

CONSOLIDATED EDISON INC
 Form 10-Q
 August 03, 2006
Table of Contents

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended JUNE 30, 2006

OR

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

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 each 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, and (2) has been subject to such filing requirements for the past 90 days. Yes No (See Filing Format on next page)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Con Edison	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>
Con Edison of New York	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>

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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

Con Edison of New York Yes No

As of the close of business on July 31, 2006 Con Edison had outstanding 246,466,627 Common Shares (\$.10 par value). Con Edison owns all of the outstanding common equity of Con Edison of New York.

Table of Contents

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. (Con Edison of New York). Con Edison of New York is a subsidiary of Con Edison and, as such, the information in this report about Con Edison of New York also applies to Con Edison. As used in this report, the term the Companies refers to each of the two separate registrants: Con Edison and Con Edison of New York. However, Con Edison of New York 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**TABLE OF CONTENTS**

	PAGE
<u>Glossary of Terms</u>	4
PART I Financial Information	
Item 1 Financial Statements (Unaudited)	
Con Edison	
<u>Consolidated Balance Sheet</u>	6
<u>Consolidated Income Statement</u>	8
<u>Consolidated Statement of Comprehensive Income</u>	9
<u>Consolidated Statement of Common Shareholders' Equity</u>	10
<u>Consolidated Statement of Cash Flows</u>	11
Con Edison of New York	
<u>Consolidated Balance Sheet</u>	12
<u>Consolidated Income Statement</u>	14
<u>Consolidated Statement of Comprehensive Income</u>	15
<u>Consolidated Statement of Common Shareholders' Equity</u>	16
<u>Consolidated Statement of Cash Flows</u>	17
<u>Notes to Financial Statements (Unaudited)</u>	18
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	45
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	74
Item 4 <u>Controls and Procedures</u>	74
PART II Other Information	
Item 1 <u>Legal Proceedings</u>	75
Item 1A <u>Risk Factors</u>	75
Item 4 <u>Submission of Matters to a Vote of Security Holders</u>	76
Item 6 <u>Exhibits</u>	78
<u>Signatures</u>	79

Table of Contents

GLOSSARY OF TERMS

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

Con Edison Companies

Con Edison	Consolidated Edison, Inc.
Con Edison Communications	Con Edison Communications, LLC
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison of New York	Consolidated Edison Company of New York, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
O&R	Orange and Rockland Utilities, Inc.
Pike	Pike County Light & Power Company
RECO	Rockland Electric Company
The Companies	Con Edison and Con Edison of New York
The Utilities	Con Edison of New York and O&R

Regulatory and State Agencies

DEC	New York State Department of Environmental Conservation
ECAR	East Central Area Reliability Council
EPA	Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
ISO-NE	ISO New England
NJBPU	New Jersey Board of Public Utilities
NYISO	New York Independent System Operator
NYPA	New York Power Authority
NYSERDA	New York State Energy Research and Development Authority
PJM	PJM Interconnection
PSC	New York State Public Service Commission
PPUC	Pennsylvania Public Utility Commission
SEC	Securities and Exchange Commission

Other

ABO	Accumulated Benefit Obligation
APB	Accounting Principles Board
AFDC	Allowance for funds used during construction
CO ₂	Carbon dioxide
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DIG	Derivatives Implementation Group
District Court	The United States District Court for the Southern District of New York
dths	Dekatherms
EITF	Emerging Issues Task Force
EMF	Electric and magnetic fields
ERRP	East River Repowering Project
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation No.

Table of Contents

Other

First Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006
Fitch	Fitch Ratings
Form 10-K	The Companies' combined Annual Report on Form 10-K for the year ended December 31, 2005
FSP	FASB Staff Position
GHG	Greenhouse gases
kV	Kilovolts
kWh	Kilowatt-hour
LILLO	Lease In/Lease Out
LTIP	Long Term Incentive Plan
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
mdths	Thousand dekatherms
MGP Sites	Manufactured gas plant sites
mmlbs	Million pounds
Moody's	Moody's Investors Service
MVA	Megavolt amperes
MW	Megawatts or thousand kilowatts
MWH	Megawatt hour
NYAG	New York Attorney General
NUGs	Non-utility generators
OCI	Other Comprehensive Income
PCBs	Polychlorinated biphenyls
PPA	Power purchase agreement
PRP	Potentially responsible party
RCN	RCN Corporation
S&P	Standard & Poor's Rating Services
SFAS	Statement of Financial Accounting Standards
SO ₂	Sulfur dioxide
SSCM	Simplified service cost method
Second Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes
VaR	Value-at-Risk
VIE	Variable interest entity

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	<i>June 30, 2006</i>	<i>December 31, 2005</i>
	<i>(Millions of Dollars)</i>	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 14,088	\$ 13,586
Gas	3,133	3,044
Steam	1,662	1,624
General	1,585	1,541
TOTAL	20,468	19,795
Less: Accumulated depreciation	4,513	4,355
Net	15,955	15,440
Construction work in progress	915	771
NET UTILITY PLANT	16,870	16,211
NON-UTILITY PLANT		
Unregulated generating assets, less accumulated depreciation of \$115 and \$102 in 2006 and 2005, respectively	797	810
Non-utility property, less accumulated depreciation of \$34 and \$31 in 2006 and 2005, respectively	35	38
Non-utility property held for sale		52
Construction work in progress	1	1
NET PLANT	17,703	17,112
CURRENT ASSETS		
Cash and temporary cash investments	63	81
Restricted cash	18	15
Accounts receivable - customers, less allowance for uncollectible accounts of \$40 and \$39 in 2006 and 2005, respectively	678	1,025
Accrued unbilled revenue	111	116
Other receivables, less allowance for uncollectible accounts of \$5 and \$6 in 2006 and 2005, respectively	388	350
Fuel oil, at average cost	60	47
Gas in storage, at average cost	205	248
Materials and supplies, at average cost	138	130
Prepayments	148	434
Fair value of derivative assets	107	331
Recoverable energy costs	200	221
Current assets held for sale		8
Deferred derivative losses	77	9
Other current assets	217	147
TOTAL CURRENT ASSETS	2,410	3,162
INVESTMENTS	269	265
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Goodwill	406	406
Intangible assets, less accumulated amortization of \$29 and \$24 in 2006 and 2005, respectively	85	90
Prepaid pension costs	1,437	1,474
Regulatory assets	2,066	2,017

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Other deferred charges and noncurrent assets	278		324
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	4,272		4,311
TOTAL ASSETS	\$ 24,654	\$	24,850

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

Table of Contents**Consolidated Edison, Inc.****CONSOLIDATED BALANCE SHEET****(UNAUDITED)**

	<i>June 30, 2006</i>	<i>December 31, 2005</i>
	<i>(Millions of Dollars)</i>	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholders' equity (See Statement of Common Shareholders' Equity)	\$ 7,375	\$ 7,310
Preferred stock of subsidiary	213	213
Long-term debt	8,063	7,398
TOTAL CAPITALIZATION	15,651	14,921
MINORITY INTERESTS	42	42
NONCURRENT LIABILITIES		
Obligations under capital leases	28	30
Provision for injuries and damages	166	167
Pensions and retiree benefits	284	223
Superfund and other environmental costs	264	238
Asset retirement obligations	97	94
Noncurrent liabilities held for sale		9
Other noncurrent liabilities	104	64
TOTAL NONCURRENT LIABILITIES	943	825
CURRENT LIABILITIES		
Long-term debt due within one year	44	22
Notes payable	352	755
Accounts payable	963	1,236
Customer deposits	224	229
Accrued taxes	31	94
Accrued interest	125	102
Accrued wages	85	77
Fair value of derivative liabilities	260	133
Deferred derivative gains	14	224
Deferred income taxes - recoverable energy costs	82	90
Current liabilities held for sale		12
Other current liabilities	258	349
TOTAL CURRENT LIABILITIES	2,438	3,323
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	3,726	3,644
Regulatory liabilities	1,831	2,062
Other deferred credits	23	33
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	5,580	5,739
TOTAL CAPITALIZATION AND LIABILITIES	\$ 24,654	\$ 24,850

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

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED INCOME STATEMENT**(UNAUDITED)**

	<i>For the Three Months Ended June 30,</i>		<i>For the Six Months Ended June 30,</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>(Millions of Dollars/Except Share Data)</i>			
OPERATING REVENUES				
Electric	\$ 1,666	\$ 1,640	\$ 3,425	\$ 3,144
Gas	349	354	1,192	1,082
Steam	106	96	381	363
Non-utility	434	305	874	597
TOTAL OPERATING REVENUES	2,555	2,395	5,872	5,186
OPERATING EXPENSES				
Purchased power	1,019	958	2,203	1,888
Fuel	145	139	400	331
Gas purchased for resale	189	201	745	653
Other operations and maintenance	437	405	877	819
Depreciation and amortization	153	146	305	287
Taxes, other than income taxes	299	281	617	551
Income taxes	65	39	169	149
TOTAL OPERATING EXPENSES	2,307	2,169	5,316	4,678
OPERATING INCOME	248	226	556	508
OTHER INCOME (DEDUCTIONS)				
Investment and other income	8	11	20	17
Allowance for equity funds used during construction	1		2	8
Preferred stock dividend requirements of subsidiary	(3)	(3)	(6)	(6)
Other deductions	(4)	(4)	(9)	(10)
Income taxes	6	2	(2)	6
TOTAL OTHER INCOME (DEDUCTIONS)	8	6	5	15
INTEREST EXPENSE				
Interest on long-term debt	119	113	232	219
Other interest	12	1	25	10
Allowance for borrowed funds used during construction	(1)		(2)	(6)
NET INTEREST EXPENSE	130	114	255	223
INCOME FROM CONTINUING OPERATIONS	126	118	306	300
INCOME FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)	(2)	(3)	(1)	(3)
NET INCOME	\$ 124	\$ 115	\$ 305	\$ 297
EARNINGS PER COMMON SHARE - BASIC				
Continuing operations	\$ 0.51	\$ 0.48	\$ 1.24	\$ 1.23
Discontinued operations	(0.01)	(0.01)		(0.01)
Net income	\$ 0.50	\$ 0.47	\$ 1.24	\$ 1.22
EARNINGS PER COMMON SHARE - DILUTED				
Continuing operations	\$ 0.51	\$ 0.48	\$ 1.24	\$ 1.23
Discontinued operations	(0.01)	(0.01)		(0.01)
Net income	\$ 0.50	\$ 0.47	\$ 1.24	\$ 1.22
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$ 0.575	\$ 0.570	\$ 1.150	\$ 1.140
AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC (IN MILLIONS)	245.9	243.4	245.7	243.1
AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED (IN MILLIONS)	246.7	244.2	246.7	243.8

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

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**(UNAUDITED)**

	<i>For the Three Months</i>		<i>For the Six Months</i>	
	<i>Ended June 30,</i>		<i>Ended June 30,</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>(Millions of Dollars)</i>			
NET INCOME	\$ 124	\$ 115	\$ 305	\$ 297
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES				
Supplemental pension plan minimum liability adjustments, net of \$0, \$0, \$(3) and \$(2) taxes in 2006 and 2005, respectively			(4)	(3)
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of \$(8), \$(3), \$(40) and \$18 taxes in 2006 and 2005, respectively	(11)	(3)	(57)	27
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$(10), \$4, \$(28) and \$7 taxes in 2006 and 2005, respectively	(14)	6	(40)	11
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	3	(9)	(21)	13
COMPREHENSIVE INCOME	\$ 127	\$ 106	\$ 284	\$ 310

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

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

(UNAUDITED)

	Common Stock			Retained Earnings	Treasury Stock		Accumulated		Total
	Shares	Amount	Additional Paid-In Capital		Shares	Amount	Capital Stock Expense	Other Comprehensive Income/(Loss)	
<i>(Millions of Dollars/Except Share Data)</i>									
BALANCE AS OF DECEMBER 31, 2004	242,514,183	\$ 26	\$ 2,642	\$ 5,451	23,210,700	\$ (1,001)	\$ (55)	\$ (9)	\$ 7,054
Net income				181					181
Common stock dividends				(138)					(138)
Issuance of common shares - dividend reinvestment and employee stock plans	476,235		20						20
Other comprehensive income								22	22
BALANCE AS OF MARCH 31, 2005	242,990,418	\$ 26	\$ 2,662	\$ 5,494	23,210,700	\$ (1,001)	\$ (55)	\$ 13	\$ 7,139
Net income				115					115
Common stock dividends				(139)					(139)
Issuance of common shares - dividend reinvestment and employee stock plans	948,465	1	43	(4)					40
Other comprehensive loss								(9)	(9)
BALANCE AS OF JUNE 30, 2005	243,938,883	\$ 27	\$ 2,705	\$ 5,466	23,210,700	\$ (1,001)	\$ (55)	\$ 4	\$ 7,146
BALANCE AS OF DECEMBER 31, 2005	245,286,058	\$ 27	\$ 2,768	\$ 5,605	23,210,700	\$ (1,001)	\$ (55)	\$ (34)	\$ 7,310
Net income				181					181
Common stock dividends				(141)					(141)
Issuance of common shares - dividend reinvestment and employee stock plans	456,347		24						24
Stock options			(23)	35					12
Other comprehensive loss								(24)	(24)
BALANCE AS OF MARCH 31, 2006	245,742,405	\$ 27	\$ 2,769	\$ 5,680	23,210,700	\$ (1,001)	\$ (55)	\$ (58)	\$ 7,362
Net income				124					124
Common stock dividends				(142)					(142)
Issuance of common shares - dividend reinvestment and employee stock plans	491,822		28						28
Other comprehensive income								3	3
BALANCE AS OF JUNE 30, 2006	246,234,227	\$ 27	\$ 2,797	\$ 5,662	23,210,700	\$ (1,001)	\$ (55)	\$ (55)	\$ 7,375

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

Table of Contents

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	<i>For the Six Months Ended June 30,</i>	
	2006	2005
	<i>(Millions of Dollars)</i>	
OPERATING ACTIVITIES		
Net Income	\$ 305	\$ 297
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	305	287
Deferred income taxes	11	(85)
Rate case amortization and accruals	(137)	(37)
Common equity component of allowance for funds used during construction	(2)	(8)
Prepaid pension costs (net of capitalized amounts)	15	(21)
Other non-cash items (net)	122	9
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers, less allowance for uncollectibles	347	6
Materials and supplies, including fuel oil and gas in storage	22	39
Other receivables and other current assets	(104)	(31)
Prepayments	286	(695)
Recoverable energy costs	89	
Accounts payable	(273)	31
Pensions and retiree benefits	61	60
Accrued taxes	(63)	153
Accrued interest	23	6
Deferred charges and other regulatory assets	(125)	(127)
Deferred credits and other regulatory liabilities	(9)	(58)
Other assets	8	140
Other liabilities	(78)	72
NET CASH FLOWS FROM OPERATING ACTIVITIES	803	38
INVESTING ACTIVITIES		
Utility construction expenditures (excluding capitalized support costs of \$(22) and \$(5) in 2006 and 2005, respectively)	(872)	(715)
Cost of removal less salvage	(83)	(92)
Non-utility construction expenditures	(2)	(9)
Common equity component of allowance for funds used during construction	2	8
Increase in restricted cash	(3)	(126)
Proceeds from sale of properties	60	534
Proceeds from sale of CEC	39	
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(859)	(400)
FINANCING ACTIVITIES		
Net payments of short-term debt	(403)	20
Increase in other payable		734
Retirement of long-term debt	(109)	(11)
Issuance of long-term debt	800	642
Issuance of common stock	20	41
Debt issuance costs	(7)	(15)
Common stock dividends	(263)	(257)

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NET CASH FLOWS FROM FINANCING ACTIVITIES	38	1,154
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(18)	792
BALANCE AT BEGINNING OF PERIOD	81	26
BALANCE AT END OF PERIOD	\$ 63	\$ 818
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 212	\$ 208
Income taxes	\$ 171	\$ 60

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

Table of Contents

Consolidated Edison Company of New York, Inc.

CONSOLIDATED BALANCE SHEET**(UNAUDITED)**

	<i>June 30, 2006</i>	<i>December 31, 2005</i>
	<i>(Millions of Dollars)</i>	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 13,215	\$ 12,740
Gas	2,763	2,683
Steam	1,662	1,624
General	1,461	1,418
TOTAL	19,101	18,465
Less: Accumulated depreciation	4,111	3,960
Net	14,990	14,505
Construction work in progress	879	739
NET UTILITY PLANT	15,869	15,244
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of \$16 and \$14 in 2006 and 2005, respectively	16	19
NET PLANT	15,885	15,263
CURRENT ASSETS		
Cash and temporary cash investments	39	61
Accounts receivable - customers, less allowance for uncollectible accounts of \$35 in 2006 and 2005	572	880
Other receivables, less allowance for uncollectible accounts of \$3 and \$5 in 2006 and 2005, respectively	232	226
Accounts receivable from affiliated companies	56	34
Fuel oil, at average cost	49	32
Gas in storage, at average cost	155	183
Materials and supplies, at average cost	107	100
Prepayments	67	417
Fair value of derivative assets		175
Recoverable energy costs	185	192
Deferred derivative losses	67	9
Other current assets	93	73
TOTAL CURRENT ASSETS	1,622	2,382
INVESTMENTS		
	3	3
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Prepaid pension costs	1,437	1,474
Regulatory assets	1,818	1,773
Other deferred charges and noncurrent assets	205	251
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	3,460	3,498
TOTAL ASSETS	\$ 20,970	\$ 21,146

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

Table of Contents**Consolidated Edison Company of New York, Inc.****CONSOLIDATED BALANCE SHEET****(UNAUDITED)**

	<i>June 30, 2006</i>	<i>December 31, 2005</i>
	<i>(Millions of Dollars)</i>	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholder s equity (See Statement of Common Shareholder s Equity)	\$ 6,522	\$ 6,437
Preferred stock	213	213
Long-term debt	6,752	6,055
TOTAL CAPITALIZATION	13,487	12,705
NONCURRENT LIABILITIES		
Obligations under capital leases	28	30
Provision for injuries and damages	161	160
Pensions and retiree benefits	157	122
Superfund and other environmental costs	215	186
Asset retirement obligations	96	93
Other noncurrent liabilities	37	32
TOTAL NONCURRENT LIABILITIES	694	623
CURRENT LIABILITIES		
Notes payable	197	520
Accounts payable	715	1,015
Accounts payable to affiliated companies	27	23
Customer deposits	211	215
Accrued taxes	9	103
Accrued interest	110	87
Accrued wages	80	70
Fair value of derivative liabilities	77	9
Deferred derivative gains		170
Deferred income taxes - recoverable energy costs	76	78
Other current liabilities	225	323
TOTAL CURRENT LIABILITIES	1,727	2,613
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	3,334	3,258
Regulatory liabilities	1,709	1,924
Other deferred credits	19	23
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	5,062	5,205
TOTAL CAPITALIZATION AND LIABILITIES	\$ 20,970	\$ 21,146

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

Table of Contents

Consolidated Edison Company of New York, Inc.

CONSOLIDATED INCOME STATEMENT**(UNAUDITED)**

	<i>For the Three Months Ended June 30,</i>		<i>For the Six Months Ended June 30,</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>(Millions of Dollars)</i>			
OPERATING REVENUES				
Electric	\$ 1,543	\$ 1,517	\$ 3,176	\$ 2,900
Gas	316	320	1,052	951
Steam	106	96	381	363
TOTAL OPERATING REVENUES	1,965	1,933	4,609	4,214
OPERATING EXPENSES				
Purchased power	642	686	1,417	1,383
Fuel	100	92	293	226
Gas purchased for resale	169	177	628	556
Other operations and maintenance	364	342	739	693
Depreciation and amortization	135	127	268	249
Taxes, other than income taxes	282	264	581	517
Income taxes	55	36	168	135