conditions agreed to by the Remarketing Agent which in the judgment of the emarketing Agent reflect the current market standards regarding investment banking risk and (ii) must include a provision requiring payment by the Remarketing Agent in same-day funds for any Bond tendered or deemed tendered; and that a Support Facility is in effect or has been obtained by the Company with respect to the Bonds and shall be in effect prior to such Change in the Interest Rate Mode and thereafter for a period of at least 364 days;

ii. by 11:00 a.m. (New York City time) on the second Business Day prior to the effective date of such Change in the Interest Rate Mode by telecopy or other similar means, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit B hereto, from the Company on behalf of the Authority (y) authorizing the establishment of the new Adjustable Rate and (z) confirming that Bond Counsel expects to be able to give an opinion on the effective date of such Change in the Interest Rate Mode to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the affected Bonds from gross income for federal income tax purposes; and

(B) with respect to any Change in the Interest Rate Mode, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to an Auction Rate), shall receive by 4:00 p.m., New York City time, on the effective date of such Change in the Interest Rate Mode, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit C hereto, from an Authorized Company Representative that all of the Bonds tendered or deemed tendered have been purchased at a price equal to the principal amount thereof plus premium, if any, plus any accrued and unpaid interest with funds provided from the remarketing of such Bonds in accordance with the Remarketing Agreement, from the proceeds of a Support Facility, or from funds deposited with the Trustee or the Registrar and Paying Agent;

(C) with respect to any Change in the Interest Rate Mode, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to or from an Auction Rate) shall receive, by 9:30 a.m. (New York City time) on the effective date of such Change in the Interest Rate Mode, an Opinion of Bond Counsel to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes; and

(D) with respect to any Change in the Interest Rate Mode to an Adjustable Rate (other than to an Auction Rate), the Trustee shall receive a Support Facility meeting the requirements of this Indenture and the Participation Agreement not less than one Business Day prior to the effective date of such Change in the Interest Rate Mode which is, by its terms, in effect prior to such effective date.

If any of the conditions referred to in (A)(i) or (ii) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate, the Auction Rate for the next

succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to the Auction Rate Bonds. If the condition referred to in (B) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate as determined on such Auction Date. If any of the conditions referred to in (C) or (D) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined on such Auction Date. If any of the conditions referred to in (B), (C) or (D) above is not met with respect to any other Change in the Interest Rate Mode, the Bonds shall continue to bear interest at the Current Adjustable Rate or the current Fixed Rate, as the case may be, and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such Current Adjustable Rate or the current Fixed Rate, as the case may be; provided, however, that notwithstanding the failure to meet such conditions, the Bonds shall remain subject to mandatory tender for purchase in accordance with Section 5.04. If any of the oregoing conditions for a Change in the Interest Rate Mode other than with respect to a Change in the Interest Rate Mode from an Auction Rate is not met, the Trustee shall mail, or cause the Registrar and Paying Agent to mail to the Authority, the Company and the Holders notice thereof in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit D hereto within 3 Business Days after the failure to meet any of such conditions.

Section 4.02 Optional Conversion to a Fixed Rate. 1. The Authority reserves the right, at the request of the Company, to fix the rate of interest per annum which Bonds will bear, in whole or in part, for the balance of the term thereof or until the effective date of a Change in the Interest Rate Mode; provided however, that the Authority shall not exercise such right and the Company shall not request the Authority to exercise such right except on a day on which the affected Bonds may be redeemed at the option of the Authority. In the event the Authority, at the request of the Company, as herein provided, exercises its Option to Convert, the Bonds so converted shall cease to bear interest at the Adjustable Rate then borne by the Bonds and shall bear interest at a Fixed Rate until maturity or until the effective date of a Change in the Interest Rate Mode, subject to the terms and conditions hereof (the date on which a Fixed Rate shall take effect being herein called a "Fixed Rate Conversion Date"). The Option to Convert may be exercised at any time through a written notice given by the Authority, at the direction of the Company, not less than 30 nor more than 45 days prior to the proposed Fixed Rate Conversion Date to the Trustee, the Registrar and Paying Agent, the Remarketing Agent (and the Auction Agent and the Securities Depository in the case of any change to a Fixed Rate from an Auction Rate), in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit A hereto. A notice of conversion to a Fixed Rate shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to give on a Fixed Rate Conversion Date to the effect that the establishment of a Fixed Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes.

2 The Trustee shall mail, or cause the Registrar and Paying Agent to mail, the notice received pursuant to subsection 1 of this Section 4.02 on or before the third Business Day after receipt thereof to the Holders.

3 A Fixed Rate shall take effect only if:

(A) with respect to a change to a Fixed Rate from an Auction Rate, the Trustee and the Auction Agent shall receive:

(i) a certificate of an Authorized Company Representative by no later than the tenth day prior to a Fixed Rate Conversion Date stating that a written agreement has been entered into by the Company and the Remarketing Agent to remarket the Bonds affected on a Fixed Rate Conversion Date at a price of not less than 100% of the principal amount thereof, which written agreement (i) may be subject to reasonable terms and conditions imposed by the Remarketing Agent which in the judgment of the Remarketing Agent reflect current market standards regarding investment banking risk and (ii) must include a provision requiring payment by the Remarketing Agent in same-day funds for any Auction Rate Bonds tendered or deemed tendered; and

(ii) by 11:00 a.m. (New York City time) on the second Business Day prior to a Fixed Rate Conversion Date, by telecopy or other similar means, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit B hereto, from the Authority (y) authorizing the establishment of a Fixed Rate and (z) confirming that Bond Counsel expects to be able to give an opinion on a Fixed Rate Conversion Date to the effect that the change to a Fixed Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(B) with respect to any change to a Fixed Rate the Trustee (and the Auction Agent in the case of any change to a Fixed Rate from an Auction Rate) receives on a Fixed Rate Conversion Date:

i. by 9:30 a.m. (New York City time) an Opinion of Bond Counsel to the effect that the conversion to a Fixed Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes; and

ii. by 4:00 p.m. (New York City time) a certificate in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit C hereto, from an Authorized Company Representative that all of the Bonds tendered or deemed tendered have been purchased at a price equal to the principal amount thereof plus premium, if any, plus any accrued and unpaid interest with funds provided from the remarketing of such Bonds in accordance with the Remarketing Agreement, from the proceeds of a Support Facility, or from funds deposited with the Trustee or the Registrar and Paying Agent;

If any of the conditions referred to in (A) above are not met with respect to any change to a Fixed Rate from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to the Auction Rate

Bonds. If the condition referred to in (B) above is not met with respect to any change to a Fixed Rate from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate as determined as of such Auction Date. If any of the conditions referred to in (B) above are not met with respect to any change from any other Adjustable Rate to a Fixed Rate, the Bonds shall continue to bear interest at the Adjustable Rate then borne by the Bonds and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such Adjustable Rate. If any of the foregoing conditions to the establishment of a Fixed Rate (other than with respect to any attempted change from an Auction Rate to a Fixed Rate) are not met, the Trustee shall mail, or cause the Registrar and Paying Agent to mail to the Authority, the Holders and the Company, notice thereof in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit D hereto within 3 Business Days after the failure to meet any of said conditions.

Section 4.03 Conversion Generally. 1. In the event of a Change in the Interest Rate Mode on less than all the Bonds of a series or subseries to or from an Auction Rate, the minimum aggregate principal amount of Bonds that continue to bear, or are adjusted to bear interest at an Auction Rate for an Auction Rate Period, shall not be less than $20,000,000 for such Auction Rate Bonds.

2. Upon any Change in the Interest Rate Mode to an Auction Rate, the Authority and the Trustee, shall take all steps necessary to comply with any agreement entered into with a Securities Depository or its nominee pursuant to Section 2.03(5) with respect to such Change in the Interest Rate Mode, including, without limitation, the purchase and designation of sufficient CUSIP numbers to comply with the requirements of such Securities Depository following any such Change in the Interest Rate Mode.

3. If the interest rate on less than all Bonds is to be converted to a new Adjustable Rate pursuant to Section 4.01 or to a Fixed Rate pursuant to Section 4.02, the particular Bonds to be converted shall be chosen by the Trustee, or the Trustee shall direct the Registrar and Paying Agent to so choose, in such manner as the Trustee or Registrar and Paying Agent in its discretion may deem proper; provided, however, that the portion of any Bond to be converted shall be in the principal amount of $100,000 or any integral multiple of such amount during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, $50,000 or any integral multiple thereof during an Auction Rate Period, or $5,000 or any integral multiple thereof at any other time and that, in selecting Bonds for conversion, the Trustee or Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such registered Bond in excess of $100,000 by $100,000 during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, $50,000 during an Auction Rate Period, and $5,000 at any other time (such amounts being hereinafter referred to as the "applicable units of principal amount"). If it is determined that one or more, but not all of the $100,000, $50,000 or $5,000 units of principal amount represented by any such Bond is to be converted, then upon notice of intention to convert such $100,000, $50,000 or $5,000 unit or units pursuant to Sections 4.01 or 4.02, as the case may be, the Holders of such Bonds shall forthwith surrender such Bonds to the Registrar and Paying Agent for (1) payment of the purchase price (including the premium, if any, and accrued and

unpaid interest to the date fixed for conversion) of the $100,000, $50,000 or $5,000 unit or units of principal amount called for conversion and (2) exchange for a new Bond or Bonds in the aggregate principal amount of the balance of the principal of such Bonds not subject to conversion. If the Holders of any such Bond of a denomination greater than $100,000, $50,000 or $5,000 shall fail to present such Bond to the Registrar and Paying Agent, for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for conversion to the extent of the $100,000, $50,000 or $5,000 unit or units of principal amount subject to such conversion (and to that extent only).

4. Notwithstanding anything in this Article IV to the contrary, the Authority may not effect a Change in the Interest Rate Mode pursuant to Section 4.01 and the Authority may not exercise its option to convert to a Fixed Rate pursuant to Section 4.02 if such action would require the payment of a premium upon purchase of Bonds pursuant to Section 5.04 unless there shall have been deposited the full amount of such premium in trust with the Trustee prior to any notification of a change pursuant to Section 4.01 or 4.02.

ARTICLE V.

REDEMPTION AND PURCHASE OF BONDS

Section 5.01 Optional Redemption. The Bonds shall be subject to redemption, in whole or in part, at the option of the Authority upon the request of the Company, from related payments made by the Company pursuant to Section 6.02 of the Participation Agreement and any other monies held by the Trustee and available to be applied to the redemption of Bonds as provided in this Section 5.01:

(a) During any Commercial Paper Rate Period, such Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof, at a redemption price equal to 100% of the principal amount.

(b) During any Auction Rate Period, Auction Rate Bonds shall be subject to redemption on the Business Day immediately preceding each Auction Date, as a whole or in part, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption.

(c) During any Daily Rate Period, such Bonds shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, if any.

(d) During any Weekly Rate Period, such Bonds shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, if any.

(e) During any Monthly Rate Period, such Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof.

(f) During any Semi-annual Rate Period, such Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof.

(g) During any Term Rate or Fixed Rate Period, such Bonds shall be subject to redemption in whole at any time on any Business Day or in part on any Interest Payment Date as follows: after the No-Call Period shown below, which shall begin on the first day of the Calculation Period applicable to such Bonds or on a Fixed Rate Conversion Date, as the case may be, at a redemption price equal, initially, to the principal amount thereof, plus a premium equal to the percentage of the principal amount to be redeemed shown in the Initial Premium column, plus accrued and unpaid interest if paid on a Business Day other than an Interest Payment Date. The premium percentage shall decline by the percentage shown in the Reduction in Premium column on each anniversary of the date on which such Bonds are first redeemable, if the Calculation Period or period remaining to the Stated Maturity after a Fixed Rate Conversion Date is equal to or greater than five years, and on each Interest Payment Date if the Calculation Period

or period remaining to the Stated Maturity after a Fixed Rate Conversion Date is less than five years, until the Bonds shall be redeemable without premium.

Calculation Period or Period to Maturity

Equal to or Greater Than	But Less Than	No-Call Period	Initial Premium	Reduction in Premium
18 Years	N/A	10 Years	2 %	½ %
12 Years	18 Years	8 Years	1 ½ %	½ %
7 Years	12 Years	6 Years	1 %	½ %
5 Years	7 Years	4 Years	½ %	½ %
4 Years	5 Years	3 Years	½ %	½ %
3 Years	4 Years	2 Years	½ %	½ %
0 Years	3 Years	Not Callable		

If upon establishment of a Term Rate Period or a Fixed Rate Period, as the case may be, the Remarketing Agent certifies to the Trustee, Bond Counsel and the Authority in writing that the foregoing schedule is not consistent with then-prevailing market conditions, the Authority at the request of the Company may revise the foregoing Initial Premium, Reductions in Premium and No-Call Periods without the approval of the Holders to reflect then-prevailing market conditions, upon receipt of an opinion of Bond Counsel to the effect that any revisions pursuant to this paragraph, either by itself or in conjunction with the establishment of a Calculation Period or a Fixed Rate, as the case may be, are made in accordance with this Indenture, is permitted under the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 5.02 [Reserved]

Section 5.03 Tender for and Purchase upon Election of Holder. 1. During any Daily Rate Period or Weekly Rate Period, any Bond or portion thereof in a principal amount equal to an authorized denomination (so long as the principal amount not purchased is an authorized denomination) shall be purchased on the demand of the Holder thereof on any Business Day at a price equal to the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, upon delivery to the Registrar and Paying Agent and the Remarketing Agent at their respective principal offices, by the close of business on any Business Day of a Notice of Election to Tender in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit E hereto; provided, however, that the substance of such Notice of Election to Tender must also be given telephonically to the Remarketing Agent prior to or simultaneously with delivery of such written Notice of Election to Tender to the Remarketing Agent. The date on which such Bond shall be purchased shall, at the request of the Holder thereof (i) if the Bond then bears interest at a Daily Rate, be the date of delivery of such Notice of Election to Tender if such Notice of Election to Tender is delivered to the Registrar and Paying Agent and the Remarketing Agent by 10:00 a.m.(New York City time) on such date or may be any Business Day thereafter, and (ii) if the Bond then bears interest at a Weekly Rate, shall be a

Business Day not prior to the 7th day next succeeding the date of the delivery of such Notice of Election to Tender to the Registrar and Paying Agent and the Remarketing Agent.

2. During any Monthly Rate Period or Semi-annual Rate Period, any Bond or portion thereof in a principal amount equal to an authorized denomination (so long as the principal amount not purchased is an authorized denomination) shall be purchased on the demand of the Holder thereof on the first Business Day following each Calculation Period at a price equal to the principal amount thereof, upon delivery to the Registrar and Paying Agent and the Remarketing Agent, at their respective principal offices of a Notice of Election to Tender in substantially the form attached hereto as or containing substantially the information contained in Exhibit E on or prior to a Business Day which is not less than 10 days, in the case of Bonds bearing interest at a Semi-annual Rate, or 7 days, in the case of Bonds bearing interest at a Monthly Rate, prior to the proposed date of purchase; provided, however, that the substance of such Notice of Election to Tender must also be given telephonically to the Remarketing Agent prior to or simultaneously with delivery of such written Notice of Election to Tender to the Remarketing Agent.

3. Immediately upon receipt of a Notice of Election to Tender delivered pursuant to the provisions of this Section 5.03, the Registrar and Paying Agent shall notify, or cause to be notified, the Trustee, the Company, the Authority and the Remarketing Agent, by telephone, promptly confirmed in writing, of such receipt, specifying the contents thereof.

4. Any Notice of Election to Tender shall be irrevocable. If a Holder fails to deliver the Bonds referred to in such notice to the Registrar and Paying Agent, such Bonds shall nevertheless be deemed to have been purchased on the date established for the purchase thereof, no interest shall accrue on such Bonds from and after the date of purchase and such Holder shall have no rights hereunder thereafter as the owner of such Bonds except the right to receive the purchase price of such Bonds.

5. A Holder may not tender a Bond to the Registrar and Paying Agent pursuant to this Section while such Bond bears interest at a Fixed Rate.

Section 5.04 Mandatory Tender for Purchase upon Change in the Interest Rate Mode or on Business Day Following Certain Calculation Periods. 1. Upon a Change in the Interest Rate Mode, the Bonds shall be subject to mandatory tender for purchase in accordance with the terms hereof, on the effective date of such Change in the Interest Rate Mode at the Purchase Price.

2. During any Term Rate Period or Commercial Paper Rate Period, the Bonds shall be subject to mandatory tender for purchase in accordance with the terms hereof on the Business Day immediately following each Calculation Period, each at a price equal to the Purchase Price.

3. Notice of mandatory tender for purchase upon a Change in the Interest Rate Mode shall be in substantially the form attached hereto as, or contain substantially the information contained in, Exhibit A hereto.

4. Any such notice of mandatory tender for purchase required by this Section 5.04 shall be given by the Trustee, in the name of the Authority, or the Trustee shall cause the Registrar and Paying Agent to give such notice (with copies thereof to be given to the Remarketing Agent, the Registrar and Paying Agent, the Company, and in the case of Auction Rate Bonds, the Auction Agent and the Authority) by first-class mail to the Holders of the Bonds subject to purchase at their addresses shown on the books of registry.

5. Bonds held by or for the account of the Company or the issuer of a Support Facility are not subject to mandatory tender for purchase pursuant to this Section 5.04.

Section 5.05 Extraordinary Optional Redemption. During any Term Rate Period or Fixed Rate Period, the Bonds are also subject to redemption prior to maturity in whole at any time at the option of the Authority, exercised at the direction of the Company, upon notice given as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with unpaid interest accrued thereon to the date fixed for redemption, in any of the following events:

i. All or substantially all of the Project shall have been damaged or destroyed or title to, or the temporary use of, all or a substantial portion of the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority, as in each case renders the Project unsatisfactory to the Company for its intended use;

ii. Unreasonable burdens or excessive liabilities shall have been imposed upon the Authority or the Company with respect to all or substantially all of the Project, including without limitation the imposition of federal, state or other ad valorem property, income or other taxes other than ad valorem taxes in effect on the date of original issuance of the Bonds levied upon privately owned property used for the same general purpose as the Project; or

iii. Any court or regulatory or administrative body shall enter or adopt, or fail to enter or adopt, a judgment, order, approval, decree, rule or regulation, as a result of which the Company elects to cease operation of all or substantially all of the Project.

Section 5.06 Special Tax Redemption Provisions. 1. During any Semi-annual Rate Period, Term Rate Period or Fixed Rate Period, the Bonds shall be subject to mandatory redemption as a whole (provided, however, that the Bonds shall be redeemed in part if the Company obtains an opinion of Bond Counsel to the effect that, by redeeming such portion of the Bonds, the interest on the remaining Bonds will not be included for Federal income tax purposes in the gross income of any owner of the Bonds (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a)(1) of the Code)) at any time at a redemption price equal to 100% of the principal amount thereof, together with unpaid interest accrued thereon to the redemption date, if, in a published or private ruling of the

Internal Revenue Service or in a final, nonappealable judicial decision by a court of competent jurisdiction (provided that the Company has been afforded the opportunity to participate at its own expense in the proceeding resulting in such ruling or in the litigation resulting in such decision, as the case may be), it is determined that, as a result of a failure by the Company to observe any covenant, agreement or representation in the Participation Agreement or the Tax Regulatory Agreement, interest on the Bonds is included for Federal income tax purposes in the gross income (as defined in Section 61 of the Code) of any owner of a Bond (other than a "substantial user" of the Project or a "related person" within the meaning of Section 147(a)(1) of the Code), and, in such event, the Bonds shall be subject to such mandatory redemption not more than one hundred eighty (180) days after receipt by the Trustee of notice of such published or private ruling or judicial decision and a demand for redemption of the Bonds. The occurrence of an event requiring the redemption of the Bonds under this paragraph does not constitute an event of default under any Note or under the Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

2. During any Semi-annual Rate Period, Term Rate Period or Fixed Rate Period, the Bonds may be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon to the redemption date, if the Company has determined, on the basis of the advice of Bond Counsel that, as a result of any action taken or expected to be taken, or failure to take action, a reasonable risk exists that interest on the bonds will not be excludable from gross income for federal tax purposes. Such conclusion and certification shall be evidenced by delivery to the Trustee of a written certificate of an Authorized Company Representative to the effect that the Company has reached such conclusion, together with a copy of such advice of Bond Counsel. The occurrence of an event permitting the redemption of the Bonds under this paragraph does not constitute an event of default under any Note or under the Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

3. During any Semi-annual Rate Period, Term Rate Period or Fixed Rate Period, the Bonds will also be subject to mandatory redemption at a redemption price equal to one hundred three percent (103%) of the principal amount thereof plus unpaid interest accrued thereon to the redemption date if the Company reasonably concludes and certifies to the Trustee that the business, properties, condition (financial or otherwise), operations or business prospects of the Company will be materially and adversely affected unless the Company takes or omits to take a specified action and that the Company has been advised in writing by Bond Counsel that the specified action or omission would cause the use of the Project to be such that, pursuant to Section 150 of the Code, the Company would not be entitled to deduct the interest on the Bonds for purposes of determining the Company's Federal taxable income, for a period of not less than ninety (90) consecutive or nonconsecutive days during a twelve-month period. Such conclusion and certification shall be evidenced by delivery to the Trustee of a written certificate of an Authorized Company Representative to the effect that the Company has reached such conclusion, together with a certified copy of a resolution of the Board of Trustees of the Company authorizing such certificate and a copy of such advice of Bond Counsel. In the event that the Bonds become

subject to redemption as provided in this paragraph, the Bonds will be redeemed in whole unless redemption of a portion of the Bonds outstanding would, in the opinion of Bond Counsel, have the result that interest payable on the Bonds remaining outstanding after such redemption would be deductible for purposes of determining the Federal taxable income of the Company, and, in such event, the Bonds to be redeemed shall be selected (in the principal amount of $5,000 or any integral multiple thereof) from time to time at random in such manner as the Trustee shall determine in accordance with the Indenture, in such amount as is necessary to accomplish that result. The occurrence of an event requiring the redemption of the Bonds under this paragraph does not constitute an event of default under any Note or under the Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

Section 5.07 Redemption at Demand of the State. In accordance with the provisions of Section 1864 of the Act, the State of New York may, upon furnishing sufficient funds therefor, require the Authority to redeem prior to maturity, as a whole, the Bonds on any Interest Payment Date not less than twenty years after the Closing Date. Any such redemption shall be at a redemption price equal to the optional redemption price, if any, applicable on such date set forth in Section 5.01 or if no such optional redemption price is applicable at a redemption price of 105% of the principal amount thereof, in either case, together with accrued and unpaid interest, if any, to the date fixed for redemption, all in the manner provided in this Article V. The Authority shall deposit any such funds received by it with the Trustee. During any period during which no Direct-Pay Credit Facility is in effect, the Trustee shall deposit any such funds in the Bond Fund and, upon notice published in the manner provided in Section 1864 of the Act, shall apply such funds to the redemption of the Bonds. During any period in which a Direct-Pay Credit Facility is in effect, the Trustee shall deposit any such funds received by it in a segregated sub-account in the Bond Fund, and upon notice published in the manner provided in Section 1864 of the Act, shall draw monies under the related Credit Facility pursuant to Article XV and apply such payment to the redemption of the Bonds at the price and in the manner specified in the preceding sentence. Upon the application of such Credit Facility payments, the Trustee shall pay the funds furnished by the State to the issuer of the Credit Facility with instructions to apply such funds to the reimbursement of the issuer of the Credit Facility for such Support Facility payment. Upon such redemption and notwithstanding anything to the contrary in Article XV, the Trustee shall assign the Note relating to the Bonds to or as directed by the Authority.

Section 5.08 Mandatory Tender for Purchase Upon Expiration of any Support Facility or Upon Delivery of a Credit Facility or an Alternate Support Facility. 1. Except as otherwise set forth in the last sentence of this subsection 1, on the second Business Day next preceding the date of expiration of any Support Facility or any Alternate Support Facility, the Bonds shall be subject to mandatory purchase at the Purchase Price, unless on or prior to the 35th day prior to such date of expiration the Company on behalf of the Authority has furnished to the Trustee an agreement to extend such Support Facility. The Bonds shall also be subject to mandatory purchase at the Purchase Price, on the date there is delivered a Credit Facility or an Alternate Support Facility meeting the requirements of Section 6.02. No tender for purchase of any Bonds shall be required pursuant to this Section 5.08 during an Auction Rate Period or a Fixed Rate Period.

2. Notice of the mandatory tender for purchase pursuant to this Section 5.08 shall be given on or prior to the 30th day before the expiration date of the expiring Support Facility or on or prior to the 30th day before the delivery of any Support Facility, as the case may be, by the Trustee in the name of the Authority (with copies thereof given to the Authority, the Remarketing Agent, the issuer of a Support Facility, the Company and the Registrar and Paying Agent) by first-class mail to the Holders of the Bonds subject to mandatory tender for purchase at their addresses shown on the books of registry. Such notice shall be in substantially the form attached hereto as, or contain substantially the information contained in, Exhibit F hereto.

3. Bonds held by or for the account of the Company or the issuer of a Support Facility are not subject to mandatory tender for purchase pursuant to this Section 5.08.

Section 5.09 Mandatory Tender Upon Occurrence of any Terminating Event. 1. Except as otherwise set forth in the last sentence of this subsection 1, upon the occurrence of any Terminating Event, the Bonds shall be subject to mandatory tender for purchase at the Purchase Price on a Business Day selected by the Trustee; provided, however, such mandatory tender shall not occur later than the 7th Business Day after receipt of notice of the Terminating Event by the Trustee. The Bonds will not be subject to mandatory tender for purchase pursuant to this Section 5.09 during any Auction Rate Period or any Fixed Rate Period.

2. Notice of the mandatory tender for purchase required by this Section 5.09 shall be in substantially the form attached hereto as, or contain substantially the information contained in, Exhibit F hereto and shall be given to the Holders of the Bonds subject to mandatory tender for purchase at their addresses shown on the books of registry on or before the second Business Day after receipt of notice of a Terminating Event from the issuer of the Support Facility by the Trustee, in the name of the Authority, or the Trustee shall cause the Registrar and Paying Agent to give such notice, by first-class mail to the Holders of the Bonds subject to purchase at their address shown on the books of registry (with copies thereof given to the Authority, the Remarketing Agent, the Company and the Registrar and Paying Agent).

3. Bonds held by or for the account of the Company or the issuer of a Support Facility are not subject to mandatory tender for purchase pursuant to this Section 5.09.

Section 5.10 General Provisions Applicable to Mandatory and Optional Tenders for Purchase of Bonds. 1. If interest has been paid on the Bonds, or an amount sufficient to pay interest thereon has been deposited in the Bond Fund, or an amount sufficient to pay accrued interest thereon, if any, has been set aside in the Bond Purchase Fund held under the Bond Purchase Trust Agreement, and the Purchase Price shall be available in the Bond Purchase Fund for payment of Bonds subject to tender for purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09, and if any Holder fails to deliver or does not properly deliver the Bonds to the Registrar and Paying Agent for which a Notice of Election to Tender has been properly filed or which are subject to mandatory tender for purchase on the purchase date therefor, such Bonds shall nevertheless be deemed tendered and purchased on the date established for the purchase thereof, no interest shall accrue on such Bonds from and after the date of purchase and such former Holders shall have no rights hereunder as the registered owners of such Bonds, except the right

to receive the purchase price of and interest to the purchase date, if any, on such Bonds upon delivery thereof to the Registrar and Paying Agent in accordance with the provisions hereof. The purchaser of any such Bonds remarketed by the Remarketing Agent, or the issuer of any Support Facility, to the extent Bonds are purchased with the proceeds of a draw on, or borrowing or payment under, the Support Facility, shall be treated as the registered owner thereof for all purposes of the Indenture. The payment of Bonds pursuant to Section 5.03 shall be subject to delivery of such Bonds duly endorsed in blank for transfer or accompanied by an instrument of transfer thereof in form satisfactory to the Registrar and Paying Agent executed in blank for transfer at the principal office of the Registrar and Paying Agent at or prior to 10:00 a.m. (11:30 a.m. for Bonds bearing interest at the Weekly Rate and 12:00 noon, for Bonds bearing interest at the Daily Rate) (New York City time), on a specified purchase date. The Registrar and Paying Agent may refuse to make payment with respect to any Bonds tendered for purchase pursuant to Sections 5.03, 5.04, 5.08 or 5.09 not endorsed in blank or for which an instrument of transfer satisfactory to the Registrar and Paying Agent has not been provided.

2. The Purchase Price of Bonds subject to tender for purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09 in an aggregate principal amount of at least one million dollars ($1,000,000) shall be payable in immediately available funds or by wire transfer upon written notice from the Holder thereof containing the wire transfer address (which shall be in the continental United States) to which such Holder wishes to have such wire directed, if such written notice is received by the Registrar and Paying Agent not less than five days prior to the related purchase date.

3. Bonds subject to mandatory tender for purchase pursuant to Sections 5.08 or 5.09 shall not be remarketed unless and until an Alternate Support Facility meeting the requirements of Section 6.02 of the Indenture is in full force and effect; provided, however, that Bonds may be remarketed and no such Alternate Support Facility is required to be in effect if, at the time the Bonds are sought to be remarketed, the Bonds bear interest at an Auction Rate or a Fixed Rate.

4. In the event Bonds tendered for purchase pursuant to Section 5.03 or 5.04 shall be paid from a drawing under a Liquidity Facility, such Bonds shall not be remarketed unless and until the Registrar and Paying Agent has been notified by the Liquidity Facility Issuer and, upon receipt of such notice, the Registrar and Paying Agent has notified the Remarketing Agent that the amount available for a drawing under such Liquidity Facility has been restored.

Section 5.11 Selection of Bonds to be Redeemed. A redemption of Bonds shall be a redemption of the whole or of any part of the Bonds from any funds available for that purpose in a principal amount equal to an authorized denomination (so long as the principal amount not redeemed is an authorized denomination). If less than all Bonds shall be redeemed, the particular Bonds to be redeemed shall be chosen by the Trustee, or the Trustee shall direct the Registrar and Paying Agent to so choose, as hereinafter provided. If less than all the Bonds shall be called for redemption under any provision of this Indenture permitting such partial redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected (a) first, from Bonds held or owned by or for the issuer of a Support Facility pursuant to any Support Facility,

(b) second, from Bonds for which the Registrar and Paying Agent has received, priorto such selection, a Notice of Election to Tender requiring the Registrar and Paying Agent to purchase such Bonds on the date on which the Bonds being selected are to be redeemed and (c) third, from all other Bonds then Outstanding, by lot or on a pro rata basis by the Trustee or, upon direction of the Trustee, the Registrar and Paying Agent, in such manner as the Trustee or Registrar and Paying Agent in its discretion may deem proper; provided, however,that the portion of any Bond to be redeemed shall be in the principal amount of $100,000 or any integral multiple thereof during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, $50,000 or any integral multiple thereof during an Auction Rate Period, or $5,000 or any integral multiple thereof at any other time and that, in selecting Bonds for redemption, the Trustee or Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such registered Bond in excess of $100,000 by $100,000 during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, $50,000 during an Auction Rate Period, and $5,000 at any other time (such amounts being hereinafter referred to as the "applicable units of principal amount"). If it is determined that one or more, but not all of the $100,000, $50,000 or $5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $100,000, $50,000 or $5,000 unit or units, the Holders of such Bonds shall forthwith surrender such Bonds to the Registrar and Paying Agent for (1) payment of the redemption price (including the redemption premium, if any, and accrued interest to the date fixed for redemption) of the $100,000, $50,000 or $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal of such Bonds. If the Holders of any such Bond of a denomination greater than $100,000, $50,000 or $5,000 shall fail to present such Bond to the Registrar and Paying Agent, for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the $100,000, $50,000 or $5,000 unit or units of principal amount called for redemption (and to that extent only).

Section 5.12 Notice of Redemption. 1. Notice of redemption shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail at least 30 days prior to the date fixed for redemption to the Holders of the Bonds to be redeemed at the addresses shown on the registration books maintained by the Registrar and Paying Agent. Any redemption may be conditioned on the receipt of moneys by the Registrar and Paying Agent sufficient to pay the redemption price on the Redemption Date of Bonds called for redemption, if the notice of redemption so states.

2. The Registrar and Paying Agent shall not be required to transfer or exchange Bonds during any period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption and ending at the close of business on the day fixed for redemption; provided, however, that the foregoing shall not apply during a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period or an Auction Rate Period.

3. Each notice of redemption shall state: (i) the full title of the Bonds, the redemption date, the place of redemption and the redemption price payable upon such redemption;

(ii) that the interest on the Bonds, or on the principal amount thereof to be redeemed, shall cease to accrue from and after such redemption date and (iii) that on said date there will become due and payable on the Bonds the principal amount thereof to be redeemed and the interest accrued on such principal amount to the redemption date, if any, and the premium, if any, thereon. Each notice of redemption mailed to the Holder of the Bonds shall, if less than the entire principal sum thereof is to be redeemed, also state the principal amount thereof and the distinctive numbers of the Bonds to be redeemed and that such Bonds must be surrendered to the Trustee in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Bond equaling in principal amount that portion of the principal sum not to be redeemed of the Bonds to be surrendered. The failure to give notice to any Holder of a Bond or any defects in such notice shall not affect the proceedings for the redemption of the Bonds for which notice has been properly given.

Section 5.13 Bonds purchased for account of Liquidity Facility Issuer. Bonds subject to mandatory purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09 shall be deemed to be purchased by the Company except to the extent the Liquidity Facility expressly provides that the Bonds are to be purchased by the issuer of the Liquidity Facility in which event such Bonds shall be deemed to be purchased by the issuer of the Liquidity Facility in a principal amount equal to the amount of a draw on, or borrowing or payment under, the Liquidity Facility for the payment of Bonds subject to purchase, upon the deposit with the Registrar and Paying Agent of the proceeds of such draw on, or borrowing or payment under, the Liquidity Facility in an amount equal to the principal of such Bonds plus accrued interest thereon to the purchase date, and such Bonds shall not be deemed paid and shall remain outstanding hereunder until the issuer of the Liquidity Facility has been reimbursed for such draws on, or borrowings or payments under, the Liquidity Facility to pay such principal and interest. Unless the issuer of any Liquidity Facility shall otherwise direct, any Bonds purchased by the issuer of the Liquidity Facility shall be immediately registered in the name of the Company except to the extent the Liquidity Facility expressly provides that the Bonds are to be purchased by the issuer of the Liquidity Facility in which event such Bonds shall be registered in the name of the issuer of the Liquidity Facility as a Holder and the issuer of the Liquidity Facility shall have all rights of a Holder of Bonds under this Indenture.

Section 5.14 Effect of Redemption. If the Bonds have been duly called for redemption and notice of the redemption thereof has been duly given or provided for as hereinbefore provided and if monies for the payment of the Bonds (or of the principal amount thereof to be redeemed) and the interest to accrue to the redemption date on the Bonds (or of the principal amount thereof to be redeemed), if any, and the premium, if any, thereon are held for the purpose of such payment by the Trustee, then the Bonds (or the principal amount thereof to be redeemed) shall on the redemption date designated in such notice, become due and payable and interest on the Bonds (or the principal amount thereof to be redeemed) so called for redemption shall cease to accrue from such date and the Holder thereof shall thereafter have no rights hereunder as the Holder of such Bonds (or the principal amount thereof to be redeemed) except to receive the principal amount thereof and premium (if any) thereon and interest to the redemption date.

Section 5.15 Cancellation of Redeemed Bonds. Any Bonds surrendered or redeemed pursuant to the provisions of this Article shall be cancelled by the Registrar and Paying Agent.

ARTICLE VI.

SUPPORT FACILITY

Section 6.01 Support Facility - General. Pursuant to the Participation Agreement, the Company has agreed not to request that the interest rate mode applicable to the Bonds be adjusted to an Adjustable Rate other than an Auction Rate unless there shall be in effect, prior to the applicable Change in the Interest Rate Mode, one or more Support Facilities which (i) meet the requirements of this Article VI and (ii) permit the Bonds to be rated at least "A" by S&P or "A" by Moody's or its equivalent by any nationally recognized rating agency. The Company has further agreed to maintain a Liquidity Facility meeting the requirements of the Participation Agreement with respect to the Bonds at all times, except with respect to Bonds bearing interest at an Auction Rate or a Fixed Rate. A Liquidity Facility also must be in effect prior to (i) any Change in the Interest Rate Mode from an Auction Rate to another Adjustable Rate (other than a Change in the Interest Rate Mode to an Auction Rate Period or a conversion to a Fixed Rate), and (ii) any change in the Interest Rate Mode from a Fixed Rate to an Adjustable Rate (other than a Change in the Interest Rate Mode to an Auction Rate Period). The Trustee shall be furnished with a certified copy of any Support Facility obtained pursuant to this Section 6.01.

Any Support Facility Issuer not located in New York State shall provide the Trustee with a list of holidays on which it is closed through the next succeeding January 1 at the beginning of the term of such Support Facility and by January 1 of each year thereafter.

Section 6.02 Alternate Support Facility. (1) At any time, the Authority may, at the request of the Company, provide for the delivery to the Trustee of an Alternate Support Facility. The terms of an Alternate Support Facility shall be the same as the Support Facility in all respects material to the security for the Bonds; provided that the termination date of such Alternate Support Facility shall be a date not earlier than 364 days from its date of issuance, subject to earlier termination upon the occurrence of (i) a Terminating Event or another event of default under the related reimbursement agreement or other corresponding agreement relating to such Alternate Support Facility, (ii) the issuance of a subsequent Alternate Support Facility, (iii) payment in full of the Outstanding Bonds or (iv) a Change in the Interest Rate Mode to an Auction Rate or a Fixed Rate. On or prior to the date of the delivery of an Alternate Support Facility to the Trustee, the Company shall furnish to the Trustee on behalf of the Authority (a) an opinion of Bond Counsel stating that the delivery of such Alternate Support Facility to the Trustee is authorized under this Indenture and complies with the terms hereof and (b) confirmation from S&P, if the Bonds are then rated by S&P, from Moody's, if the Bonds are then rated by Moody's, or another rating agency, if the Bonds are then rated by such rating agency, to the effect that such rating agency has reviewed the proposed Alternate Support Facility and that the substitution of the proposed Alternate Support Facility for the Support Facility will not, by itself, result in a reduction or withdrawal of its long or short-term rating of the Bonds below the rating category of S&P or Moody's or such other rating agency, as the case may be, then in effect with respect to the Bonds.

2. Nothing contained herein shall prevent the Authority, at the request of the Company, from delivering an Alternate Support Facility in substitution for a Support Facility which will result in a decline in the short-term or long-term rating or both assigned to such Bonds by Moody's or S&P or such other rating agency as a result of the Alternate Support Facility; provided, that (i) the opinion of Bond Counsel referred to in the preceding paragraph is obtained; provided that such opinion shall also be to the effect that delivery of such Alternate Support Facility will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and (ii) all Outstanding Bonds are subject to mandatory tender for purchase pursuant to Section 5.08 (unless the Bonds bear an Auction Rate or a Fixed Rate). The Authority, or the Company on behalf of the Authority, shall deliver notice to the Trustee of the substitution of an Alternate Support Facility which will result in a decline in the short-term or long-term ratings assigned to the Bonds pursuant to this subsection 2 of Section 6.02 at least forty-five (45) days before the date of substitution.

Section 6.03 Trustee not Responsible for Enforcement of Support Facility. The Trustee shall have no responsibility with respect to the enforcement of any Support Facility obtained hereunder.

ARTICLE VII.
GENERAL TERMS AND PROVISIONS OF BONDS

Section 7.01 Execution and Authentication of Bonds. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of its Chair, Vice-Chair, President, Treasurer or any Vice President and shall be sealed with the seal of the Authority, or in lieu thereof shall bear a lithographed, engraved or otherwise reproduced facsimile of such seal attested by the manual or facsimile signature of its Vice President, Treasurer, Secretary or an Assistant Secretary.

Bonds bearing the manual signature of the officer of the Authority authorized to execute such Bonds in office on the date of such manual signing thereof and Bonds bearing the facsimile signature of the officer of the Authority authorized to execute such Bonds in office on the date of the reproducing of such facsimile signature on such Bonds, shall be valid and binding obligations in accordance with their terms, notwithstanding that before the delivery thereof and payment therefor the person whose signature appears thereon shall have ceased to be such officer.

Only Bonds having endorsed thereon a certificate of authentication substantially in the form set forth in Article XVI, duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bonds shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon a Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Indenture and that the Holder thereof is entitled to the benefits of this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Trustee.

Section 7.02 Books of Registry . The Registrar and Paying Agent shall keep or cause to be kept at its principal office books (herein referred to as the “books of registry” or “registration books”) for the registration and transfer of the Bonds. Upon presentation at its principal office for such purpose the Registrar and Paying Agent, under such reasonable regulations as it may prescribe, shall register or transfer, or cause to be registered or transferred, on said books of registry, the Bonds as hereinafter set forth. The books of registry shall at all times during business hours be open for inspection by the Authority, the Company and the Trustee or their duly authorized agents or representatives.

Section 7.03 Transfer, Registration and Exchange of Bonds. The transfer of the Bonds may be registered only upon the books of registry required to be kept pursuant to Section 7.02 upon surrender thereof to the Registrar and Paying Agent, together with an assignment duly executed by the Holder thereof or his or her duly authorized agent and accompanied by a guarantee of signature, each in such form as shall be satisfactory to the Registrar and Paying Agent. Upon any such registration of transfer the Authority shall execute and the Trustee shall authenticate and deliver in exchange for such Bonds a new Bond or Bonds registered in the name of the transferee or transferees for a like aggregate principal amount, of any

denomination or denominations authorized by this Indenture. No transfer of any Bond shall be effective until entered on the books of registry.

Any Bond surrendered in any such registration of transfer shall forthwith be cancelled by the Trustee. Any Bonds registered and transferred to a new Holder pursuant to this Section shall be delivered to the Holder at the principal office of the Registrar and Paying Agent or sent by first-class mail to the Holder at his or her request, risk and expense.

Bonds, upon surrender thereof at the principal corporate trust office of the Registrar and Paying Agent, together with an assignment duly executed by the Holder or his or her authorized agent and accompanied by a guarantee of signature, each in such form as shall be satisfactory to the Registrar and Paying Agent, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of Bonds of any denomination or denominations authorized by this Indenture and in the same form as the Bonds surrendered for exchange. All Bonds so surrendered pursuant to this Section shall be cancelled by the Trustee.

Any Bonds to be delivered to the Holder upon any such exchange shall be delivered to the Holder at the principal office of the Registrar and Paying Agent or sent by first-class mail to the Holder thereof at his or her request, risk and expense.

Any taxes or other governmental charges required to be paid with respect to the registration of transfer or exchange of the Bonds shall be paid by the Holder requesting registration of such transfer or exchange, as a condition precedent to the exercise of such privilege. The Authority or the Registrar and Paying Agent, or both, may charge the Company for every registration of transfer or exchange sufficient to reimburse it for any and all costs required to be paid in respect thereof.

Section 7.04 Mutilated, Lost, Stolen, or Destroyed Bonds. In the event any Bond shall be lost, stolen, destroyed, wholly or in part, or so defaced as to impair its value to the Holder, the Trustee shall, upon compliance with the terms provided by law, authenticate and deliver a new Bond of like date and tenor in exchange or replacement therefor against delivery for cancellation of such mutilated Bond, or in lieu of and in replacement of a destroyed, stolen or lost Bond, and upon payment by the Holder of the reasonable expenses of the Registrar and Paying Agent and the Authority and the reasonable charges of the Trustee and Registrar and Paying Agent in connection therewith and, in the event that the Bond is destroyed, stolen or lost, the Holder's filing with the Registrar and Paying Agent of evidence satisfactory to it that the Bond was destroyed, stolen or lost, of the Holder's ownership thereof, and furnishing the Registrar and Paying Agent and the Authority such security and indemnity as is satisfactory to them. Any replacement Bond issued under the provisions of this Section in exchange or substitution for the defaced, mutilated or partly destroyed Bond or in substitution for the allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Indenture as was the original Bond in lieu of which such replacement Bond is issued. Each such replacement Bond shall be prepared in substantially the same manner as the original.

Notwithstanding the foregoing provisions of this Section, if the lost, stolen, destroyed, defaced or mutilated Bond has matured or been called for redemption and the date fixed for redemption thereof has arrived, at the option of the Trustee, payment of the amount due thereon may be made without the issuance of any replacement Bond upon receipt of like evidence, indemnity, security and payment of expenses and the surrender for cancellation of the defaced or mutilated or partly destroyed Bond and upon such other conditions as the Trustee may prescribe.

Except as provided in this sentence and as permitted in the following paragraph, any replacement Bond shall be in the form of the Bond being replaced, and be dated the date of its issuance and bear such number as shall be assigned thereto by the Registrar and Paying Agent, with such subseries designation, if any, as may be deemed appropriate by the registrar and Paying Agent. The Registrar and Paying Agent shall make an appropriate notation in the books of registry that a replacement Bond has been issued in exchange or substitution for the defaced, mutilated, lost, stolen, or wholly or partly destroyed Bond.

There may be imprinted or affixed on the face and the panel portion of any duplicate Bond a mark to identify such Bond as a replacement Bond.

Prior to arranging for the preparation or printing of a replacement Bond, the Trustee and the Registrar and Paying Agent may require a deposit by the Holder to secure the Trustee, the Registrar and Paying Agent and the Authority for costs and expenses incurred by them in the preparation, printing, execution and issuance of such replacement Bond.

Any amount of such deposit received by the Registrar and Paying Agent in excess of the amount required to reimburse the Registrar and Paying Agent, the Trustee or the Authority for costs and expenses shall be returned to the party which made the deposit.

Any defaced, mutilated or partly destroyed Bond surrendered to the Registrar and Paying Agent in substitution for a new Bond pursuant to this Section shall be cancelled by the Trustee.

Section 7.05 Temporary Bonds. Pending the preparation of definitive Bonds, interim receipts or certificates (herein referred to as "temporary Bonds") may initially be issued, exchangeable for definitive Bonds when the latter are ready for delivery. Such temporary Bonds may be printed, lithographed or typewritten, shall be of such denomination or denominations as may be determined by the Authority and may contain such references to any of the provisions of this Indenture as may be appropriate. If temporary Bonds are issued, the Authority will cause to be furnished duly executed definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation at the principal office of the Trustee in exchange for definitive Bonds and without charge for such exchange, and the Registrar and Paying Agent shall deliver in exchange for such temporary Bonds so surrendered an equal aggregate principal amount of definitive duly executed Bonds, of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

Nothing in this Indenture shall prevent the Authority from delivering, and the Authority is hereby expressly permitted to deliver, Auction Rate Bonds in typewritten form to the Securities Depository as registered owner thereof.

Section 7.06 Disposition of Bonds. Any Bond surrendered to the Registrar and Paying Agent for payment shall be cancelled upon such payment by the Trustee. The Trustee shall destroy any cancelled Bond which has been paid and which bears any date two (2) years prior to the date of destruction. The Bonds shall be destroyed by burning, machine shredding, chemical disintegration or such other method as is approved by the Authority. The Authority may require that such destruction be done in the presence of its appointee. When the Trustee shall destroy any Bond, it shall deliver a certificate of such destruction to the Authority and the Company.

ARTICLE VIII.
ESTABLISHMENT OF THE PROJECT FUND

Section 8.01 Project Fund

1. There is hereby created and established a special trust fund to be designated "Consolidated Edison Company of New York, Inc. Series 1999A Project Fund" (hereinafter referred to as the "Project Fund") to be held by the Trustee. All income or gain on monies deposited in the Project Fund shall be retained therein.

2. There shall be deposited into the Project Fund the proceeds of the Bonds issued hereunder.

3. The monies on deposit from time to time in the Project Fund shall be held under and subject to this Indenture, but shall not be subject to the liens, pledges, charges, assignments and trusts created hereby for the security and benefit of the Holders of the Bonds and shall not be available for the payment of Bonds within the meaning of the Indenture, and shall be used and applied solely for the purpose of refunding the Prior Bonds in accordance with the remaining provisions of this Section.

4. The Trustee is authorized and directed to make payments from the Project Fund to pay the redemption price of the Prior Bonds or costs incurred in connection therewith, upon receipt of a letter or letters signed by an Authorized Company Representative so directing.

ARTICLE IX.

CREATION OF SPECIAL FUNDS AND ACCOUNTS; APPLICATION AND INVESTMENT OF REVENUES

Section 9.01 Creation of Funds and Accounts. (a) The following fund and the following accounts therein, which shall be a special fund and accounts to be held by the Trustee, are hereby created and designated as set forth below:

Bond Fund

(a) Interest Account
(b) Principal Account
(c) Redemption Account

The designation of each fund and account set forth above shall include the term "Consolidated Edison Company of New York, Inc. Series 1999A," which term shall precede the designation as set forth above. Such fund and each such account is, however, sometimes referred to herein as set forth above.

(b) The Bond Fund and the accounts therein shall be held in the custody of the Trustee. All monies required to be deposited with or paid to the Trustee under any provision of this Indenture shall be held by the Trustee in trust and applied only in accordance with the provisions of this Indenture and shall be trust funds for the purposes specified in this Indenture.

Section 9.02 Deposit of Note Payments. The Trustee shall deposit the Note Payments or other money set forth below in the Bond Fund and credit the Accounts set forth below in the order set forth below:

The Company shall deposit, or cause to be deposited, the following in immediately available funds with the Trustee as the Note Payments become due under the Participation Agreement and the Note unless sufficient amounts are then available in such Accounts to make the required payments therefrom:

(a) (i). During an Auction Rate Period, no later than 12:00 noon (New York City time) on the Business Day next preceding each Interest Payment Date, into the Bond Fund for credit to the Interest Account an aggregate amount of funds available on the next Business Day in The City of New York equal to the aggregate amount required for the payment of the interest payable on the Outstanding Auction Rate Bonds, on such Interest Payment Date. In the event such deposit is not made in accordance with this paragraph (i), the Trustee shall immediately send a certificate to the Auction Agent and to the registered owners of each series of Bonds by telex, telecopy or similar means, in substantially the form prescribed by the Auction Agency Agreement. If such deposit is made by the Company within 3 Business Days of the Business Day immediately preceding the Interest Payment Date, the Trustee shall immediately send a certificate to the

Auction Agent and to the registered owners of each series of Bonds by telex, telecopy or similar means in substantially the form prescribed by the Auction Agency Agreement.

ii. No later than 12:00 noon (New York City time) on each Interest Payment Date, other than during an Auction Rate Period, into the Bond Fund for credit to the Interest Account the amount required for the payment of the interest payable on the Outstanding Bonds on such Interest Payment Date.

At such time as the Company elects to obtain, and there is in effect, a Direct-Pay Credit Facility, amounts required to be deposited in the Bond Fund for credit to the Interest Account shall be derived solely from the following sources of funds in the priority indicated and shall be so deposited and credited to the Interest Account on the date indicated:

I. On each Interest Payment Date, the proceeds of a draw, borrowing or payment under the Direct-Pay Credit Facility; and

II. On each Interest Payment Date, any other monies provided by the Company for such purpose.

(b)During an Auction Rate Period, no later than 12:00 noon (New York City time) on the second Business Day next preceding (i) each Auction Date, into the Bond Fund for credit to the Redemption Account an aggregate amount of funds available on the next Business Day in The City of New York equal to the aggregate amount required to pay the principal of and premium, if any, and accrued interest on any Auction Rate Bonds, called for redemption; provided, however if the scheduled date of such deposit to the Redemption Account by the Company is not a Business Day then the date for such deposit to the Redemption Account by the Company shall be the first Business Day immediately preceding the scheduled date of such deposit to the Redemption Account by the Company. In the event such deposit is not made in accordance with this paragraph (i), the Trustee shall immediately send a certificate to the Auction Agent by telex, telecopy or similar means, substantially in the form required by the Auction Agency Agreement. If such deposit is made by the Company within 3 Business Days of the second Business Day immediately preceding the Auction Date the Trustee shall immediately send a certificate to the Auction Agent by telex, telecopy or similar means, substantially in the form required by the Auction Agency Agreement.

ii.Other than during an Auction Rate Period, on the last Business Day prior to the day on which any redemption is to occur or on the last Business Day prior to the Stated Maturity, into the Bond Fund for credit to the Redemption Account or the Principal Account, as appropriate, the amount required to pay principal of and premium, if any, and accrued interest on any Bonds called for redemption or at the Stated Maturity, the amount required to pay the principal of and accrued interest on the Bonds.

At such time as the Company elects to obtain, and there is in effect, a Direct-Pay Credit Facility, amounts required to be deposited in the Bond Fund for credit to the Redemption Account or the Principal Account, as appropriate, shall be derived solely from the following

sources of funds in the priority indicated and shall be so deposited and credited in the Redemption Account or the Principal Account, as appropriate, on the date indicated:

I. On the date any redemption is scheduled to occur and on the Stated Maturity, the proceeds of a draw, borrowing or payment under the Direct-Pay Credit Facility; and

II. On the date any redemption is scheduled to occur and on the Stated Maturity, any other monies provided by the Company for such purpose.

If other monies are received by the Trustee as advance payments of Note Payments to be applied to the redemption of all or a portion of the Bonds, such monies shall be deposited in the Bond Fund for credit to the Redemption Account therein.

Section 9.03 Application of Monies in the Bond Fund and the Bond Purchase Fund. 1. The Bond Fund shall be used for the purpose of making scheduled payments of principal of and interest on the Bonds and of making payments of the redemption price of Bonds then subject to redemption in the manner herein provided. The monies in the Bond Fund shall be applied as follows:

(a) Interest Account. On each Interest Payment Date, the Trustee shall apply the amount of monies then credited to the Interest Account equal to the interest then payable on the Bonds to the payment of such interest on such Interest Payment Date. In the event a Direct-Pay Credit Facility is in place and payments are required to be made in the order specified in Section 9.02 (a)(ii), the Trustee shall request a draw, borrowing or payment under the Direct-Pay Credit Facility in accordance with the terms thereof in an amount equal to the amount required to pay the interest payable on the Outstanding Bonds on such Interest Payment Date and shall notify the Company of the amount and date of such request. If sufficient funds are not available under Section 9.02(a)(ii)(I) to pay such interest, the Trustee shall apply funds, if any, available pursuant to Section 9.02(a)(ii)(II), to the extent necessary, to such payment of interest.

(b) Principal Account. On the Stated Maturity, the Trustee shall apply the amount of monies then credited to the Principal Account equal to the principal amount of Bonds then payable to the payment of such principal on such date. In the event a Direct-Pay Credit Facility is in place, the Trustee shall request a draw, borrowing or payment under the Direct-Pay Credit Facility in accordance with the terms thereof in the amount required, to pay such principal amount and shall notify the Company of the amount and date of such request. If sufficient funds are not available under Section 9.02(b)(ii)(I) to pay such principal, the Trustee shall apply funds, if any, available pursuant to Section 9.02(b)(ii)(II), to the extent necessary, to such payment.

(c) Redemption Account. The Trustee shall redeem on the date set for the redemption thereof, as provided in Article V of this Indenture, a principal amount of Bonds then subject to redemption. The Trustee shall apply an amount credited to the Redemption Account equal to the principal amount and premium, if any, of Bonds then subject to redemption, together

with accrued interest thereon to the redemption date, to the payment of such Bonds on the redemption date from funds described in Section 9.02(b).

In the event a Direct-Pay Credit Facility is in place, the Trustee shall request a draw under the Direct-Pay Credit Facility in accordance with the terms thereof, in an amount equal to the amount required to pay the principal amount of Bonds then to be redeemed, together with accrued interest thereon to the date set for redemption and shall notify the Company of the date and amount of such request. If sufficient amounts to make such payment are not available under Section 9.02(b)(ii)(I), the Trustee shall apply amounts, if any, available pursuant to Section 9.02 (b)(ii)(II), to the extent necessary, to such payment. Such redemption shall be made pursuant to the provisions of Article V.

Upon the retirement of any portion of the Bonds by redemption pursuant to the provisions of this Section 9.03, the Trustee shall file with the Authority and the Company a statement stating the amounts of the Bonds so redeemed and setting forth the date of their redemption and the amount paid as principal, premium and interest thereon. The expenses in connection with the redemption of the Bonds shall be paid by the Company as Additional Payments.

All monies in the Redemption Account on the last Business Day prior to the Stated Maturity shall be transferred to the Principal Account.

2. Bond Purchase Fund. Pursuant to Section 4.02(d) of the Participation Agreement, the Company has agreed that the Company shall, to the extent not paid from a draw or payment under a Liquidity Facility, pay an amount to the Trustee for payment to, or directly to, the Registrar and Paying Agent for deposit in the Bond Purchase Fund and credit to the Company Account therein established under the Bond Purchase Trust Agreement to be applied to the payment of the Purchase Price of any Bond pursuant to the Bond Purchase Trust Agreement to the extent not otherwise provided from the sources described in the Bond Purchase Trust Agreement.

In the event sufficient funds are not available under Section 2.03(a)(i) of the Bond Purchase Trust Agreement to pay such Purchase Price on the date of purchase of any Bonds pursuant to Section 5.03, 5.04, 5.08 or 5.09 hereof, the Registrar and Paying Agent shall request a draw or payment under the Liquidity Facility in accordance with the terms thereof in the amount required, together with amounts, if any, available under Section 2.03(a)(i) of the Bond Purchase Trust Agreement, to pay the Purchase Price of such Bonds on such date of purchase, and shall cause the proceeds of such draw or payment to be deposited in the Bond Purchase Fund under the Bond Purchase Trust Agreement and credited to the Liquidity Facility Proceeds Account therein. The Registrar and Paying Agent shall notify the Company of the amount and date of such request.

The Remarketing Agent shall notify the Registrar and Paying Agent and the Trustee, at or prior to 12:15 p.m. (New York City time) on a specified purchase date, of the amount of the proceeds of the related remarketing, and shall specify whether remarketing proceeds (excluding any such proceeds from the Company, the Authority or an affiliate of either) equal to

the full amount of the Purchase Price payable on such purchase date are held by the Remarketing Agent and will be available on such purchase date for the payment of such Purchase Price, and, if the amount of such remarketing proceeds that will be available on such purchase date for the payment of such Purchase Price shall not be equal to the full amount of the Purchase Price payable on such purchase date, such notice shall specify the amount of the deficiency. By 12:45 p.m. (New York City time) on such purchase date, the Remarketing Agent shall pay to the Registrar and Paying Agent, for deposit in the Bond Purchase Fund and credit to the remarketing Proceeds Account, an aggregate amount of such remarketing proceeds equal to the amount stated in such notice to be available on such purchase date for the payment of such Purchase Price.

Section 9.04 Investment of Funds. Monies in the Bond Fund and the accounts in such fund shall be invested and reinvested by the Trustee, at the direction of the Company, promptly confirmed in writing, so long as the Company is not in default hereunder or under the Participation Agreement, to the extent reasonable and practicable in Investment Securities selected by the Company and maturing in the amounts and at the times as determined by the Company so that the payments required to be made from such funds and accounts may be made when due and subsequent to the occurrence of an Event of Default hereunder or under the Participation Agreement, the Trustee shall invest and reinvest monies in the Bond Fund in Investment Securities maturing in such amounts and at such times as the Trustee determines so that payment required to be made from such funds may be made when due. Investment earnings shall be considered on deposit in any Fund or Account as of the date they are actually received by the Trustee.

Monies on deposit in the Project Fund shall be invested and reinvested by the Trustee at the express direction of the Company, promptly confirmed in writing, so long as the Company is not in default under the Participation Agreement, to the extent reasonable and practicable, in Investment Securities maturing in such amounts and at such times as it is anticipated by the Company that such monies will be required to pay the redemption price of the Prior Bonds.

The Trustee, with the consent of the Company, shall be authorized to sell any investment when necessary to make the payments to be made from the funds and accounts therein. All earnings on and income from monies in said funds and accounts (other than the Project Fund) created hereby shall be considered to be Revenues and shall be held in the respective account in the Bond Fund for use and application as are all other monies deposited in such accounts. The Trustee shall, in the statement required by Section 11.07, set forth the Investment Securities held separately in, and the earnings realized on investment for, each fund and account hereunder. The Trustee shall not be liable for any depreciation in the value of the Investment Securities acquired hereunder or any loss suffered in connection with any investment of funds made by it in accordance herewith, including, without limitation, any loss suffered in connection with the sale of any investment pursuant hereto.

The Trustee may make any such investments through its own investment department upon direction of the Company.

All Investment Securities shall constitute a part of the respective fund and accounts therein from which the investment in Investment Securities was made.

ARTICLE X.

PARTICULAR COVENANTS OF THE AUTHORITY

Section 10.01 Payment of Principal of and Interest and Redemption Premium on Bonds. The Authority will promptly pay solely from the Note Payments and other monies held by the Trustee and available therefor, the principal of, and the interest on, every Bond issued under and secured by the Indenture and any premium required to be paid for the retirement of said Bonds by redemption, at the places, on the dates and in the manner specified in this Indenture and in said Bonds according to the true intent and meaning thereof, subject, however, to the provisions of Section 2.02.3.

Section 10.02 Performance of Covenants . The Authority will faithfully perform at all times all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond and in all proceedings of the Authority pertaining thereto.

Section 10.03 Further Instruments. The Authority will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Indenture; provided, however, that no such instruments or actions shall pledge the credit of the Authority or the State of New York or the taxing power of the State of New York or otherwise be inconsistent with the provisions of Section 2.02.3.

Section 10.04 Inspection of Project Books. All books and documents in the possession of the Authority relating to the Project or the Participation Agreement shall at all times be open to inspection by such accountants or other agents as the Trustee may from time to time designate.

Section 10.05 No Extension of Time of Payment of Interest. In order to prevent any accumulation of claims for interest after maturity, the Authority will not directly or indirectly extend or assent to the extension of the time of payment of any claims for interest on, any of the Bonds and will not directly or indirectly be a party to or approve any such arrangement by purchasing such claims for interest or in any other manner. In case any such claim for interest shall be extended in violation hereof, such claim for interest shall not be entitled, in case of any default hereunder, to the benefit or security of the Indenture except subject to the prior payment in full of the principal of, and premium, if any, on, all Bonds issued and outstanding hereunder, and of all claims for interest which shall not have been so extended or funded.

Section 10.06 Trustee's, Auction Agent's, Remarketing Agent's, Broker-Dealers' Registrar and Paying Agent's and Indexing Agent's Fees, Charges and Expenses. Pursuant to the provisions of Section 4.02 of the Participation Agreement, the Company has agreed to pay the fees and the expenses (including, in the case of the Trustee, the Registrar and Paying Agent and the Remarketing Agent, the reasonable fees and expenses of counsel and accountants) of the Trustee, the Registrar and Paying Agent, Indexing Agent, and in the case of Auction Rate Bonds, the Auction Agent, Remarketing Agent, and Broker-Dealers, in the amounts

set forth more fully therein, and the Authority shall have no liability for the payment of any fees or expenses of the Trustee, the Registrar and Paying Agent, Indexing Agent and in the case of Auction Rate Bonds, the Auction Agent, Remarketing Agent, and Broker-Dealers.

Section 10.07 Agreement of the State of New York. In accordance with the provisions of subdivision 11 of Section 1860 of the Act, the Authority, on behalf of the State of New York, does hereby pledge to and agree with the Bondholders that the State of New York will not limit or alter the rights and powers vested by the Act in the Authority to fulfill the terms of any contract made with Bondholders, or in any way impair the rights and remedies of such Bondholders, until the Bonds, together with the premium and interest thereon, with (to the extent permitted by law) interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Bondholders, are fully met and discharged.

Section 10.08 Recording and Filing. Pursuant to the Participation Agreement, the Company covenants that it will cause all financing statements related to this Indenture and all supplements thereto and the Participation Agreement and all supplements thereto, as well as such other security agreements, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, to be recorded and filed in such manner and in such places as may from time to time be required by law in order to preserve and protect fully the security of Holders and the rights of the Trustee hereunder, and to take or cause to be taken any and all other action necessary to perfect the security interest created by this Indenture. The Company is obligated under Section 5.18 of the Participation Agreement to file all such financing statements and other security agreements.

Section 10.09 Rights Under the Participation Agreement and the Note. The Participation Agreement, a duly executed counterpart of the which has been filed with the Trustee, sets forth the covenants and obligations of the Authority and the Company and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Company thereunder. Subsequent to the issuance of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, neither the Participation Agreement nor the Note may be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of Article XIV hereof. The Authority agrees that the Trustee, in its name or in the name of the Authority, may enforce all rights of the Authority and all obligations of the Company under and pursuant to the Participation Agreement and the Note for and on behalf of the Holders, whether or not the Authority is in default hereunder. The Note heretofore delivered to the Trustee evidences the obligations of the Company to make certain specified payments under the Participation Agreement. Nothing herein contained shall be construed to prevent the Authority from enforcing directly any or all of its rights to administrative compensation or indemnification under the Participation Agreement.

ARTICLE XI.

CONCERNING THE TRUSTEE; APPOINTMENT OF REGISTRAR AND PAYING AGENT, REMARKETING AGENT, AUCTION AGENT AND INDEXING AGENT

Section 11.01 Appointment of Trustee. HSBC Bank USA is hereby appointed the Trustee hereunder and by the execution of this Indenture accepts such appointment and without further act, deed or conveyance, shall be fully vested with all the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder.

The Trustee shall set up suitable accounts for the deposit of the Note Payments and for the payment of the Bonds and the interest thereon and for all other payments provided or required by this Indenture, including, without limiting the generality of any of the foregoing, setting up of the Funds created by Articles VIII and IX.

Section 11.02 Indemnification of Trustee as Condition for Remedial Action. The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Trustee shall be reimbursed from the Additional Payments required to be made pursuant to the Participation Agreement for all costs and expenses, outlays and counsel fees and other reasonable disbursements incurred in connection therewith. If the Company shall fail to make such reimbursement, the Trustee may reimburse itself from any monies in its possession under the provisions of this Indenture and shall be entitled to a preference over the Bonds; provided, however, that the proceeds of a Support Facility shall be applied solely as set forth elsewhere herein and in such Support Facility and shall not be applied to the reimbursement set forth in this Section 11.02.

Section 11.03 Trustee Not Liable for Failure of the Authority or Company to Act. The Trustee shall not be liable or responsible because of the failure of the Authority or the Company or any of their employees or agents to make any collections or deposits or to perform any act herein required of the Authority or the Company. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other monies deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Indenture. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 11.04 Certain Duties and Responsibilities of the Trustee. (a) Except during the continuance of an Event of Defaulte specified in Section 12.01 of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08,

(1) the Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default specified in Section 12.01 has occurred and is continuing of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in such exercise, as a prudent man would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) None of the provisions of this Indenture shall be construed to relieve the Trustee from liability for negligent action, negligent failure to act, or willful misconduct, except that

(1) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be proved that the Trustee was negligent;

(3) in the absence of bad faith on its part, the Trustee shall be protected and shall incur no liability in acting or proceeding or in not acting or not proceeding upon any resolution, order, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher requisition, bond or other paper or document which the Trustee shall believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any attorney, engineer, accountant or other expert believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements;

(4) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the provisions of this Indenture; and

(5) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Notwithstanding anything contained elsewhere in this Indenture, the Trustee shall have the right to reasonably require, in respect of the payment or withdrawal of any monies or the taking of any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof as a condition of such action by the Trustee.

(e) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers, and shall not be responsible for any negligence or misconduct on the part of any such attorney, agent or receiver appointed by it if the Trustee shall have exercised due care and diligence in appointing or selecting such person, and shall be entitled to advice of counsel concerning all matters of the trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney or attorneys (who may be the attorney or attorneys for the Authority or the Company), approved by the Trustee in the exercise of reasonable care, and the Trustee shall not be responsible for any loss or damage resulting from any action or nonaction in good faith in reliance upon such opinion or advice.

(f) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of an Authorized Company Representative or an Authorized Officer.

(g) The Trustee shall not be accountable for the use by the Company of any proceeds of the Bonds authenticated or delivered hereunder.

(h) The Trustee shall not be required to give any bonds or surety in respect of the execution of its trusts and powers hereunder.

(i) The Trustee may treat and deem the Holder of any Bonds as set forth in the books of the registry hereunder as the absolute owner thereof.

Section 11.05 Limitations on Obligations and Responsibilities of Trustee. The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Company, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee, except as to the acceptance of the trusts by its execution of this Indenture and the performance of its responsibilities hereunder, shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of this Indenture, or in respect of the validity of the Bonds or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties herein or in the Participation Agreement, the Remarketing Agreement, the Auction Agency Agreement, the Broker-Dealer Agreement or any Support Facility imposed upon the Authority, the Company, the issuer of any Support Facility, or any party other than itself in its capacity as Trustee, or any covenants herein contained on the part of any party other than itself in its capacity as Trustee to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Section 11.06 Compensation and Indemnification of Trustee. The Company has agreed in the Participation Agreement (1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); (2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and (3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Section 11.07 Statements from Trustee. It shall be the duty of the Trustee, on or about the fifteenth (15th) day of each month, and at such other reasonable time or times as may be determined by the Authority or the Company, to file with the Authority, upon the written request thereof, and the Company a statement setting forth in respect of the preceding calendar month:

(a) the amount withdrawn or transferred by it and the amount received by it and held on account of each Fund under the provisions of this Indenture;

(b) the amount on deposit with it at the end of such calendar month to the credit of each such Fund or Account;

(c) a monthly account of reconciliation and income which includes a brief description of all obligations held by it as an investment of monies in each such Fund or Account;

(d) the amount applied to the redemption of the Bonds under the provisions of Article V and Section 9.03 and the amount of the Bonds remaining Outstanding; and

(e) any other information which the Authority or the Company may reasonably request.

All records and files pertaining to the Bonds and the Company in the custody of the Trustee shall be open at all reasonable times to the inspection of the Authority, the Company and their agents and representatives.

Section 11.08 Notice of Default. Except upon the happening of any Event of Default specified in clauses (a) through (d), inclusive, of Section 12.01, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default hereunder, unless specifically notified in writing of such Event of Default by the issuer of any Support Facility, the Remarketing Agent, the Auction Agent or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding and such written notice shall state that it is a "notice of default."

Section 11.09 Trustee May Deal in Bonds. The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in the Bonds issued under and secured by this Indenture, and may join in the capacity of a Holder of a Bond in any action which any Holder of a Bond may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture.

Section 11.10 Trustee Not Responsible For Recitals The recitals, statements and representations contained herein and in the Bonds shall be taken and construed as made by and on the part of the Authority, and not by the Trustee, and the Trustee assumes, and shall be under, no responsibility for the correctness of the same or for the recording or re-recording or filing or refiling of the Indenture or any supplements thereto or any instruments of further assurance (including financing statements) except as otherwise provided herein. The Trustee makes no representations as to the value of any property pledged hereunder to the payment of Bonds or as to the title of the Authority or the Company thereto or as to the validity, sufficiency or adequacy of the security afforded thereby or hereby or as to the validity of this Indenture, the Note, the Participation Agreement, any Support Facility or of the Bonds.

Section 11.11 Qualification of the Trustee. There shall at all times be a Trustee hereunder which shall be a bank and/or trust company, having combined capital and unimpaired surplus of at least $50,000,000, duly authorized to exercise corporate trust powers and subject to examination by federal or state authority. The Trustee hereunder shall not be required

to maintain, and any successor Trustee shall not be required to have, an office in the city in which the principal office of the initial Trustee hereunder is located.

If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 11.11, it shall resign immediately in the manner and with the effect specified in Section 11.12.

Section 11.12 Resignation and Removal of Trustee. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 11.13.

(b) The Trustee may resign at any time by giving written notice thereof to the Authority and the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the retiring Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by demand of the Holders of a majority in principal amount of the Bonds then Outstanding, signed in person by such Holders or by their attorneys, legal representatives or agents and delivered to such Trustee, the Authority and the Company (such demand to be effective only when received by the Trustee, the Authority and the Company).

(d) If at any time:

(1) the Trustee shall cease to be eligible under Section 11.11 and shall fail to resign after written request by the Authority or by a Holder who shall have been a bona fide Holder for at least six months, or

(2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in either such case, (i) the Authority may remove, and the Company may request the Authority to remove, the Trustee, or (ii) any Holder who has been a bona fide Holder for at least six months may, on behalf of herself and all other similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any cause, the Authority shall promptly appoint a successor; the Company or the issuer of any Support Facility or both of them, having the right to request the appointment of a particular qualified institution as such successor. Within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a

successor Trustee may be appointed by an instrument or concurrent instruments in writing executed by the Holders of a majority in principal amount of the Bonds then Outstanding delivered to the Authority and the retiring Trustee, and, upon such delivery, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Authority.

(f) The Authority shall give notice to the Trustee, the Company, the Remarketing Agent, the Registrar and Paying Agent, the Auction Agent and the Bondholders of each resignation and each removal of a Trustee and each appointment of a successor Trustee in the manner set forth in Section 17.03 with respect to Bondholders and Section 17.09 with respect to the Company, the Auction Agent and the Remarketing Agent. Each notice shall include the name and address of the Principal Corporate Trust Office of the successor Trustee.

(g) The Trustee at any time other than during the continuance of an Event of Default and for any reason may be removed by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Trustee so removed.

Section 11.13 Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Authority and the Company, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and trusts and subject to all the duties and obligations, of its predecessor; but such predecessor shall, nevertheless, on written request of its successor or of the Authority and upon payment of expenses, charges and other disbursements of such predecessor which are payable pursuant to the provisions of Sections 11.02 and 11.06, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all property and monies held by it hereunder to its successor, subject, nevertheless, to its first lien and preference provided for in Sections 11.02 and 11.06. Should any instrument in writing from the Authority be required by any successor Trustee for more fully vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Authority.

Notwithstanding any of the foregoing provisions of this Article, any bank or trust company having power to perform the duties and execute the trusts of this Indenture and otherwise qualified to act as Trustee hereunder with or into which the bank or trust company acting as Trustee may be converted, merged or consolidated, or to which the corporate trust business assets as a whole or substantially as a whole of such bank or trust company may be sold, shall be deemed the successor of the Trustee.

Section 11.14 Appointment of Remarketing Agent. Salomon Smith Barney Inc., Morgan Stanley & Co. Incorporated and Banc One Capital Markets, Inc. are hereby appointed as the initial Remarketing Agents to serve as such under the terms and provisions hereof and of the Remarketing Agreement for the Series 1999A-1 Bonds, the Series 1999A-2 Bonds and the Series 1999A-3 Bonds, respectively. The Remarketing Agent for any subseries, including any

successor appointed pursuant hereto, shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least $25,000,000, and be authorized by law to perform all the duties imposed upon it by this Indenture, the Bond Purchase Trust Agreement and the Remarketing Agreement. The Remarketing Agent for any subseries of Bonds may be removed at any time by the Authority, upon thirty (30) notice, acting at the written direction of the Company by an instrument signed by the Authority and filed with the Trustee, the Registrar and Paying Agent, the Remarketing Agent and the Company. If there shall not be at least one Remarketing Agent serving as such for any subseries of Bonds following the effective date of a proposed removal of a Remarketing Agent for such subseries, no such removal shall take effect until the appointment of a successor Remarketing Agent for such subseries of Bonds. The Remarketing Agent for any subseries of Bonds may resign upon 30 days written notice delivered to the Company, the Authority, the Trustee, the Registrar and Paying Agent and the issuer of any Support Facility. The Company shall use its best efforts to cause the Authority to appoint a successor Remarketing Agent that is a qualified institution, effective as of the effectiveness of any such resignation or removal. Each successor Remarketing Agent shall be a qualified institution selected and appointed by the Authority, upon the written request and with the approval of the Company. If there shall be more than one Remarketing Agent serving as such for a subseries of Bonds, the Authority, at the request of the Company, shall designate one such Remarketing Agent as "Remarketing Representative" to act on behalf of all Remarketing Agents for such subseries, and each other Remarketing Agent shall agree in writing to accept the determinations of such Remarketing Representative.

Section 11.15 Appointment of Registrar and Paying Agent. HSBC Bank USA in New York, New York is hereby appointed to serve as the Registrar and Paying Agent hereunder. The Company shall have the right to request the appointment of an institution meeting the requirements of Section 11.19 to serve as successor thereto in the event of the removal or resignation of such Registrar and Paying Agent.

The Trustee hereby appoints any Registrar and Paying Agent appointed hereunder as authenticating agent.

Section 11.16 General Provisions Regarding Registrar and Paying Agent.

(a) The Registrar and Paying Agent shall:

(i) hold all Bonds delivered to it for purchase hereunder in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until monies representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Holders and deliver said Bonds in accordance with the provisions of this Indenture;

(ii) hold all monies delivered to it for the purchase of Bonds, in trust for the benefit of the person or entity who has delivered such monies until the Bonds purchased with such monies have been delivered to or for the account of such person or entity as provided in this Indenture;

(iii) maintain the books of registry and keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Trustee, the Remarketing Agent, the Authority and the Company at all reasonable times;

(iv) perform the duties and undertake the obligations assigned to them in Sections 7.02 through 7.06;

(b) The Registrar and Paying Agent may deem and treat the Holder of any Bonds as set forth in the books of registry hereunder as the absolute owner thereof;

(c) The Registrar and Paying Agent may in good faith hold any other form of indebtedness issued by the Authority or any security issued by the Company, or any affiliate of the Company; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof; and make disbursements therefor and enter into any commercial or business arrangement therewith; all without any liability on the part of such Registrar and Paying Agent for any real or apparent conflict of interest by reason of any such actions; and

(d) The Registrar and Paying Agent agrees to cooperate with the Trustee and the Company in preparing and conveying information necessary for drawings under any Support Facility. To the extent that any other certificate to be submitted by the Trustee to an issuer of a Support Facility in connection with a drawing under the Support Facility requires the Trustee to state that the Registrar and Paying Agent has certified certain information to the Trustee, the Registrar and Paying Agent agrees to provide such certification to the Trustee to the extent such information is known to it.

Section 11.17 Payment of Registrar and Paying Agent; Indemnification. The Authority will cause the Company to agree in the Participation Agreement to pay all reasonable fees, charges and expenses of the Registrar and Paying Agent for acting under and pursuant to this Indenture. In addition, the Authority will cause the Company to agree in the Participation Agreement to indemnify the Registrar and Paying Agent and its directors, officers and employees against and save them harmless from any and all losses, costs, charges, expenses, judgments and liabilities incurred while carrying out the transactions contemplated by this Indenture, except that said indemnity does not apply to the extent that they are caused by the negligent action, negligent failure to act or willful misconduct of the Registrar and Paying Agent or its directors, officers, employees or agents.

Section 11.18 Registrar and Paying Agent's Performance; Duty of Care. The duties and obligations of the Registrar and Paying Agent re shall be determined solely by the provisions of this Indenture. None of the provisions of this Indenture shall be construed to relieve the Registrar and Paying Agent from liability for negligent action, negligent failure to act or willful misconduct, except that (a) the Registrar and Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and, in the absence of bad faith on the part of the Registrar and Paying Agent, the Registrar and Paying Agent may conclusively rely, as to the truth of the statements expressed therein, upon any

document furnished to the Registrar and Paying Agent and conforming to the requirements of this Indenture and the Registrar and Paying Agent may rely and shall be protected in acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties, provided that, in the case of any such document which by any provision of this Indenture is specifically required to be furnished to the Registrar and Paying Agent, the Registrar and Paying Agent shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture, and (b) no provisions of this Indenture shall require the Registrar and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Registrar and Paying Agent may act upon the opinion or advice of any attorney or attorneys (who may be the attorney or attorneys for the Authority or the Company), approved by the Trustee in the exercise of reasonable care, and the Registrar and Paying Agent shall not be responsible for any loss or damage resulting from any action or nonaction in good faith in reliance upon such opinion or advice.

Section 11.19 Qualifications of Registrar and Paying Agent. The Registrar and Paying Agent, including any successor appointed pursuant to this Indenture, shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital and unimpaired surplus of at least $50,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture. Unless the Bonds bear an Auction Rate, or a Fixed Rate, the Registrar and Paying Agent shall have an office or agency in New York, New York capable of performing its obligations hereunder.

Section 11.20 Resignation or Removal of Registrar and Paying Agent and Successor to Registrar and Paying Agent; Termination of Registrar and Paying Agent's Obligations. The Registrar and Paying Agent may at any time resign and be discharged of the duties and obligations created hereunder and under the Bond Purchase Trust Agreement by giving at least sixty days' notice to the Authority, the Company, the Trustee and the Remarketing Agent. The Registrar and Paying Agent may be removed at any time upon and pursuant to the request of the Company by an instrument, signed by the Authority and filed with the Trustee and the Registrar and Paying Agent and the Company, provided that such removal shall not take effect until the appointment of a successor Registrar and Paying Agent. The Authority at the request of the Company shall appoint a successor Registrar and Paying Agent effective as of the effectiveness of any such resignation or removal. Each successor Registrar and Paying Agent shall be a qualified institution selected by the Company and, so long as a Support Facility is in effect, the issuer of a Support Facility, and approved and appointed by the Authority.

In the event of the resignation or removal of the Registrar and Paying Agent, the Registrar and Paying Agent shall pay over and deliver any monies and Bonds held by it in such capacity to its successor or, if there is no successor, to the Trustee. In the event that there is no successor to the Registrar and Paying Agent on the effective date of its resignation, the entity acting as Trustee shall perform the functions of the Registrar and Paying Agent; provided that monies held by the Trustee pursuant to this paragraph shall not be deemed to be held by the Trustee in its capacity as Trustee.

Section 11.21 Appointment of Auction Agent; Qualifications of Auction Agent, Resignation; Removal. (1) On or before the effective date of a Change in the Interest Rate Mode to an Auction Rate, an Authorized Officer of the Authority upon the written direction of an Authorized Company Representative shall appoint an Auction Agent for the Bonds. The Auction Agent shall evidence its acceptance of such appointment by entering into an Auction Agency Agreement with the Company. The Auction Agent shall be (a) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, in The City of New York and having a combined capital stock, surplus and undivided profits of at least $25,000,000 or (b) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least $25,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Auction Agency Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 90 days' notice to the Trustee, the Company, the Authority, and in the case the Auction Agent is also serving as Trustee, to the Remarketing Agent. During the Auction Rate Period, the Auction Agent may be removed at any time by the Authority acting at the request of the Company by an instrument signed by the Authority and filed with the Company, the Auction Agent, the Remarketing Agent and the Registrar and Paying Agent upon at least 90 days' notice; provided that if required by the Remarketing Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent.

Section 11.22 Appointment of Broker-Dealers. Prior to any change in the Interest Rate Mode to an Auction Rate Period, the Company with the approval of the Authority shall appoint an initial Broker-Dealer and any additional initial Broker-Dealers. Thereafter, the Company may select, with the approval of the Authority and the initial lead Broker-Dealer or any successor, from time to time one or more additional persons to serve as Broker-Dealers under Broker-Dealer Agreements.

Section 11.23 Appointment of Additional Paying Agents; Each Paying Agent to Hold Money in Trust. The Authority may at the request of the Company appoint an additional Paying Agent or Paying Agents for the Bonds. Each such Paying Agent shall hold in trust subject to the provisions of the Indenture for the benefit of the Holders all sums held by such Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds. Any such Paying Agent may be any person or corporation authorized to perform such functions, including to the extent permitted by law, the Company.

Section 11.24 Appointment and Duties of Indexing Agents. The Authority shall, with the approval of the Company, appoint an Indexing Agent, subject to the conditions set forth in this Section. There may be separate Indexing Agents for the purpose of calculating each rate index defined in Section 1.01. The Indexing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority, the Trustee, the Company and the Remarketing Agent under which the Indexing Agent will agree, particularly:

(a) to compute the Daily Rate Index, the Commercial Paper Rate Index, the Weekly Rate Index, the Monthly Rate Index, the Semi-annual Rate Index, the Term Rate Index or the Fixed Rate Index, as the case may be, pursuant to and in accordance with Section 3.01, and to give notice to the Trustee, the Registrar and Paying Agent, the Remarketing Agent and the Company of such rate index on the date of the computation thereof in accordance with Section 3.01; and

(b) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Registrar and Paying Agent, the Remarketing Agent and the Company at all reasonable times.

The Indexing Agent will perform the duties provided for in Section 3.01. Whenever the Indexing Agent makes a computation under that Section, it will promptly notify the Trustee, the Registrar and Paying Agent, the Authority, the Remarketing Agent (and during any Auction Rate Period, the Auction Agent), and the Company of the results and date of computation. The Indexing Agent will keep adequate records pertaining to the performance of its duties and allow the Trustee, Registrar and Paying Agent, the Authority, the Remarketing Agent and the Company (and, if appropriate, the Auction Agent) to inspect the records at reasonable times.

Section 11.25 Qualifications of Indexing Agents. Each Indexing Agent shall be a commercial bank, a member of the National Association of Securities Dealers, Inc. or a nationally recognized municipal securities evaluation service authorized by law to perform all the duties imposed upon it by the Indenture. Any Indexing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least sixty (60) days' notice to the Authority, the Company, the Remarketing Agent and the Trustee. The Indexing Agent may be removed at any time, at the written direction of the Company, by an instrument, signed by the Authority, filed with the Company, the Indexing Agent, the Remarketing Agent, the Trustee, the Registrar and Paying Agent and the issuer of a Support Facility, if any.

ARTICLE XII.

EVENTS OF DEFAULT; REMEDIES UPON OCCURRENCE THEREOF

Section 12.01 Events of Default. Each of the following is hereby defined as and declared to be and shall constitute an "Event of Default":

(a) Payment of the principal of and premium, if any, on any Bond (whether by maturity, proceedings for redemption, purchase in accordance with Article V hereof or the Remarketing Agreement, or otherwise) shall not be made when the same shall become due and payable; or

(b) Payment of any installment of interest on any Bond shall not be made when the same shall become due and payable and such nonpayment shall continue for one (1) Business Day; or

(c) The Trustee shall receive written notice from the issuer of the Support Facility of the occurrence of a Terminating Event under the Credit Facility, if applicable, or the agreement providing for the issuance thereof; or

(d) Receipt by the Trustee of written notice from the financial institution providing any Credit Facility following a draw on or borrowing or payment under such Credit Facility for the payment of interest on the Bonds that the amount so drawn, borrowed or paid has not been reimbursed to the financial institution providing such Credit Facility within the period specified in the agreement providing for the issuance of the Credit Facility, together with interest thereon, if any, owing pursuant to the agreement providing for the issuance of such Credit Facility; or

(e) The Authority shall fail in the due and punctual performance of any of the covenants, conditions, agreements, provisions or obligations, other than as set forth in (a) and (b) above, contained in the Bonds or in this Indenture or in any Supplemental Indenture on the part of the Authority to be performed, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority, the Company, the Governor, the Comptroller and the Attorney General of the State of New York, by the Trustee or to the Trustee, the Authority and the Company by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding as provided for in Section 12.08; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety (90) day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; or

(f) The occurrence of an event of default as defined in Section 7.01 of the Participation Agreement.

Section 12.02 Notice to Holders and Others Upon Occurrence of an Event of Default or a Failure to Deposit. 1. The Trustee shall give notice to the Bondholders of all Events of Default within sixty (60) days after the Trustee has been notified thereof or is deemed to have notice thereof as provided in Section 11.08, unless the Event of Default shall have been cured before the giving of such notice or unless the Trustee shall deem it in the best interest of the Holders to defer or withhold notice under this Section; provided, however, that if a notice of an Event of Default is given to any Bondholder, the Trustee shall concurrently therewith cause a copy to be provided to all beneficial owners.

2. So long as ownership of the Auction Rate Bonds is maintained in book-entry form by the Securities Depository, upon the occurrence of an Event of Default, the Trustee shall immediately send a notice thereof in substantially the form required by the Auction Agency Agreement to the Auction Agent and to the registered Holders of each series of Bonds by telecopy or similar means.

3. So long as the ownership of the Auction Rate Bonds is maintained in book-entry form by the Securities Depository, the Trustee shall immediately send a notice in substantially the form required by the Auction Agency Agreement to the Auction Agent and to the registered Holders of each series of Bonds by telecopy or similar means if an Event of Default has been cured or waived in accordance with this Article XII.

4. Upon the occurrence of a Failure to Deposit, or in the event such failure to deposit is cured, the Trustee shall give the Auction Agent the notices referred to in Section 9.02(a)(i) or (b)(i), as the case may be.

Section 12.03 Declaration of Principal and Interest As Due. 1. Upon the occurrence and continuation of any Event of Default of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08, then and in every case the Trustee by a notice in writing to the Authority, the Company and (to addresses then specified by the Authority) the Governor, the Comptroller and the Attorney General of the State of New York may, and upon the written request or direction of the Holders of not less then twenty-five percent (25%) in principal amount of the Bonds then Outstanding (determined in accordance with the provisions of Section 13.03) shall, declare the principal of and accrued interest on all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become due and be immediately due and payable, anything contained in the Bonds or in this Indenture to the contrary notwithstanding. If, however, at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under this Indenture, monies shall have accumulated in the Bond Fund sufficient to pay the principal of and any premium (or redemption price) on all Bonds (or portions of the principal amount thereof) then or theretofore required to be redeemed pursuant to any provisions of this Indenture (excluding principal not then due except by reason of the aforesaid declaration) and all arrears of interest and interest then due, if any, upon Bonds then Outstanding and if the fees, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Company under

the Participation Agreement and the Note shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other Event of Default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Indenture (other than default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee or, the Company shall be taking, or shall be causing to be taken, appropriate action in good faith to effect its cure, then and in every such case the Trustee may, and upon the written request or direction of the Holders of not less than a majority in principal amount of the Bonds (determined in accordance with the provisions of Section 13.03) then Outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences; provided, however, that notwithstanding any such rescission and annulment during an Auction Rate Period, the Bonds shall continue to bear interest at the Overdue Rate for the applicable period of time determined pursuant to Article III. No such rescission or annulment pursuant to the next preceding sentence shall extend to or affect any subsequent default or impair any right consequent thereto.

Section 12.04 Action by Trustee Upon Occurrence of Event of Default. Upon the occurrence and continuation of an Event of Default lt the Trustee (i) for and on behalf of the Holders of the Bonds, shall have the same rights hereunder which are possessed by any Holders of the Bonds; (ii) shall be authorized to proceed, in its own name and as trustee of an express trust; (iii) may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest and premium, if any, on the Bonds; (iv) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of such Trustee and of the Bondholders allowed in any judicial proceedings relative to the Company, its creditors, its property or the Bonds; and (v) may, and upon the written request or direction of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding (determined in accordance with the provisions of Section 13.03), with the prior written consent of the Credit Facility Issuer, shall proceed to protect and enforce all rights of the Holders and the Trustee under and as permitted by this Indenture and the laws of the State of New York, by such means or appropriate judicial proceedings as shall be suitable or deemed by it most effective in the premises, including the appointment of temporary trustees and any actions, suits or special proceedings at law or in equity or in bankruptcy or by proceedings in the office of any board or officer having jurisdiction, or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture, or in aid of execution of any power granted in this Indenture or to enforce any other legal or equitable right or remedy vested in the Holders of the Bonds or the Trustee by this Indenture or by such laws, or for the appointment of a receiver. All rights of action (including the right to file proofs of claim) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name and as trustee of an express trust without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

In the enforcement of any remedy under this Indenture the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts, then or during any Event of Default becoming, and at any time remaining, due from the Company and unpaid under the Participation Agreement and the Note for principal, premium, interest or otherwise under any of the provisions of this Indenture or of the Bonds, with interest on overdue payments if such interest then is permitted by the laws of the State of New York, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce judgment or decree against the Company which is in default of its respective obligations under the Participation Agreement and the Note, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the monies adjudged or decreed to be payable. Any such judgment shall be recovered by the Trustee, in its own name and as trustee of an express trust.

Section 12.05 Powers of Trustee With Respect to Participation Agreement and Other Agreements. If the payments required to be paid to the Trustee under the Participation Agreement and the Note or other agreement pledged and assigned hereunder, as the case may be, are not paid when due or upon the happening and continuance of an Event of Default set forth in clause (a) or (b) of Section 12.01, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all payments due and unpaid under the Participation Agreement and the Note or other agreement, as the case may be, and required to be paid to the Trustee and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or the obligor under any other agreement, as the case may be, and collect in the manner provided by law out of the property of the Company or such obligor wherever situated, the monies adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company under the Participation Agreement or an obligor under any other agreement pledged and assigned hereunder, as the case may be, under the Federal Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company under the Participation Agreement and the Note or an obligor under any other agreement pledged and assigned hereunder, as the case may be, the Trustee, regardless of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and regardless of whether the Trustee shall have made any demand pursuant to the power vested in it by this Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid under the Participation Agreement and the Note by the Company or under such other agreement by such obligor, as the case may be, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Holders allowed in any such judicial proceedings relative to the Company or other obligor, as the case may be, or to the creditors or property of the Company or other obligor, as the case may be, and to collect and receive any

monies or other property payable or deliverable on such claims, and to distribute in accordance with the provisions hereof all amounts received with respect to the claims of the Holders and of the Trustee on their behalf, and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holders any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holders in any such proceeding.

The provisions of this Section shall not be construed as in any way limiting the powers of the Trustee, with respect to defaults by the Authority or by the Company under the Participation Agreement and the Note, or an obligor under any other agreement pledged and assigned hereunder, as the case may be, whether such powers be expressly or implicitly granted to the Trustee elsewhere in this Indenture or in the Participation Agreement or the Note or other agreement, as the case may be, or as a denial that the Trustee has any such other powers, but the powers granted to the Trustee by this Section shall be supplemental, additional and cumulative to all other powers possessed by the Trustee with respect to defaults under this Indenture or under the Participation Agreement, the Note or other agreement pledged and assigned hereunder, as the case may be.

Section 12.06 Disposition of Monies in Event of Insufficiencies in Funds and Accounts. All monies (other than proceeds of any Support Facility) received by the Trustee pursuant to any right given or action taken under the provisions of this Article, after payment of the costs and expenses of the proceedings resulting in the collection of such monies and of the expenses, fees and advances incurred or made by the Trustee hereunder, shall be deposited in the Bond Fund. If at any time the monies in the Bond Fund shall not be sufficient to pay the interest or principal or premium, if any (or the redemption price), of the Bonds as the same become due and payable (whether at maturity or upon proceedings for the redemption thereof or by acceleration or otherwise), the monies in such fund, together with any other monies then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article XII or otherwise, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable or shall have been declared due and payable pursuant to the provisions of Section 12.03, all such monies shall be applied:

First: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment of the premium, if any, on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of this Indenture.

(b) If the principal of all the Bonds shall have become due and payable or shall have been declared due and payable pursuant to the provisions of Section 12.03, all such monies shall be applied to the payment of the principal and interest then due and unpaid, with interest on such principal as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable pursuant to the provisions of Section 12.03, and if such declaration shall thereafter have been rescinded and annulled pursuant to the provisions of such Section 12.03, then, subject to the provisions of subparagraph (b) above of this paragraph in the event that the principal of all the Bonds shall later become due and payable or be declared due and payable pursuant to the provisions of Section 12.03, the monies then held in the Bond Fund shall be applied to the payment of the principal of and premium (or redemption price) on all matured Bonds and all Bonds (or portions of the principal amount thereof) then or theretofore required to be redeemed pursuant to any provisions of this Indenture (excluding principal not then due except by reason of such declaration) and all arrears of interest and interest then due, if any, upon all Bonds then Outstanding, and any monies thereafter deposited in the Bond Fund shall be applied in accordance with the provisions of Article IX.

Whenever monies are to be applied by the Trustee pursuant to the provisions of subparagraphs (a) and (b) of this Section, (i) such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional monies becoming available for such application in the future; (ii) the deposit of such monies, in trust for the proper purpose, shall constitute proper application by the Trustee; and (iii) the Trustee shall incur no liability whatsoever to the Authority, to any Holder or to any other person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.

Section 12.07 Effect of Delay or Omission; Waiver of Default; Direction of Remedial Proceedings by the Holders. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Anything in this Indenture to the contrary notwithstanding, the Holders of not less than a majority in principal amount of the Bonds at the time Outstanding (determined in accordance with the provisions of Section 13.03) with the prior written consent of the Credit Facility Issuer shall be authorized and empowered and have the right, by an instrument or concurrent instruments in writing delivered to the Trustee on behalf of the Holders of the Bonds then Outstanding to consent to the waiver of any Event of Default or its consequences, and the Trustee shall waive any Event of Default and its consequences upon the written request of the Holders of such majority; provided, however, that there shall not be waived (i) any default in payment of principal or premium when due or (ii) any default in payment when due of interest unless, in either case, prior to such waiver all arrears in principal, premium, if any, and interest, with additional interest, to the extent permitted by law, at the rate then borne by the Bonds (which, in the case of Auction Rate Bonds shall be the Overdue Rate), and all fees and expenses of the Trustee shall have been paid or provided for; provided, however, that notwithstanding any such waiver, any Auction Rate Bonds shall continue to bear interest at the Overdue Rate until such Event of Default is cured. No such waiver shall extend to or affect any other existing or subsequent default or Event of Default or impair any rights or remedies consequent thereon.

Anything in this Indenture to the contrary notwithstanding, the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds at the time Outstanding (determined in accordance with the provisions of Section 13.03) with the prior written consent of the Credit Facility Issuer shall be authorized and empowered and have the right, by an instrument or concurrent instruments in writing delivered to the Trustee to direct the time and method of conducting any proceeding for any remedy to be taken by the Trustee or available to the Trustee or available to the Holders of the Bonds, or exercising any trust or power conferred upon the Trustee hereunder provided: (1) such direction shall not be in conflict with any rule of law or with this Indenture or expose the Trustee to personal liability, or be unduly prejudicial to Holders not joining therein, and (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 12.08 Suits or Actions by Holders; Any Holder May Enforce Overdue Payment of His or Her Bond or Interest Thereon. No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless there shall have occurred an Event of Default of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08, and such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a

period of 60 days either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, the Trustee shall have been indemnified by Holders against the costs, expenses and liabilities to be incurred in compliance with such request, and shall not have received an inconsistent direction from the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds and the Trustee shall have refused or neglected to comply with such request within a reasonable time. It is understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by the action of such Holder or Holders to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder except in the manner herein provided; that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of such Outstanding Bonds; and that any individual rights of action or other right given to one or more of such Holders by law are restricted by this Indenture to the rights and remedies herein provided. Notwithstanding the foregoing, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Bond to receive payment of the principal of, premium, if any, and interest on such Bond, on or after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, except that no Holder of any such Bond shall have the right to institute any such suit, if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver, or loss of the lien of this Indenture.

Section 12.09 Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy so conferred or reserved or to be exclusive of other remedies now or hereafter existing at law or in equity or by statute, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder to the Trustee or to the Holders of the Bonds or now or hereafter existing at law or in equity or by statute. Every such right, power and remedy given hereunder or by law or in equity or by statute may be exercised from time to time and as often as may be deemed. expedient.

Section 12.10 Effect of Abandonment of Proceedings on Default. In case any proceeding taken by the Trustee or the Holders of the Bonds on account of any Event of Default shall have been discontinued or abandoned for any reason, then and in every such case the Authority, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 12.11 Interest on Overdue Amounts. To the extent permitted by law all amounts which are due and payable but which have not been so paid under this Indenture

shall bear interest at the then current rate of interest on the Bonds until paid; provided, however, that during any Auction Rate Period all amounts which are due and owing but unpaid hereunder shall bear interest at the Overdue Rate until paid.

ARTICLE XIII.

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND OWNERSHIP OF BONDS; EXCLUSION OF BONDS OWNED BY THE AUTHORITY OR THE COMPANY

Section 13.01 Execution of Requests, Directions and Consents and Other Instruments and Proof of Same; Ownership of Bonds and Proof of Same. Any request, direction, consent or other instrument required by this Indenture to be signed or executed by Holders of Bonds may be signed or executed by such Holders in person or by agent or agents duly appointed in writing, and may be in any number of concurrent writings of substantially similar tenor. Proof of the execution of any such request, direction, consent or other instrument or of a writing appointing any such agent, and of the holding or ownership of Bonds, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee hereunder with regard to any action taken by it under such request, direction, consent or other instrument or of writing appointing any such agent, if made in the following manner:

(a) the fact and date of the execution by any person of any such request, direction, consent or other instrument in writing may be proved in any reasonable manner which the Trustee deems sufficient;

(b) the ownership of Bonds shall be proved by the books of registry kept under the provisions of this Indenture.

Any request, direction, consent or vote of the Holder of any Bond shall bind and be conclusive upon the Holder of such Bond giving such request, direction or consent or casting such vote and upon every future Holder of the same Bond in respect of anything done or suffered to be done by the Trustee or otherwise, or by the Holders of other Bonds, in pursuance of such request, direction, consent or vote, and whether or not such future Holder has knowledge of or information as to such request, direction, consent or vote; provided that any request, direction, consent or vote of the Holder of a Bond required by any of the provisions hereof may be revoked by the Holder giving such request, direction, consent or vote or by a subsequent Holder if such revocation in writing is filed with the Trustee, prior to the time when the request, direction, consent or vote of the percentage of the Holders of the Bonds required by such provision shall have been given and action taken by the Trustee or otherwise, or by the Holders of other Bonds, under authority of such request, direction, consent or vote.

The payment of or on account of principal to or upon the order of the person in whose name the Bonds shall at the time be registered on said books of registry and the payment of interest to or upon the order of any person in whose name the Bonds shall at the time be registered on said books of registry, shall be valid and effectual fully to satisfy and discharge all liability hereunder or upon the Bonds to the extent of the sum or sums so paid.

The Authority at the request of the Company may establish a record date for the taking of any action by the Holders.

Section 13.02 Meetings of Holders. The Trustee or the Holders of not less than twenty percent (20%) in principal amount of the Bonds then Outstanding may at any time call a meeting of the Holders of the Bonds for the purpose of the consenting to, the approving, the requesting, or the directing by the Holders of the Bonds of any action required to be consented to or approved by them hereunder or which they may request or direct hereunder to be taken, or for the making by the Holders of any appointments they may make hereunder, or for the purpose of taking any other action which the Holders may take hereunder, or for any other purpose concerning the payment and security of the Bonds hereunder. Every such meeting shall be held at such place in The City of New York, State of New York, as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted, shall be mailed to the Holders whose names and addresses then appear upon the books of registry by the Registrar and Paying Agent or the Holders calling such meeting, not less than 20 days nor more than 60 days before such meeting. Any meeting of Holders shall, however, be valid without notice if the Holders of all Bonds then Outstanding are present in person or by proxy or if notice is waived before or within 30 days after the meeting by those not so present.

Attendance and voting by Holders at meetings thereof may be in person or by proxy. Holders of Bonds may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to attend and vote at any meeting for them.

Persons named by the Trustee, or elected by the Holders of a majority in principal amount of the Bonds represented at the meeting in person or by proxy in the event the Trustee is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of Holders. A permanent Chairman and a permanent Secretary of such meeting shall be elected by the Holders of a majority in principal amount of the Bonds represented at such meeting in person or by proxy. The permanent Chairman of the meeting shall appoint two (2) Inspectors of Votes who shall count all votes cast at such meeting, except votes on the election of Chairman and Secretary as aforesaid, and who shall make and file with the Secretary of the meeting and the Trustee their verified report of all such votes cast at the meeting.

The Holders of not less than the principal amount of the Bonds required by the provisions hereof to consent to, approve, request or direct any action to be taken at a meeting of Holders, or required by the provisions hereof to make any appointments to be made at such meeting, or required by the provisions hereof to take any other action to be taken at such meeting, must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of such business. Less than a quorum, however, shall have power to adjourn the meeting from time to time without notice of such adjournment other than the announcement thereof at the meeting; provided, however, that if such meeting is adjourned by less than a quorum for more than ten (10) days, notice of such adjournment shall be given by the Trustee at least five (5) days prior to the adjourned date of the meeting.

Any Holder of a Bond shall be entitled in person or by proxy to attend and vote at such meeting as Holder of the Bond or Bonds registered in his or her name without producing such

Bond or Bonds. Such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting.

All proxies presented at such meeting shall be delivered to the Inspector of Votes and filed with the Secretary of the meeting. The right of a proxy for a Holder to attend the meeting and act and vote thereat may be proved (subject to the Trustee's right to require additional proof) by a written proxy executed by such Holder as aforesaid.

The officers or nominees of the Trustee may be present or represented at such meeting and take part therein, but shall not be entitled to vote thereat, except for such officers or nominees who are Holders or proxies for Holders (including the Trustee).

The vote at any such meeting of the Holder of any Bond, or his or her proxy, entitled to vote thereat shall be binding upon such Holder and upon every subsequent Holder of such Bond (whether or not such subsequent Holder has notice thereof).

Section 13.03 Exclusion of Bonds Held by or for the Authority, the Company and of Bonds No Longer Deemed Outstanding Hereunder. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent, vote or waiver under this Indenture, any Bonds which are owned by or on behalf of or for the account of the Authority, the Company and, except for the purposes of Section 15.01, any Bonds which are deemed no longer Outstanding hereunder shall be disregarded and not included for the purpose of any such determination, and such Bonds shall not be entitled to vote upon, consent to or concur in any action provided in this Indenture, except that for the purposes of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent, vote or waiver only Bonds which the Trustee knows are owned as aforesaid shall be disregarded. The Trustee may require each Holder of a Bond or Bonds, before such Holder's demand, request, direction, consent, vote or waiver shall be deemed effective, to reveal if the Bonds as to which such demand, request, direction, consent, vote or waiver is made, granted, cast or given are disqualified as provided in this Section.

ARTICLE XIV.

AMENDING AND SUPPLEMENTING THE INDENTURE, THE PARTICIPATION AGREEMENT, THE REMARKETING AGREEMENT, AUCTION AGENCY AGREEMENT, BROKER-DEALER AGREEMENTS, BOND PURCHASE TRUST AGREEMENT

Section 14.01 Amending and Supplementing Indenture Without Consent of Holders. The Authority and the Trustee, from time to time and at any time and without the consent or concurrence of any Holder, may enter into a Supplemental Indenture, (i) to make any changes, modifications, amendments or deletions to this Indenture that may be required to permit the Indenture to be qualified under the Trust Indenture Act of 1939 of the United States of America or (ii) for any one or more of the following purposes:

(a) (x) to make any changes or corrections in this Indenture or any Supplemental Indenture as to which the Authority shall have been advised by counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in this Indenture or Supplemental Indenture, or (y) to insert in this Indenture such provisions clarifying matters o r questions arising under this Indenture as are necessary or desirable if such provisions shall not materially and adversely affect the rights of the Holders;

(b) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds;

(c) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Indenture;

(d) to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Indenture or any Supplemental Indenture;

(e) to grant to or confer upon the Holders any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or to confer upon the Trustee for the benefit of the Holders any additional rights, duties, remedies, power or authority;

(f) to provide for the issuance of Bonds in book entry or coupon form, if at the time permitted by applicable law;

(g) to provide for the substitution of rating agencies;

(h) to provide for any new administrative or procedural provisions made necessary or desirable by the issuance of a Support Facility or an Alternate Support

Facility, other credit, liquidity or support facility, including, but not limited to, any amendment necessary to obtain a rating on the Bonds based upon such facility; and

(i) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Bonds for deposit with a Securities Depository, and, in connection therewith, if they so determine, to add to the Indenture, such other terms, conditions and provisions as may be required to permit such qualification.

No Supplemental Indenture shall be entered into unless in the opinion of Bond Counsel which shall be delivered to the Trustee (which opinion may be combined with the opinion required by Section 14.04) the execution of such Supplemental Indenture is permitted by the foregoing provisions of this Section and the provisions of such Supplemental Indenture do not materially and adversely affect the rights of the Holders of the Bonds and the Trustee may rely on any such opinion.

Section 14.02 Amending and Supplementing Indenture with Consent of Holders. With the consent of the Holders of a majority in principal amount of the Bonds then Outstanding, the Authority and the Trustee from time to time and at any time may enter into a Supplemental Indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture, or modifying or amending the rights and obligations of the Authority hereunder, or modifying or amending in any manner the rights of the Holders; provided that, without the specific consent of the Holders of all Bonds Outstanding which would be affected thereby no Supplemental Indenture amending or supplementing the provisions hereof shall: (a) change the fixed maturity date for the payment of the principal of any Bond, or the dates for the payment of interest thereon or the terms of the purchase or redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the method of calculating the same except as otherwise provided in this Indenture; or (b) reduce the aforesaid percentage of Bonds, the Holders of which are required to consent to any Supplemental Indenture amending or supplementing the provisions of this Indenture; or (c) give to any Bond any preference over any other Bond secured hereby; or (d) authorize the creation of any pledge of payments under the Participation Agreement or Note Payments prior or superior to the pledge of a lien and charge thereon assigned herein for the payment of the Bonds; or (e) effect any change in the purchase or redemption provisions relating to the Bonds; or (f) deprive any Holders in any material respect of the security afforded by this Indenture. A modification or amendment of the provisions of Article IX hereof with respect to the Bond Fund or any other Funds or Accounts established thereby shall not be deemed a change in the terms of payment; provided that no such modification or amendment shall, except upon the consent of the Holders of all Bonds Outstanding affected thereby, reduce the amount or amounts required to be deposited in the Bond Fund. Nothing in this paragraph contained, however, shall be construed as making necessary the approval of the Holders of the execution of any Supplemental Indenture authorized by the provisions of Section 14.01.

The proof of the giving of any consent by any Holder required by this Section and of the holding of the Bonds for the purpose of giving consents shall be made in accordance with the provisions of Article XIII. It shall not be necessary that the consent of the Holders approve

the particular form of wording of the proposed supplemental amendment or supplement, but it shall be sufficient if such consent approves the substance of the proposed amendment or supplement. After the Holders of the required percentage of Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section, the Authority shall mail a copy of notice of such consent, postage prepaid, to each Holder at his or her address as it appears upon the books of registry and to the Trustee. Nothing in this paragraph contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of this Indenture authorized by this Section. A record of the consents shall be filed with the Trustee, and shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Indenture or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within sixty (60) days after the mailing of the notice required by this paragraph.

Notwithstanding anything in this Indenture to the contrary, the consent of the Holders of any Bonds or a portion thereof purchased subsequent to a Change in the Interest Rate Mode shall be deemed given with respect to a supplemental Indenture if the Remarketing Agent for the Bonds so purchased consents in writing thereto and any modification or amendment effected thereby is disclosed in the official statement or other public offering document pursuant to which such Bonds or a portion thereof are remarketed.

Section 14.03 Notation upon Bonds; New Bonds Issued upon Amendments. The Bonds delivered after the effective date of any action taken as provided in this Article, if any, may and shall if required by the Trustee bear a notation as to such action, by endorsement or otherwise and in form approved by the Authority. In that case, upon demand of any Holder at such effective date and upon presentation of Bonds at the principal office of the Trustee or other transfer agent or registrar hereunder for such Bonds, and at such additional offices, if any, as the Authority may select and designate for that purpose, a suitable notation shall be made on the Bonds.

Section 14.04 Effectiveness of Supplemental Indentures. Upon the execution pursuant to this Article by the Authority and the Trustee of any Supplemental Indenture amending or supplementing the provisions of this Indenture and the delivery to the Trustee of an opinion of Bond Counsel that such Supplemental Indenture is permitted by the provisions of this Article XIV and has been duly executed in accordance with the provisions hereof and applicable law and that the provisions thereof are valid (upon which opinion the Trustee, subject to the provisions of Section 11.04, shall be fully protected in relying), or upon such later date as may be specified in such Supplemental Indenture, (i) this Indenture and the Bonds shall be modified and amended in accordance with such Supplemental Indenture; (ii) the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Authority, the Trustee, and the Holders shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments; and (iii) all of the terms and conditions of any such Supplemental Indenture shall be a part of the terms and conditions of the Bonds and of this Indenture for any and all purposes.

Section 14.05 Supplemental Indenture Affecting Support Facility Provider. No Supplemental Indenture which takes effect while any Support Facility is in effect may be entered into by the Authority and the Trustee or be consented to by the Holders without written consent of the issuer of each Support Facility Issuer.

Section 14.06 Supplemental Participation Agreements Not Requiring the Consent of the Holders. The Authority and the Company may, with the written consent of the Trustee but without notice to or consent of any Holder, from time to time and at any time, agree to such supplemental agreements supplementing the Participation Agreement or amendments to the Participation Agreement as shall not be inconsistent with the terms and provisions of the Participation Agreement or this Indenture and, in the opinion of the Authority, shall not be detrimental to the interests of the Holders (which Supplemental Participation Agreements shall thereafter form a part of the Participation Agreement):

(a) to cure any ambiguity or formal defect or omission in the Participation Agreement or in any supplemental agreement;

(b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee;

(c) to provide for any new administrative, security or procedural provisions necessitated by the issuance of an Alternate Support Facility; or

(d) to provide for or add any further changes or corrections that are necessary or desirable to comply with any Supplemental Indenture entered into pursuant to Section 14.01;

provided that no such Supplemental Participation Agreement which takes effect while a support Facility is in effect shall be effective prior to the receipt by such parties of the written consent of each Support Facility Issuer.

Section 14.07 Notice and Consent for Supplemental Participation Agreements Requiring the Consent of the Holders. Except for Supplemental Participation Agreements or amendments provided for in Section 14.06, neither the Authority nor the Trustee shall agree or consent, as the case may be, to any Supplemental Participation Agreement or amendment to the Participation Agreement unless notice of the proposed execution of such Supplemental Participation Agreement or amendment shall have been given and the Holders shall have consented to and approved the execution thereof in the same manner and form as provided for in Section 14.02 in the case of Supplemental Indentures; provided that no such Supplemental Participation Agreement which materially and adversely affects any issuer of a Support Facility (so long as such Support Facility is in effect) shall be effective prior to the receipt by such parties of the written consent of the issuer of such Support Facility.

Notwithstanding anything in this Indenture to the contrary, the consent of the Holders of any Bonds or a portion thereof purchased subsequent to a Change in the Interest Rate Mode shall be deemed given with respect to any Supplemental Participation Agreement or amendment to the Participation Agreement if the Remarketing Agent for the Bonds so purchased consents in writing to any modification or amendment effected thereby and such modification and amendment is disclosed in the official statement or other public offering document pursuant to which such Bonds or a portion thereof are remarketed.

Section 14.08 Effectiveness of Supplemental Participation Agreement. Upon the execution pursuant to this Article and of applicable law by the Authority and the Company of any Supplemental Participation Agreement amending or supplementing the provisions of the Participation Agreement and the delivery to the Trustee of an Opinion of Bond Counsel that such Supplemental Participation Agreement is in due form, has been duly executed in accordance with the provisions hereof and applicable law and that the provisions thereof are valid (upon which opinion the Trustee, subject to the provisions of Section 11.04, shall be fully protected in relying), or upon such later date as may be specified in such Supplemental Participation Agreement, (i) the Participation Agreement shall be modified and amended in accordance with such Supplemental Participation Agreement; (ii) the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Authority and the Company shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modifications and amendments; and (iii) all of the terms and conditions of any such Supplemental Participation Agreement shall be a part of the terms and conditions thereof for any and all purposes.

Section 14.09 Amending and Supplementing the Remarketing Agreement, Auction Agency Agreement, Broker-Dealer Agreements or Bond Purchase Trust Agreement. Amendments of or supplements to the Remarketing Agreement, the Auction Agency Agreement, any Broker-Dealer Agreement or the Bond Purchase Trust Agreement shall be made only in accordance with the terms thereof.

ARTICLE XV.

DEFEASANCE; MONEYS HELD FOR PAYMENT OF DEFEASED BONDS

Section 15.01 Discharge of Liens and Pledges; Bonds No Longer Deemed to be Outstanding Hereunder. Bonds purchased pursuant to Section 5.03, 5.04, 5.08 or 5.09 shall continue to be Outstanding hereunder until such Bonds shall be cancelled in accordance with Section 5.15 or paid at maturity or redeemed pursuant to Article V or otherwise defeased. The obligations of the Authority under this Indenture and the liens, pledges, charges, trusts, covenants and agreements of the Authority, herein made or provided for, shall be, subject to the terms of Section 15.02, fully discharged and satisfied as to the Bonds or portion thereof and the Bonds shall no longer be deemed to be Outstanding hereunder:

(a) when the Bonds shall have been cancelled, or shall have been surrendered for cancellation and are subject to cancellation, or shall have been redeemed by the Trustee from monies held by it under this Indenture; or

(b) if the Bonds have not been cancelled or so surrendered for cancellation or subject to cancellation, or so redeemed, when (1) payment of the principal of and premium, if any, on the Bonds, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise) and of any Purchase Price which is or may become due on such Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust, and irrevocably appropriating and setting aside exclusively for such payments (A) monies sufficient to make such payment, or (B) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient and timely monies to make such payments when due, or (C) a combination of both such monies and Governmental Obligations, whichever the Authority deems to be in its best interest, (2) there shall have been delivered to the Trustee (x) a letter addressed to the Trustee from a nationally recognized firm of independent public accountants verifying the mathematical accuracy of the sufficiency of the deposit made pursuant to (ii) above and (y) an opinion of Bond Counsel to the effect that upon the provision of payment on the Bonds as described in (ii) above, the Bonds are no longer deemed to be Outstanding under the Indenture, and (3) all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds or portion thereof with respect to which such deposit is made, shall have been paid or the payment thereof provided to the satisfaction of the Trustee.

At such time as the Bonds shall be deemed to be no longer Outstanding hereunder, as aforesaid, such Bonds shall cease to accrue interest from the due date thereof (whether such due date occurs by reason of maturity, or upon redemption or prepayment or otherwise) and, except for the purposes of any such payment from such monies or Governmental Obligations and except, in the case of Auction Rate Bonds, to the extent provided in the definition of Outstanding in Article I shall no longer be secured by or entitled to the benefits of this Indenture.

Any such monies so deposited with the Trustee as provided in this Section may at the direction of the Company also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Trustee pursuant to this Section which is not required for the payment of the Bonds and interest thereon with respect to which such monies shall have been so deposited shall be paid to the Company or if any Bonds are then Outstanding, be deposited in the Bond Fund and credited to the Principal Account as and when realized and collected, for use and application as are other monies credited to such Account.

Anything in Article XV to the contrary notwithstanding, if monies or Governmental Obligations have been deposited or set aside with the Trustee pursuant to this Section for the payment of the Bonds, the Bonds shall be deemed to have been paid in full. No amendment to the provisions of this Article shall be made without the consent of the Holders of the Bonds affected thereby.

The Trustee shall promptly surrender any Support Facility (if appropriate for the type of instrument or instruments then serving as Support Facility) to the issuer of such Support Facility for cancellation or shall otherwise take appropriate action to terminate the Support Facility following any such defeasance.

Section 15.02 Release of Indenture, Termination of Right, Title and Interest of Trustee. When the Bonds shall be deemed to be paid in accordance with the provisions of Section 15.01, then and in the case all right, title and interest of the Trustee under this Indenture shall thereupon cease, determine and become void, and the Trustee in such case shall release this Indenture, shall execute such documents to evidence such release as may be reasonably required by the Authority and furnish the Authority with the same, and shall turn over to the Company any surplus monies and balances remaining in any of the Funds and Accounts created in or held under this Indenture, other than monies and Governmental Obligations held by it pursuant to Section 15.01 or the provisions of Section 15.03 for the redemption, payment or prepayment of the Bonds; otherwise, this Indenture shall be, continue and remain in full force and effect.

Notwithstanding the satisfaction and discharge of this Indenture, the rights of the Trustee and the Registrar and Paying Agent under Sections 11.02, 11.06 and 11.17 shall survive defeasance of the Bonds hereunder.

Section 15.03 Bonds Not Presented for Payment When Due; Monies Held for the Bonds after Due Date of Bonds. Subject to the provisions of the next sentence of this paragraph, if the Bonds shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof, or otherwise, and if monies or Governmental Obligations shall at such due date be held by the Trustee in trust for that purpose sufficient and available to pay the principal of and premium, if any, on the Bonds, together with all interest due on such principal to the due date thereof or to the date fixed for redemption thereof, all liability of the Authority and the Company for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold said monies or Governmental Obligations without liability to the Holders for

interest thereon, in trust for the benefit of the Holders, which thereafter shall be restricted exclusively to said monies or Governmental Obligations for any claim of whatever nature on its part on or with respect to the Bonds, including for any claim for the payment thereof. Any such monies or Governmental Obligations held by the Trustee for the Holders after the principal of the Bonds or any portion thereof with respect to which such monies or Governmental Obligations have been so set aside has become due and payable (whether at maturity or upon redemption or prepayment or otherwise) shall be deemed abandoned property when such monies or Governmental Obligations shall have remained unpaid or undelivered to the Holder or Holders entitled thereto for three years from the date the principal of the Bonds or any portion thereof has become due and payable and shall be subject to the laws of the State of New York relating to disposition of unclaimed property.

ARTICLE XVI

FORMS OF BONDS AND ENDORESEMENT AND ASSIGNMENT PROVISIONS

Section 16.01 Form of Bonds and Endorsement and Assignment Provisions. The form of Bond, the form of the certificate of authentication thereof, the form of endorsement to appear thereon and the form of assignment thereof shall be substantially in the form set forth in Appendix A hereto.

ARTICLE XVII
MISCELLANEOUS

Section 17.01 Benefits of Indenture Limited to Authority, Company, Trustee, Registrar and Paying Agent and Auction Agent and Holders of the Bonds. With the exception of rights or benefits herein expressly Bonds conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or should be construed to confer upon or give to any person other than the Authority, the Company, the Trustee, the Registrar and Paying Agent, the Auction Agent and the Holders of the Bonds any legal or equitable right, remedy or claim under or by reason of or in respect to this Indenture or any covenant, condition, stipulation, promise, agreement or provision herein contained. Unless otherwise expressly set forth herein, this Indenture and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Authority, the Company, the Trustee, the Registrar and Paying Agent, the Auction Agent and the Holders of the Bonds as herein and therein provided.

Section 17.02 Indenture a Contract; Indenture Binding Upon Successors or Assigns of the Authority. In consideration of the acceptance of the Bonds by any person who shall hold the same from time to time, each of the obligations, duties, limitations and restraints imposed by this Indenture upon the Authority or any employee thereof shall be deemed to be a covenant between the Authority and every Holder and this Indenture and every provision and covenant hereof shall be a contract by the Authority with the Holders of the Bonds issued hereunder to secure the full and final payment of the principal of, premium, if any, of and the interest on the Bonds executed and delivered hereunder. The provisions of the Act shall be a contract by the Authority with the Holders and the duties of the Authority and any employee thereof under the Act shall be enforceable by the Holders. This Indenture shall be enforceable by the Holders, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. The covenants and agreements herein set forth to be performed by the Authority and any employee thereof, shall be for the benefit, security and protection of the Holders. All the terms, provisions, conditions, covenants, warranties and agreements contained in this Indenture shall be binding upon the assigns of the Authority, and shall inure to the benefit of the Trustee, its successors or substitutes in trust and assigns, and the Holders.

Section 17.03 Notice to Holders of Bonds. Except as is otherwise provided in this Indenture, any provision for the mailing of a notice or other paper to the Holders shall be fully complied with if it is mailed postage prepaid, to the Holder of the Bonds at such Holder's address appearing upon the books of registry kept pursuant to Article VII.

Section 17.04 Waiver of Notice. Whenever in this Indenture the giving of notice by mail, publication, or otherwise is required, the giving of such notice may be waived by the person entitled to receive such notice, and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 17.05 Effect of Saturdays, Sundays and Non-Business Days. Except as otherwise specifically provided herein, whenever this Indenture requires any action to be taken on a Saturday, Sunday or other day which is not a Business Day, such action shall be taken on the first Business Day occurring thereafter. Except as otherwise specifically provided herein, whenever in this Indenture the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday or other day which is not a Business Day, such time shall continue to run until midnight on the next succeeding Business Day.

Section 17.06 Partial Invalidity. If any one or more of the covenants or agreements or portions thereof provided in this Indenture on the part of the Authority or the Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Indenture and the invalidity thereof shall in no way affect the validity of the other provisions of this Indenture or of the Bonds, but the Holders shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

If any provisions of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable or invalid in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatsoever.

Section 17.07 Law and Place of Enforcement of Indenture. This Indenture shall be construed and interpreted in accordance with the laws of the State of New York and all suits and actions arising out of this Indenture shall be instituted in a court of competent jurisdiction in the State of New York.

Section 17.08 Requests, Approvals and Directions of Authority. Whenever in this Indenture a request, approval, direction or other action is required of the Authority, such request, approval, direction or other action shall be in the form of and evidenced by a certificate of an Authorized Officer of the Authority unless otherwise provided herein.

Section 17.09 Notices, Demands; Requests. Except as otherwise set forth herein, all notices, demands, directions and requests to be given to or made hereunder by the Company, the Authority, the Trustee, the Remarketing Agent, the Auction Agent and the Registrar and Paying Agent shall be given or made in writing and shall be deemed to be properly given or made if sent by first class United States mail, postage prepaid, addressed as follows:

(a)	As to the Company	4 Irving Place New York, New York 10003 Attention: Secretary
(b)	As to the Authority	Corporate Plaza West 286 Washington Avenue Extension Albany, New York 12203 Attention: President
(c)	As to the Trustee	140 Broadway New York, New York 10005-1180 Attention: Corporate Trust Administration
(d)	As to the Auction Agent	at the address specified in the Auction Agency Agreement
(e)	As to the Remarketing Agents	at the address specified in the applicable Remarketing Agreement
(f)	As to the Registrar and Paying Agent	140 Broadway New York, New York 10005-1180 Attention: Corporate Trust Administration

Any such notice, demand, direction or request may also be transmitted to the appropriate above-mentioned party by telegram, telecopy, telex or similar means and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be in writing and sent as specified above.

Any notice, demand, direction or request given or transmitted to the Trustee or the Authority shall be effective only upon receipt.

Any of such addresses may be changed at any time upon written notice of such change sent by first-class United States mail, postage prepaid, to the other parties by the party affecting the change.

If the Bonds shall be rated by Moody's, the Trustee shall furnish to Moody's at 99 Church Street, New York, New York, Attention: Corporate Department Structured Finance Group or such other office as Moody's may designate to the Trustee, if the Bonds shall be rated by S&P, the Trustee shall furnish to S&P at 55 Water Street, New York, New York 10041, Attention: Letter of Credit Surveillance Group, and if the Bonds shall be rated by Fitch, the Trustee shall furnish to Fitch IBCA, Inc. at One State Street Plaza, New York, New York 10004, Attention: Letter of Credit Surveillance Group (i) a copy of each amendment to the Indenture, Participation Agreement, Bond Purchase Trust Agreement, and each Support Facility of which it has knowledge, (ii) notice of the termination, extension or expiration of any Support Facility, (iii) notice of the payment of all the Bonds (iv) notice of a Change in the Interest Rate Mode, and

(v) notice of any successor Trustee, Registrar and Paying Agent or Remarketing Agent; provided, however, that failure by the Trustee to so notify Moody's, S&P or Fitch shall not result in any liability on the part of the Trustee or affect the validity of such documents or actions.

Section 17.10 Effect of Article and Section Headings and Table of Contents. The heading or titles of the several Articles and Sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Indenture.

Section 17.11 Indenture May be Executed in Counterparts; Effectiveness of Indenture. This Indenture may be simultaneously executed in counterparts. Each such counterpart so executed shall be deemed to be an original, and all together shall constitute but one and the same instrument. This Indenture shall take effect immediately upon the execution and delivery hereof. Notwithstanding the actual date hereof, for convenience and purposes of reference this Indenture shall be dated as of July 1, 1999 and may be cited and referred to as the "Indenture dated as of July 1, 1999".

Section 17.12 Liability of Authority Limited to Revenues. Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required to advance any monies derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal or redemption price of or interest on the Bonds or for any other purpose of this Indenture. Pursuant to Section 5.08 of the Participation Agreement, the Company has agreed to indemnify and hold harmless the Authority and the Trustee from all liability arising hereunder.

Section 17.13 Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or premium, if any, or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed by its President, Vice President or Treasurer and its corporate seal to be hereunto affixed and attested by its Secretary, and the Trustee has caused this Indenture to be executed by its authorized officer, all as of the date first above written.

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

By */s/ F. William Valentino*
President
(SEAL)

Attest:

/s/ William M. Flynn
Secretary to the Board and Vice President
for Governmental Relations

HSBC BANK USA
as Trustee,

By */s/ James M. Foley*
Assistant Vice President