

CONSOLIDATED EDISON INC

Form 10-Q

August 06, 2015

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

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	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer ID. Number
1-14514	Consolidated Edison, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-3965100
1-1217	Consolidated Edison Company of New York, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-5009340

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.

Consolidated Edison, Inc. (Con Edison) Yes No

Consolidated Edison Company of New York, Inc. (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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Con Edison
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

CECONY

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Con Edison Yes No

CECONY Yes No

As of July 31, 2015, Con Edison had outstanding 292,871,896 Common Shares (\$.10 par value). All of the outstanding common equity of CECONY is held by Con Edison.

Filing Format

This Quarterly Report on Form 10-Q 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. 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.

Table of Contents

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.
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
Con Edison Transmission	Consolidated Edison Transmission, 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 Quasi-governmental Not-for-Profits	
EPA	U. S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
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
PAPUC	Pennsylvania Public Utility Commission
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission
Accounting	
ASU	Accounting Standards Update
FASB	Financial Accounting Standards Board
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	
CO ₂	Carbon dioxide
GHG	Greenhouse gases
MGP Sites	Manufactured gas plant sites
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes

Table of Contents

Units of Measure

AC	Alternating current
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	
AFUDC	Allowance for funds used during construction
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DER	Distributed energy resources
DSP	Distributed System Platform
Fitch	Fitch Ratings
First Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31 of the current year
Second Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended June 30 of the current year
Form 10-K	The Companies' combined Annual Report on Form 10-K for the year ended December 31, 2014
LTIP	Long Term Incentive Plan
Moody's	Moody's Investors Service
REV	Reforming the Energy Vision
S&P	Standard & Poor's Financial Services LLC
VaR	Value-at-Risk

Table of Contents

TABLE OF CONTENTS

	PAGE
<u>PART I—Financial Information</u>	
ITEM 1 <u>Financial Statements (Unaudited)</u>	
Con Edison	
<u>Consolidated Income Statement</u>	<u>6</u>
<u>Consolidated Statement of Comprehensive Income</u>	<u>7</u>
<u>Consolidated Statement of Cash Flows</u>	<u>8</u>
<u>Consolidated Balance Sheet</u>	<u>9</u>
<u>Consolidated Statement of Equity</u>	<u>11</u>
CECONY	
<u>Consolidated Income Statement</u>	<u>12</u>
<u>Consolidated Statement of Comprehensive Income</u>	<u>13</u>
<u>Consolidated Statement of Cash Flows</u>	<u>14</u>
<u>Consolidated Balance Sheet</u>	<u>15</u>
<u>Consolidated Statement of Shareholder’s Equity</u>	<u>17</u>
<u>Notes to the Financial Statements (Unaudited)</u>	<u>18</u>
ITEM 2 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>40</u>
ITEM 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
ITEM 4 <u>Controls and Procedures</u>	<u>67</u>
<u>PART II—Other Information</u>	<u>68</u>
ITEM 1 <u>Legal Proceedings</u>	<u>68</u>
ITEM 1A <u>Risk Factors</u>	<u>68</u>
ITEM 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>69</u>
ITEM 6 <u>Exhibits</u>	<u>70</u>
<u>Signatures</u>	<u>72</u>

Table of Contents

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:

- the Companies are extensively regulated and are subject to penalties;
- the Utilities’ rate plans may not provide a reasonable return;
- the Companies may be adversely affected by changes to the Utilities’ rate plans;
- the intentional misconduct of employees or contractors could adversely affect the Companies;
- the failure of, or damage to, the Companies’ facilities could adversely affect the Companies;
- a cyber attack could adversely affect the Companies;
- the Companies are exposed to risks from the environmental consequences of their operations;
- a disruption in the wholesale energy markets or failure by an energy supplier could adversely affect the Companies;
- the Companies have substantial unfunded pension and other postretirement benefit liabilities;
- Con Edison’s ability to pay dividends or interest depends on dividends from its subsidiaries;
- the Companies require access to capital markets to satisfy funding requirements;
- the Companies’ strategies may not be effective to address changes in the external business environment; and
- the Companies also face other risks that are beyond their control.

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Millions of Dollars/ Except Share Data)			
OPERATING REVENUES				
Electric	\$2,040	\$2,134	\$4,175	\$4,372
Gas	324	395	1,056	1,277
Steam	96	98	471	439
Non-utility	328	284	702	612
TOTAL OPERATING REVENUES	2,788	2,911	6,404	6,700
OPERATING EXPENSES				
Purchased power	660	783	1,544	1,746
Fuel	31	34	185	189
Gas purchased for resale	89	151	351	551
Other operations and maintenance	802	801	1,616	1,627
Depreciation and amortization	276	265	555	526
Taxes, other than income taxes	458	467	955	966
TOTAL OPERATING EXPENSES	2,316	2,501	5,206	5,605
Gain on sale of solar energy projects	—	45	—	45
OPERATING INCOME	472	455	1,198	1,140
OTHER INCOME (DEDUCTIONS)				
Investment and other income	14	14	19	25
Allowance for equity funds used during construction	1	1	2	3
Other deductions	(5)	(6)	(7)	(8)
TOTAL OTHER INCOME	10	9	14	20
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	482	464	1,212	1,160
INTEREST EXPENSE				
Interest on long-term debt	156	147	311	293
Other interest (income)	7	4	13	(5)
Allowance for borrowed funds used during construction	(1)	(1)	(1)	(2)
NET INTEREST EXPENSE	162	150	323	286
INCOME BEFORE INCOME TAX EXPENSE	320	314	889	874
INCOME TAX EXPENSE	101	102	300	300
NET INCOME FOR COMMON STOCK	\$219	\$212	\$589	\$574
Net income for common stock per common share—basic	\$0.75	\$0.73	\$2.01	\$1.96
Net income for common stock per common share—diluted	\$0.74	\$0.72	\$2.01	\$1.95
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$0.65	\$0.63	\$1.30	\$1.26
AVERAGE NUMBER OF SHARES OUTSTANDING—BASIC (IN MILLIONS)	292.9	292.9	292.9	292.9
AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED (IN MILLIONS)	294.0	294.0	293.9	294.0

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

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
	(Millions of Dollars)			
NET INCOME	\$219	\$212	\$589	\$574
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	1	6	5
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	1	6	5
COMPREHENSIVE INCOME FOR COMMON STOCK	\$220	\$213	\$595	\$579

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

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended	
	June 30,	2014
	2015	2014
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	\$589	\$574
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	555	526
Deferred income taxes	202	162
Rate case amortization and accruals	(20)	61
Common equity component of allowance for funds used during construction	(2)	(3)
Net derivative gains (loss)	8	(15)
Pre-tax gain on sale of solar electric production projects	—	(45)
Other non-cash items (net)	18	(6)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable – customers, less allowance for uncollectibles	35	24
Special deposits	4	312
Materials and supplies, including fuel oil and gas in storage	48	40
Other receivables and other current assets	(21)	2
Income taxes receivable	224	—
Prepayments	(144)	(11)
Accounts payable	(158)	21
Pensions and retiree benefits obligations (net)	379	404
Pensions and retiree benefits contributions	(407)	(406)
Accrued taxes	(20)	(407)
Accrued interest	(1)	(76)
Superfund and environmental remediation costs (net)	15	16
Distributions from equity investments related to renewable electric production projects	18	—
Deferred charges, noncurrent assets and other regulatory assets	(3)	(35)
Deferred credits and other regulatory liabilities	136	158
Other current and noncurrent liabilities	31	(39)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,486	1,257
INVESTING ACTIVITIES		
Utility construction expenditures	(1,174)	(1,073)
Cost of removal less salvage	(105)	(99)
Non-utility construction expenditures	(178)	(113)
Investments in/acquisitions of renewable electric production projects	(252)	(107)
Proceeds from grants related to solar electric production projects	—	36
Proceeds from sale of solar electric production projects	—	108
Return of equity investments related to renewable electric production projects	6	—
Restricted cash	(22)	15
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,725)	(1,233)
FINANCING ACTIVITIES		
Net issuance of short-term debt	445	80
Issuance of long-term debt	238	850
Retirement of long-term debt	(45)	(478)
Debt issuance costs	(2)	(6)

Edgar Filing: CONSOLIDATED EDISON INC - Form 10-Q

Common stock dividends	(380)	(368)
Issuance of common shares for stock plans, net of repurchases	(7)	(2)
NET CASH FLOWS FROM FINANCING ACTIVITIES	249	76
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	10	100
BALANCE AT BEGINNING OF PERIOD	699	674
BALANCE AT END OF PERIOD	\$709	\$774
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid/(received) during the period for:		
Interest	\$305	\$277
Income taxes	\$(9)	\$518
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	\$213	\$140
The accompanying notes are an integral part of these financial statements.		

8

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2015	December 31, 2014
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$709	\$699
Special deposits	4	8
Accounts receivable – customers, less allowance for uncollectible accounts of \$91 and \$96 in 2015 and 2014, respectively	1,084	1,201
Other receivables, less allowance for uncollectible accounts of \$10 in 2015 and 2014	255	133
Income taxes receivable	—	224
Accrued unbilled revenue	361	500
Fuel oil, gas in storage, materials and supplies, at average cost	321	372
Prepayments	307	163
Regulatory assets	75	148
Deferred tax assets	173	128
Assets held for sale	167	—
Other current assets	223	278
TOTAL CURRENT ASSETS	3,679	3,854
INVESTMENTS	848	816
UTILITY PLANT, AT ORIGINAL COST		
Electric	25,741	25,091
Gas	6,329	6,102
Steam	2,288	2,251
General	2,517	2,465
TOTAL	36,875	35,909
Less: Accumulated depreciation	7,826	7,614
Net	29,049	28,295
Construction work in progress	996	1,031
NET UTILITY PLANT	30,045	29,326
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of \$85 and \$91 in 2015 and 2014, respectively	475	388
Construction work in progress	403	113
NET PLANT	30,923	29,827
OTHER NONCURRENT ASSETS		
Goodwill	429	429
Intangible assets, less accumulated amortization of \$4 in 2015 and 2014	3	3
Regulatory assets	8,646	9,156
Other deferred charges and noncurrent assets	223	223
TOTAL OTHER NONCURRENT ASSETS	9,301	9,811
TOTAL ASSETS	\$44,751	\$44,308

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

Table of ContentsConsolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2015	December 31, 2014
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	\$460	\$560
Notes payable	1,245	800
Accounts payable	845	1,019
Customer deposits	348	344
Accrued taxes	52	72
Accrued interest	131	132
Accrued wages	100	95
Fair value of derivative liabilities	32	64
Regulatory liabilities	142	187
Liabilities held for sale	91	—
Other current liabilities	489	508
TOTAL CURRENT LIABILITIES	3,935	3,781
NONCURRENT LIABILITIES		
Provision for injuries and damages	186	182
Pensions and retiree benefits	3,420	3,914
Superfund and other environmental costs	751	764
Asset retirement obligations	193	188
Fair value of derivative liabilities	24	13
Deferred income taxes and investment tax credits	9,408	9,076
Regulatory liabilities	1,947	1,993
Other deferred credits and noncurrent liabilities	165	181
TOTAL NONCURRENT LIABILITIES	16,094	16,311
LONG-TERM DEBT	11,925	11,631
EQUITY		
Common shareholders' equity	12,788	12,576
Noncontrolling interest	9	9
TOTAL EQUITY (See Statement of Equity)	12,797	12,585
TOTAL LIABILITIES AND EQUITY	\$44,751	\$44,308

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

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(Millions of Dollars/Except Share Data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest	Total
	Shares	Amount			Shares	Amount				
BALANCE AS OF DECEMBER 31, 2013	292,872,396	\$32	\$4,995	\$8,338	23,210,200	\$(1,084)	\$(25)	\$—	\$12,245	
Net income for common stock			361						361	
Common stock dividends			(184)						(184)	
Issuance of common shares for stock plans, net of repurchases	51,656		(2)		(51,656)	2			—	
Other comprehensive income							4		4	
Noncontrolling interest								—	—	
BALANCE AS OF MARCH 31, 2014	292,924,052	\$32	\$4,993	\$8,515	23,158,544	\$(1,080)	\$(21)	\$—	\$12,426	
Net income for common stock			212						212	
Common stock dividends			(184)						(184)	
Issuance of common shares for stock plans, net of repurchases	(45,658)		—		45,658	—			—	
Other comprehensive income							1		1	
Noncontrolling interest								—	—	
BALANCE AS OF JUNE 30, 2014	292,878,394	\$32	\$4,993	\$8,543	23,204,202	\$(1,080)	\$(20)	\$—	\$12,455	
BALANCE AS OF DECEMBER 31, 2014	292,876,196	\$32	\$4,991	\$8,691	23,206,400	\$(1,080)	\$(45)	\$9	\$12,585	
Net income for common stock			370						370	
Common stock dividends			(190)						(190)	
Issuance of common shares for	24,600		2		(24,600)	(2)			—	

stock plans, net of repurchases									
Other comprehensive income						5			5
Noncontrolling interest								—	—
BALANCE AS OF MARCH 31, 2015	292,900,796	\$32	\$4,993\$8,871	23,181,800	\$(1,086)	\$(40)		\$9	\$12,770
Net income for common stock			219						219
Common stock dividends			(190)						(190)
Issuance of common shares for stock plans, net of repurchases	(28,134)	—	28,134	(3)				(3)
Other comprehensive income						1			1
Noncontrolling interest								—	—
BALANCE AS OF JUNE 30, 2015	292,872,662	\$32	\$4,993\$8,900	23,209,934	\$(1,086)	\$(39)		\$9	\$12,797

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

Table of ContentsConsolidated Edison Company of New York, Inc.
CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Millions of Dollars)			
OPERATING REVENUES				
Electric	\$1,879	\$1,978	\$3,858	\$4,053
Gas	308	360	963	1,149
Steam	96	98	471	439
TOTAL OPERATING REVENUES	2,283	2,436	5,292	5,641
OPERATING EXPENSES				
Purchased power	358	517	897	1,135
Fuel	31	34	185	189
Gas purchased for resale	54	104	252	451
Other operations and maintenance	687	699	1,390	1,424
Depreciation and amortization	254	247	511	486
Taxes, other than income taxes	439	449	914	926
TOTAL OPERATING EXPENSES	1,823	2,050	4,149	4,611
OPERATING INCOME	460	386	1,143	1,030
OTHER INCOME (DEDUCTIONS)				
Investment and other income	2	1	3	8
Allowance for equity funds used during construction	1	1	2	1
Other deductions	(5)	(5)	(6)	(7)
TOTAL OTHER INCOME (DEDUCTIONS)	(2)	(3)	(1)	2
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	458	383	1,142	1,032
INTEREST EXPENSE				
Interest on long-term debt	141	130	282	258
Other interest	5	3	9	7
Allowance for borrowed funds used during construction	—	—	(1)	(1)
NET INTEREST EXPENSE	146	133	290	264
INCOME BEFORE INCOME TAX EXPENSE	312	250	852	768
INCOME TAX EXPENSE	101	78	293	262
NET INCOME FOR COMMON STOCK	\$211	\$172	\$559	\$506

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

Table of Contents

Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For The Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
	(Millions of Dollars)			
NET INCOME	\$211	\$172	\$559	\$506
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	—	1	1
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	—	1	1
COMPREHENSIVE INCOME	\$212	\$172	\$560	\$507

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

Table of Contents

Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended June 30,	
	2015	2014
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	\$559	\$506
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	511	486
Deferred income taxes	135	135
Rate case amortization and accruals	(32)	55
Common equity component of allowance for funds used during construction	(2)	(2)
Other non-cash items (net)	(10)	(17)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable – customers, less allowance for uncollectibles	53	44
Materials and supplies, including fuel oil and gas in storage	42	37
Other receivables and other current assets	11	(93)
Accounts receivable from affiliated companies	(4)	—
Prepayments	18	13
Accounts payable	(101)	(71)
Pensions and retiree benefits obligations (net)	360	382
Pensions and retiree benefits contributions	(406)	(405)
Superfund and environmental remediation costs (net)	14	17
Accrued taxes	(1)	(240)
Accrued taxes to affiliated companies	(10)	—
Accrued interest	(1)	12
Deferred charges, noncurrent assets and other regulatory assets	(22)	(86)
Deferred credits and other regulatory liabilities	119	142
Other current and noncurrent liabilities	(31)	(33)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,202	882
INVESTING ACTIVITIES		
Utility construction expenditures	(1,108)	(1,007)
Cost of removal less salvage	(101)	(97)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,209)	(1,104)
FINANCING ACTIVITIES		
Net issuance of short-term debt	545	272
Issuance of long-term debt	—	850
Retirement of long-term debt	—	(475)
Debt issuance costs	(1)	(6)
Dividend to parent	(516)	(356)
NET CASH FLOWS FROM FINANCING ACTIVITIES	28	285
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	21	63
BALANCE AT BEGINNING OF PERIOD	645	633
BALANCE AT END OF PERIOD	\$666	\$696
Supplemental disclosure of cash flow information		
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		

Edgar Filing: CONSOLIDATED EDISON INC - Form 10-Q

Cash paid during the period for:

Interest	\$277	\$248
Income taxes	\$160	\$392

SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION

Construction expenditures in accounts payable	\$151	\$119
---	-------	-------

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

Table of ContentsConsolidated Edison Company of New York, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2015	December 31, 2014
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$666	\$645
Special deposits	2	2
Accounts receivable – customers, less allowance for uncollectible accounts of \$86 and \$90 in 2015 and 2014, respectively	1,011	1,064
Other receivables, less allowance for uncollectible accounts of \$8 in 2015 and 2014	56	71
Accrued unbilled revenue	329	384
Accounts receivable from affiliated companies	136	132
Fuel oil, gas in storage, materials and supplies, at average cost	270	312
Prepayments	108	126
Regulatory assets	60	132
Deferred tax assets	144	94
Other current assets	157	158
TOTAL CURRENT ASSETS	2,939	3,120
INVESTMENTS	296	271
UTILITY PLANT AT ORIGINAL COST		
Electric	24,219	23,599
Gas	5,679	5,469
Steam	2,288	2,251
General	2,310	2,265
TOTAL	34,496	33,584
Less: Accumulated depreciation	7,161	6,970
Net	27,335	26,614
Construction work in progress	935	971
NET UTILITY PLANT	28,270	27,585
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of \$25 in 2015 and 2014	5	5
NET PLANT	28,275	27,590
OTHER NONCURRENT ASSETS		
Regulatory assets	8,011	8,481
Other deferred charges and noncurrent assets	180	175
TOTAL OTHER NONCURRENT ASSETS	8,191	8,656
TOTAL ASSETS	\$39,701	\$39,637

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

Table of ContentsConsolidated Edison Company of New York, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2015	December 31, 2014
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	\$350	\$350
Notes payable	995	450
Accounts payable	657	802
Accounts payable to affiliated companies	28	23
Customer deposits	333	330
Accrued taxes	45	46
Accrued taxes to affiliated companies	—	10
Accrued interest	116	117
Accrued wages	93	84
Fair value of derivative liabilities	23	48
Regulatory liabilities	107	142
Other current liabilities	381	415
TOTAL CURRENT LIABILITIES	3,128	2,817
NONCURRENT LIABILITIES		
Provision for injuries and damages	180	176
Pensions and retiree benefits	3,011	3,493
Superfund and other environmental costs	656	666
Asset retirement obligations	189	185
Fair value of derivative liabilities	19	10
Deferred income taxes and investment tax credits	8,516	8,257
Regulatory liabilities	1,772	1,837
Other deferred credits and noncurrent liabilities	133	144
TOTAL NONCURRENT LIABILITIES	14,476	14,768
LONG-TERM DEBT	10,865	10,864
COMMON SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)	11,232	11,188
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$39,701	\$39,637

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

Table of Contents

Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY (UNAUDITED)

(Millions of Dollars/Except Share Data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Repurchased Con Edison Stock	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	
	Shares	Amount					Total	
BALANCE AS OF DECEMBER 31, 2013	235,488,094	\$589	\$4,234	\$7,053	\$(962)	\$(61)	\$(6)	\$10,847
Net income				334				334
Common stock dividend to parent				(178)				(178)
Other comprehensive income							1	1
BALANCE AS OF MARCH 31, 2014	235,488,094	\$589	\$4,234	\$7,209	\$(962)	\$(61)	\$(5)	\$11,004
Net income				172				172
Common stock dividend to parent				(178)				(178)
Other comprehensive income							—	—
BALANCE AS OF JUNE 30, 2014	235,488,094	\$589	\$4,234	\$7,203	\$(962)	\$(61)	\$(5)	\$10,998
BALANCE AS OF DECEMBER 31, 2014	235,488,094	\$589	\$4,234	\$7,399	\$(962)	\$(61)	\$(11)	\$11,188
Net income				348				348
Common stock dividend to parent				(338)				(338)
Other comprehensive income							—	—
BALANCE AS OF MARCH 31, 2015	235,488,094	\$589	\$4,234	\$7,409	\$(962)	\$(61)	\$(11)	\$11,198
Net income				211				211
Common stock dividend to parent				(178)				(178)
Other comprehensive income							1	1
BALANCE AS OF JUNE 30, 2015	235,488,094	\$589	\$4,234	\$7,442	\$(962)	\$(61)	\$(10)	\$11,232

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

Table of Contents

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

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 Con Edison's other utility subsidiary, Orange and Rockland Utilities, Inc. (O&R) and Con Edison's competitive energy businesses (discussed below) 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.

The separate interim consolidated financial statements of each of the Companies are unaudited but, in the opinion of their respective managements, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The Companies' separate interim consolidated financial statements should be read together with their separate audited financial statements (including the combined notes thereto) included in Item 8 of their combined Annual Report on Form 10-K for the year ended December 31, 2014 and their separate unaudited financial statements (including the combined notes thereto) included in Part I, Item 1 of their combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015. Certain prior period amounts have been reclassified to conform to the current period presentation.

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 subsidiaries, provides electric service in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania and gas service in southeastern New York and adjacent areas of eastern Pennsylvania. Con Edison has the following competitive energy businesses: Consolidated Edison Solutions, Inc. (Con Edison Solutions), a company which sells to retail customers electricity purchased in wholesale markets (see Note O), enters into related hedging transactions and also provides energy-related products and services to retail customers; Consolidated Edison Energy, Inc. (Con Edison Energy), a company that provides energy-related products and services to wholesale customers; and Consolidated Edison Development, Inc. (Con Edison Development), a company that develops, owns and operates renewable and energy infrastructure projects. In addition, in 2014 Con Edison formed Consolidated Edison Transmission, LLC (Con Edison Transmission) to invest in a transmission company. See information about Con Edison Transmission under "Guarantees" in Note H.

Note A – Summary of Significant Accounting Policies

Earnings Per Common Share

For the three and six months ended June 30, 2015 and 2014, basic and diluted earnings per share (EPS) for Con Edison are calculated as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Millions of Dollars, except per share amounts/Shares in Millions)	2015	2014	2015	2014
Net income for common stock	\$219	\$212	\$589	\$574
Weighted average common shares outstanding – basic	292.9	292.9	292.9	292.9
Add: Incremental shares attributable to effect of potentially dilutive securities	1.1	1.1	1.0	1.1
Adjusted weighted average common shares outstanding – diluted	294.0	294.0	293.9	294.0
Net Income for common stock per common share – basic	\$0.75	\$0.73	\$2.01	\$1.96

Edgar Filing: CONSOLIDATED EDISON INC - Form 10-Q

Net Income for common stock per common share – diluted	\$0.74	\$0.72	\$2.01	\$1.95
--	--------	--------	--------	--------

The computation of diluted EPS for the three and six months ended June 30, 2015 and 2014 excludes immaterial amounts of performance share awards that were not included because of their anti-dilutive effect.

Table of Contents

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

For the three and six months ended June 30, 2015 and 2014, changes to accumulated other comprehensive income/(loss) (OCI) for Con Edison and CECONY are as follows:

(Millions of Dollars)	For the Three Months Ended June 30,			
	Con Edison		CECONY	
	2015	2014	2015	2014
Beginning balance, accumulated OCI, net of taxes (a)	\$(40)	\$(21)	\$(11)	\$(5)
Amounts reclassified from accumulated OCI related to pension plan liabilities net of tax of \$(1) for Con Edison in 2015 and 2014 (a)(b)	1	1	1	—
Current period OCI, net of taxes	1	1	1	—
Ending balance, accumulated OCI, net of taxes	\$(39)	\$(20)	\$(10)	\$(5)

(Millions of Dollars)	For the Six Months Ended June 30,			
	Con Edison		CECONY	
	2015	2014	2015	2014
Beginning balance, accumulated OCI, net of taxes (a)	\$(45)	\$(25)	\$(11)	\$(6)
OCI before reclassifications, net of tax of \$(2) and \$(1) for Con Edison in 2015 and 2014, respectively	3	2	—	—
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of \$(2) for Con Edison in 2015 and 2014 (a)(b)	3	3	1	1
Current period OCI, net of taxes	6	5	1	1
Ending balance, accumulated OCI, net of taxes	\$(39)	\$(20)	\$(10)	\$(5)

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

(b) For the portion of unrecognized pension and other postretirement benefit costs relating to the regulated 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.

Reclassifications and Revisions

Prior period amounts have been reclassified where necessary to conform to the current period presentation.

Table of Contents

Note B — Regulatory Matters

Rate Plans

CECONY — Electric

In June 2015, the New York State Public Service Commission (NYSPSC) approved an April 2015 Joint Proposal entered into by CECONY, the staff of the NYSPSC and other parties. Under the Joint Proposal, the rate plan for 2016 does not include a rate increase or decrease. The rate plan for 2016 includes additional revenues from the amortization to income of net regulatory liabilities. The following table contains a summary of the rate plan for 2016:

Effective period	January 2016 – December 2016
Base rate changes	None (a)
Amortizations to income of net regulatory (assets) and liabilities	Additional \$123 million of net regulatory liabilities (b).
Other revenue sources	Continued retention of \$90 million of annual transmission congestion revenues.
Revenue decoupling mechanism	Continued reconciliation of actual electric delivery revenues to those authorized in the rate plan.
Recoverable energy costs	Continued current rate recovery of purchased power and fuel costs (c).
Negative revenue adjustments	Continued potential penalties (up to \$400 million annually) if certain performance targets are not met.
Cost reconciliations	Continued reconciliation of expenses for pension and other postretirement benefits, variable-rate tax-exempt debt, major storms, property taxes (d), municipal infrastructure support, the impact of new laws and environmental remediation to amounts reflected in rates.
Net utility plant reconciliations	Target levels reflected in rates are as follows: Transmission and distribution: \$17,929 million Storm hardening: \$268 million Other: \$2,069 million
Average rate base	\$18,282 million
Weighted average cost of capital (after-tax)	6.91 percent
Authorized return on common equity	9.0 percent
Earnings sharing	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets for environmental remediation and other costs.
Cost of long-term debt	5.09 percent
Common equity ratio	48 percent

The impact of 2014 and 2015 base rate changes under the current electric rate plan will continue to be deferred. \$249 million of annual revenues collected from electric customers will continue to be subject to potential refund (a) following NYSPSC staff review of certain costs. Revenues will continue to include \$21 million as funding for major storm reserve.

Annual amortization of \$107 million of the regulatory asset for deferred Superstorm Sandy and other major storm (b) costs will continue. The costs recoverable from customers will be reduced by \$4 million. The costs will no longer be subject to NYSPSC staff review and the recovery of the costs will no longer be subject to refund.

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 (c) transmission service. In January 2014, PJM submitted to the Federal Energy Regulatory Commission (FERC) a request that would substantially increase the charges for the transmission service. FERC has granted the request and rejected CECONY's protests. CECONY is challenging the FERC's decision.

Deferrals for property taxes will continue to be limited to 90 percent of the difference from amounts reflected in (d) 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 and Gas

In June 2015, O&R entered into a Joint Proposal with the NYSPSC staff and other parties for new electric and gas rate plans. Under the Joint Proposal, which is subject to NYSPSC review and approval, the new rate plans would be effective November 2015. The following tables contain a summary of the new rate plans:

Table of Contents

O&R New York - Electric	
Effective period	November 2015 - October 2017
Base rate changes	Yr. 1 - \$9.3 million Yr. 2 - \$8.8 million
Amortizations to income of net regulatory (assets) and liabilities (a)	Yr. 1 - \$(8.5) million Yr. 2 - \$(9.4) million
Revenue decoupling mechanism	Continued reconciliation of actual electric delivery revenues to those authorized in the rate plan.
Recoverable energy costs	Continued current rate recovery of purchased power costs.
Negative revenue adjustments	Potential penalties (up to \$4 million annually) if certain performance targets are not met.
Cost reconciliations	Continued reconciliation of expenses for pension and other postretirement benefits, property taxes, the impact of new laws and environmental remediation to amounts reflected in rates. Target levels reflected in rates are:
Net utility plant reconciliations (b)	Yr. 1 - \$928 million Yr. 2 - \$970 million
Average rate base	Yr. 1 - \$763 million Yr. 2 - \$805 million
Weighted average cost of capital (after-tax)	Yr. 1 - 7.10 percent Yr. 2 - 7.06 percent
Authorized return on common equity	9.0 percent
Earnings sharing	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets.
Cost of long-term debt	Yr. 1 - 5.42 percent Yr. 2 - 5.35 percent
Common equity ratio	48 percent
(a)	The Joint Proposal provides that the company should be allowed to recover from customers \$59.3 million of its regulatory asset for deferred storm costs 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. The Joint Proposal also provides that a total of 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.
(b)	Excludes electric advanced metering infrastructure 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.

Table of Contents

O&R New York - Gas	November 2015 - October 2018
Effective period	Yr. 1 - \$27.5 million
Base rate changes (a)	Yr. 2 - \$4.4 million
	Yr. 3 - \$6.7 million
Amortizations to income of net regulatory (assets) and liabilities (b)	Yr. 1 - \$(1.7) million
	Yr. 2 - \$(2.1) million
	Yr. 3 - \$(2.5) million
Revenue decoupling mechanism	Continued reconciliation of actual gas delivery revenues to those authorized in the rate plan, including through weather normalization clause.
Recoverable energy costs	Continued current rate recovery of purchased gas costs.
Negative revenue adjustments	Potential penalties (up to \$3.7 million in Yr. 1, \$4.7 million in Yr. 2 and \$5.8 million in Yr. 3) if certain performance targets are not met.
Cost reconciliations	Continued reconciliation of expenses for pension and other postretirement benefits, property taxes, the impact of new laws and environmental remediation to amounts reflected in rates.
	Target levels reflected in rates are:
Net utility plant reconciliations (c)	Yr. 1 - \$492 million
	Yr. 2 - \$518 million
	Yr. 3 - \$546 million
Average rate base	Yr. 1 - \$366 million
	Yr. 2 - \$391 million
	Yr. 3 - \$417 million
Weighted average cost of capital (after-tax)	Yr. 1 - 7.10 percent
	Yr. 2 - 7.06 percent
	Yr. 3 - 7.06 percent
Authorized return on common equity	9.0 percent
Earnings sharing	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets.
Cost of long-term debt	Yr. 1 - 5.42 percent
	Yr. 2 - 5.35 percent
	Yr. 3 - 5.35 percent
Common equity ratio	48 percent
(a)	The base rate changes may be implemented, at the NYSPSC's option, with increases of \$16.4 million in each of years 1 and 2 and an increase of \$5.8 million, together with a surcharge of \$10.6 million, in year 3.
(b)	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.
(c)	Excludes gas advanced metering infrastructure 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.

Other Regulatory Matters

In February 2009, the NYSPSC commenced a proceeding to examine the prudence of certain CECONY expenditures following the arrests of employees for accepting illegal payments from a construction contractor. Subsequently, additional employees were arrested for accepting illegal payments from materials suppliers and an engineering firm. The arrested employees were terminated by the company and have pled guilty or been convicted. Pursuant to NYSPSC orders, a portion of the company's revenues (currently, \$249 million, \$32 million and \$6 million on an

annual basis for electric, gas and steam service, respectively) is being collected subject to potential refund to customers. The amount of electric revenues collected subject to refund, which was established in a different proceeding, and the amount of gas and steam revenues collected subject to refund were not established as indicative of the company's potential liability in this proceeding. At June 30, 2015, the company had collected an estimated \$1,818 million from customers subject to potential refund in connection with this proceeding. In January 2013, a NYSPSC consultant reported its estimate, with which the company does not agree, of \$208 million of overcharges with respect to a substantial portion of the company's construction expenditures from January 2000 to January 2009. The company is disputing the consultant's estimate, including its determinations as to overcharges regarding specific construction expenditures it selected to review and its methodology of extrapolating such determinations over a substantial portion of the construction expenditures during this period. The NYSPSC's consultant has not reviewed the company's other expenditures. The company and NYSPSC staff are exploring a settlement in this proceeding. In May 2014, the NYSPSC's Chief Administrative Law Judge appointed a settlement judge to assist the parties. There is no assurance that there will be a settlement, and any settlement would be subject to NYSPSC approval. At June 30, 2015, the company had a \$103 million regulatory liability relating to this matter. The company currently estimates that any additional amount the NYSPSC requires the company to refund to customers in excess of the regulatory liability accrued could range up to an amount based on the NYSPSC consultant's \$208 million estimate of overcharges.

Table of Contents

In late October 2012, Superstorm Sandy caused extensive damage to the Utilities' electric distribution system and interrupted service to approximately 1.4 million customers. Superstorm Sandy also damaged CECONY's steam system and interrupted service to many of its steam customers. As of June 30, 2015, CECONY and O&R incurred response and restoration costs for Superstorm Sandy of \$507 million and \$91 million, respectively (including capital expenditures of \$147 million and \$15 million, respectively). Most of the costs that were not capitalized were deferred for recovery as a regulatory asset under the Utilities' electric rate plans. Collection from customers of these costs is provided for under CECONY's current electric rate plan, the June 2015 Joint Proposal with respect to O&R's electric rates (which is subject to NYSPSC approval) and RECO's current electric rate plan. See "Rate Plans," above. In June 2014, the NYSPSC initiated a proceeding to investigate the practices of qualifying persons to perform plastic fusions on gas facilities. New York State regulations require gas utilities to qualify and, except in certain circumstances, annually requalify workers that perform fusion to join plastic pipe. The NYSPSC directed the New York gas utilities to provide information in this proceeding about their compliance with the qualification and requalification requirements and related matters; their procedures for compliance with all gas safety regulations; and their annual chief executive officer certifications regarding these and other procedures. CECONY's qualification and requalification procedures had not included certain required testing to evaluate specimen fuses. In addition, CECONY and O&R had not timely requalified certain workers that had been qualified under their respective procedures to perform fusion to join plastic pipe. CECONY and O&R have requalified their workers who perform plastic pipe fusions. In May 2015, the NYSPSC, which indicated that it would address enforcement at a later date, ordered CECONY, O&R and other gas utilities to perform risk assessment and remediation plans, additional leakage surveying and reporting; CECONY to hire an independent statistician to develop a risk assessment and remediation plan; and the gas utilities to implement certain new plastic fusion requirements.

Table of Contents

Regulatory Assets and Liabilities

Regulatory assets and liabilities at June 30, 2015 and December 31, 2014 were comprised of the following items:

(Millions of Dollars)	Con Edison		CECONY	
	2015	2014	2015	2014
Regulatory assets				
Unrecognized pension and other postretirement costs	\$4,400	\$4,846	\$4,191	\$4,609
Future income tax	2,326	2,273	2,216	2,166
Environmental remediation costs	897	925	796	820
Deferred storm costs	254	319	167	224
Revenue taxes	227	219	215	208
Pension and other postretirement benefits deferrals	54	66	27	42
Net electric deferrals	54	63	53	63
Unamortized loss on reacquired debt	54	57	51	55
Deferred derivative losses	46	25	41	23
Surcharge for New York State assessment	40	99	38	92
O&R property tax reconciliation	40	36	—	—
Preferred stock redemption	27	27	27	27
O&R transition bond charges	24	27	—	—
Workers' compensation	10	8	10	8
Recoverable energy costs	—	19	—	17
Other	193	147	179	127
Regulatory assets – noncurrent	8,646	9,156	8,011	8,481
Deferred derivative losses	65	97	60	92
Future income tax	8	10	—	—
Recoverable energy costs	2	41	—	40
Regulatory assets – current	75	148	60	132
Total Regulatory Assets	\$8,721	\$9,304	\$8,071	\$8,613
Regulatory liabilities				
Allowance for cost of removal less salvage	\$620	\$598	\$518	\$499
Property tax reconciliation	300	295	300	295
Base rate change deferrals	146	155	146	155
Net unbilled revenue deferrals	116	138	116	138
Prudence proceeding	103	105	103	105
Pension and other postretirement benefit deferrals	83	46	59	37
Variable-rate tax-exempt debt – cost rate reconciliation	80	78	69	78
Property tax refunds	65	87	65	87
New York State income tax rate change	64	62	61	59
Carrying charges on repair allowance and bonus depreciation	52	58	50	57
World Trade Center settlement proceeds	31	41	31	41
Net utility plant reconciliations	22	21	23	20
Earnings sharing – electric	21	19	21	18
Unrecognized other postretirement costs	17	—	17	—
Other	227	290	193	248
Regulatory liabilities – noncurrent	1,947	1,993	1,772	1,837
Refundable energy costs	72	128	39	84
Revenue decoupling mechanism	42	30	41	30
Future income tax	22	24	21	24
Deferred derivative gains	6	5	6	4

Edgar Filing: CONSOLIDATED EDISON INC - Form 10-Q

Regulatory liabilities – current	142	187	107	142
Total Regulatory Liabilities	\$2,089	\$2,180	\$1,879	\$1,979

Table of Contents

Note C — Capitalization

In June 2015, O&R issued \$120 million aggregate principal amount of 4.95 percent debentures, due 2045. Also in June 2015, a Con Edison Development subsidiary issued \$118 million aggregate principal amount of 3.94 percent Senior Notes, due 2036. The Notes are secured by four of the company's solar projects.

The carrying amounts and fair values of long-term debt at June 30, 2015 and December 31, 2014 are:

(Millions of Dollars)	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt (including current portion)				
Con Edison	\$12,385	\$13,498	\$12,191	\$13,998
CECONY	\$11,215	\$12,206	\$11,214	\$12,846

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, \$12,862 million and \$636 million of the fair value of long-term debt at June 30, 2015 are classified as Level 2 and Level 3, respectively. For CECONY, \$11,570 million and \$636 million of the fair value of long-term debt at June 30, 2015 are classified as Level 2 and Level 3, respectively (see Note L). 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.

Note D — Short-Term Borrowing

At June 30, 2015, Con Edison had \$1,245 million of commercial paper outstanding of which \$995 million was outstanding under CECONY's program. The weighted average interest rate at June 30, 2015 was 0.4 percent for both Con Edison and CECONY. At December 31, 2014, Con Edison had \$800 million of commercial paper outstanding of which \$450 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2014 was 0.4 percent for both Con Edison and CECONY.

At June 30, 2015 and December 31, 2014, no loans were outstanding under the credit agreement (Credit Agreement) and \$56 million (including \$11 million for CECONY) and \$11 million (including \$11 million for CECONY), respectively, of letters of credit were outstanding under the Credit Agreement.

Note E — Pension Benefits

Total Periodic Benefit Cost

The components of the Companies' total periodic benefit costs for the three and six months ended June 30, 2015 and 2014 were as follows:

(Millions of Dollars)	For the Three Months Ended June 30,			
	Con Edison		CECONY	
	2015	2014	2015	2014
Service cost – including administrative expenses	\$74	\$57	\$70	\$53
Interest cost on projected benefit obligation	144	143	135	134
Expected return on plan assets	(222)	(208)	(210)	(198)
Recognition of net actuarial loss	194	154	183	146
Recognition of prior service costs	1	1	—	1
NET PERIODIC BENEFIT COST	\$191	\$147	\$178	\$136
Amortization of regulatory asset	1	1	1	1
TOTAL PERIODIC BENEFIT COST	\$192	\$148	\$179	\$137