



Introduction



Kevin Burke



Randolph Price

Company Profile

Consolidated Edison, Inc.



Consolidated Edison, Inc.'s headquarters

have been a distinctive part of Manhattan's skyline for decades.

Con Edison, Inc. (CEI) is one of the nation's largest investor-owned energy companies, with approximately \$13 billion in annual revenues and \$39 billion in assets. The principal business segments of Con Edison, Inc. are Consolidated Edison Company of New York, Inc. (CECONY) with regulated electric, gas, and steam utility activities; Orange & Rockland Utilities (O&R) with regulated electric and gas utility activities; and Con Edison's competitive energy businesses. Con Edison, Inc. is headquartered in New York City with virtually all its revenues generated in the United States. Con Edison, Inc. is traded on the New York Stock Exchange, ticker symbol ED.

Con Edison's competitive energy businesses participate in segments of the electricity industry that are less comprehensively regulated. These segments include electric generation from renewable sources, trading of electricity and fuel, sales of electricity to wholesale and retail customers, and sales of certain energy-related goods and services. For more information, please visit the CEI website, [conEdison.com](http://www.conedison.com).

Consolidated Edison Company of New York, Inc.



Con Edison of New York's service territory

Consolidated Edison Company of New York is CEI's largest subsidiary. It is a regulated utility providing electric service throughout New York City (except for a small area of Queens) and most of Westchester County. The majority of the company's electric customers are served from an underground distribution system. CECONY also provides natural gas service in Manhattan, the Bronx, and parts of Queens and Westchester.

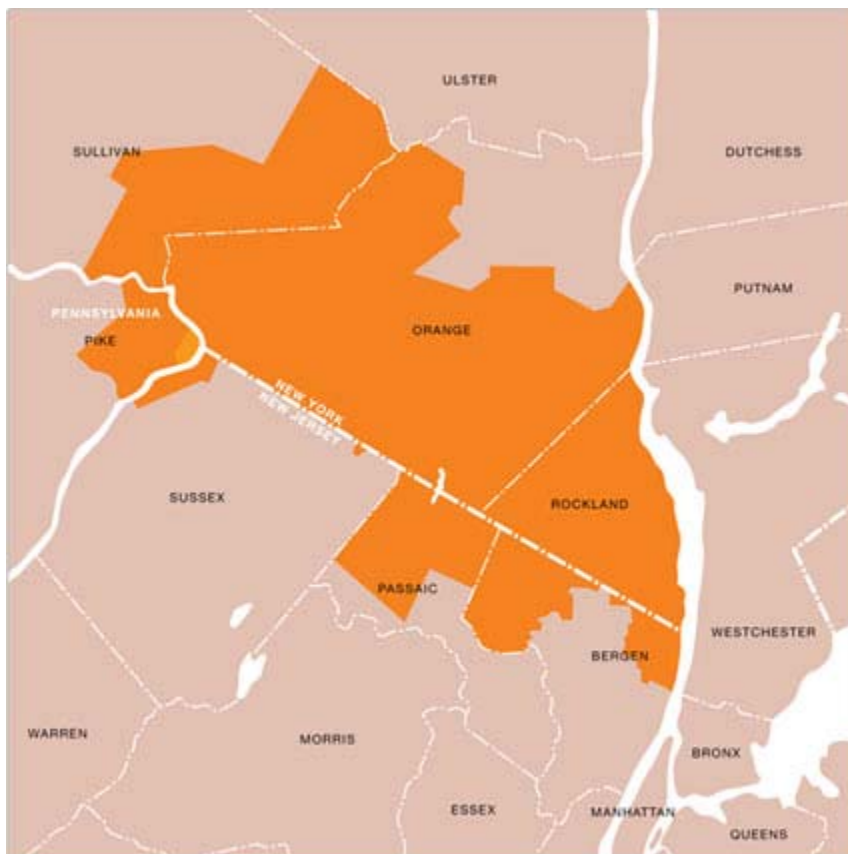
Con Edison of New York operates one of the world's largest steam distribution systems, providing service for Manhattan south of 96th Street. Steam is used year-round, for heat and hot water in the winter, and air conditioning in the summer.

Overall, Con Edison of New York serves a population of approximately 9 million throughout a service territory covering 660 square miles. Selected information on the scale of Con Edison of New York operations is provided in the following table. For more information visit the Con Edison of New York website, conEd.com.

Sector	Element	Scale
Electricity		
Transmission & Distribution	Underground cable	96,661 miles
	Overhead lines	36,818 miles
	Transmission lines	438 miles
Deliveries	Peak demand in 2011	13,189 MW
	Total delivered in 2011 (million kilowatt hours)	57,826
Customers	Approximate number of customer services	3,300,000
Revenue	Total revenue in 2011 (\$ in millions)	\$8,280
Natural Gas		

Sector	Element	Scale
Distribution	Mains	4,359 miles
	Service Lines	387,881 miles
Deliveries	Winter peak day distribution (million dekatherms):	979
	Total system throughput (million dekatherms):	129,022
Customers	Approximate number of customer services	1,100,000
Revenue	Total revenue in 2011 (\$ in millions)	\$1,521
Steam		
Supply & Distribution	Winter peak output (million pounds per hour)	7.7
	Net station capacity (million pounds per hour)	11.7
	Total steam supplied (million pounds)	22,322
	Miles of mains and services	105
Revenue	Total revenue in 2011 (\$ in millions)	\$683

Orange and Rockland Utilities, Inc.



Orange & Rockland's service territory

Orange and Rockland (O&R) is a wholly owned CEI regulated subsidiary, headquartered in Pearl River, New York, that delivers electricity in northern New Jersey as well as both electricity and natural gas in southeastern New York and northeastern Pennsylvania. Within its tri-state service territory, Orange and Rockland provides service to a population of roughly 740,000 in a service territory of approximately 1,350 square miles. Selected Orange and Rockland characteristics are presented in the table below. For more information, visit the O&R website, oru.com.

Sector	Element	Scale
Electricity		
Transmission & Distribution	Underground distribution cable	1,772 miles
	Overhead distribution lines	3,779 miles
	Transmission lines	558 miles
Deliveries	Peak demand in 2011	1,599 MW
	Total delivered in 2011 (millions of kilowatt hours)	5,789
Customers	Approximate number of customer services	300,000
Revenue	Total revenue in 2011 (\$ in millions)	\$641
Natural Gas		
Distribution	Mains	1,858 miles
Deliveries	Winter peak day distribution 2011 (million dekatherms)	163
	Total system throughput 2011 (million dekatherms)	25,364
Customers	Total	100,000 (approx.)
Revenue	Total revenue in 2011 (\$ in millions)	\$214

Consolidated Edison Solutions, Inc.

Consolidated Edison Solutions (CES) is a leading energy services company that provides cost-effective energy solutions for commercial, industrial, residential and government customers. CES offers customers a number of green power options as well as customized energy services. Based in White Plains, New York, with offices in Burlington, Massachusetts; Cherry Hill, New Jersey; Arlington, Virginia; Houston, Texas; and Tampa, Florida, the company delivers a broad range of commodity, consulting, demand-side management, solar power purchasing and performance contracting services. CES offers programs and services tailored to help customers achieve their individual energy objectives. CES is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO). Con Edison Solutions serves electric commodity customers in New York, New Jersey, Massachusetts, Connecticut, New Hampshire, Maryland, Delaware, Pennsylvania, Texas, and the District of Columbia. Con Edison Solutions expanded its national reach in 2007 by entering the deregulated energy marketplace in the Commonwealth Edison territory in Illinois. In 2008, Con Edison Solutions acquired Custom Energy Services, LLC, of Overland Park, Kansas, an energy services company serving a national portfolio of clients. For more information, visit the Con Edison Solutions website, conEdsolutions.com.

Consolidated Edison Development, Inc.

Con Edison Development (CED) is a CEI subsidiary functioning as an independent power producer that develops, builds, and operates electric generation plants principally, but not exclusively, located in the Northeast and Mid-Atlantic states. The company's investments include ownership interests in solar energy projects in New Jersey and Massachusetts with an aggregate capacity of 28 MW, a gas storage corporation, an investment in an affordable housing partnership and leasehold interests in a gas-fired plant and a gas distribution network in the Netherlands. Currently, Con Edison Development has more than 150 MW of solar photovoltaic projects in various stages of development. CED and its subsidiary, CED/SCS Newington, LLC, completed the sale of their ownership interests in electricity generating plants with an aggregate capacity of approximately 1,706 MW in the second quarter of 2008. For more information, visit the Con Edison Development website, coneddev.com.

Con Edison Energy, Inc.

Con Edison Energy (CEE) manages the output and fuel requirements for over 7,300 MW of third-party generating plants in the northeastern United States. The company also provides wholesale hedging and risk management services to CES and CED. In addition, the company sells electricity to utilities in the northeastern United States, primarily under indexed price contracts, which they use to supply their full-service customers. For more information, visit the CEE website, conEdenergy.com.

Con Edison's Environment, Health, and Safety Policy



We strive for environmental, health, and

safety excellence in all that we do.

Con Edison strives for excellence in its environmental, health, and safety (EH&S) performance, incorporating these aspects into the business and operational decision-making process. All employees are held accountable for knowing the corporate environmental, health, and safety requirements that apply to their assigned tasks, and for using the information in planning and completing their work.

In support of this policy, Con Edison has developed the following five key EH&S objectives:

- **Improve safety performance** by strengthening our management system to foster a positive and sustainable safety culture;
- **Strengthen EH&S compliance** by strengthening programs and processes to enhance awareness, raise accountability, and share best practices;
- **Enhance relationships with stakeholders** by building trust through proactive communication and collaboration;
- **Identify and reduce significant EH&S risk potential** by incorporating risk management into business decision-making to prevent emerging issues and other EH&S challenges from becoming adversities; and
- **Promote the wise and effective use of natural resources** by integrating the company's sustainability strategy into our business plans and operations to identify best practices and designs, resulting in predictable and continuing improvements.

An Integrated Management System

Con Edison has developed a unified EH&S Management System (EHSMS) to improve our performance and reduce risk.

The EHSMS establishes:

- **Standards** – These establish EH&S considerations as an integral part of the company's business practices and hold all employees accountable for knowing those that apply to their work. They also support the five key EH&S objectives that serve as the cornerstone for strategic planning and focus.

- **Procedures** – These comprise written general rules and regulations; Corporate Environment, Health and Safety Procedures; General Environment, Health and Safety Instructions; and provisions for monitoring their use and effectiveness. These resources also include specific measures for including environment, health, and safety considerations during planning phases for new work, and recurring tasks.
- **Training** – From formal courses at the company's Learning Center to on-the-job instruction, environment, health and safety training is an essential component of working safely. Job-title and job-specific training requirements are listed on the company's internal website, and training effectiveness is monitored by the EH&S training committee.
- **Communications** – Open and honest communication builds a dialogue among employees, allows sharing of experiences, and supports creation and maintenance of a safe work environment. Communications includes regular safety meetings, publications, intranet resources, monthly videos, and union/management committee meetings.
- **Risk Management** – The EHSMS includes provisions to predict and prevent potential environmental, health, and safety risks. On a corporate level, enterprise-wide risks are identified and evaluated. At the operating level, representatives from EH&S, and operating departments work together to address risks.
- **Planning, Design, and Operation** – Each operating organization is responsible for integrating EH&S considerations into the planning, design, construction, operation, and maintenance of the company's energy-delivery systems and facilities. These considerations are intended to minimize and control potential risks and hazards to employees, the public, and the environment.
- **Responsibility and Accountability** – Both are based on a structured system keyed to the principle that all employees are responsible for understanding and implementing the environmental, safety, and health requirements that apply to their jobs.
- **Emergency Preparedness and Response** – The company has well defined procedures to mobilize and deploy resources in response to system emergencies, including management of EH&S issues.
- **Job Site Protection** – The EHSMS recognizes the job site set-up and preparation as the front line for safeguarding the environment, employees, and the public. Specific safety measures include job briefings, job safety analysis, equipment preparation and energy-isolation processes, personal protective equipment, and contractor safety programs.
- **Speaking Openly** – This provision presents an array of options for openly expressing concerns about potentially unsafe or hazardous conditions. Every employee can call a Time Out to stop work if a safety, health, or environmental concern arises. All employees have unlimited access to an Ethics Helpline, corporate ombudsman, and independent monitor to report concerns anonymously.
- **Performance Monitoring and Improvement** – Using structured, established methodologies, EH&S performance is tracked in databases, reports are generated, and trending analysis is used to determine likely causes of problems and identify opportunities for performance improvement.
- **Auditing** – Compliance audit programs provide a comprehensive environment health and safety review using ongoing scheduled and unannounced inspections. Management system evaluations are also conducted to evaluate effectiveness throughout the corporation.
- **System Oversight** – In depth, ongoing monitoring and evaluation is provided by the EH&S Committee of the Board of Trustees, The Environmental and Safety Review Board, The Environment and Safety Committee, Corporate EH&S staff, Leadership Teams, and field EH&S personnel.

ISO 14001 Certification

Con Edison received corporate-wide certification for its environmental management system by demonstrating conformance to the ISO 14001 Standard in 2002. ISO Standards are developed and managed by the "International Organization for Standardization" which was created to standardize products, manufacturing processes and management systems. The ISO 14001 Standard provides a framework for establishing and maintaining a company-wide environmental management system.

The company was recently recertified for an additional three-year period, as of April 2011. Annual surveillance assessments conducted by an ANSI – ANAB certified registrar have confirmed the company maintains an effective environmental management system. Con Edison remains committed to the continual improvement of our environmental management system to protect the environment in our service territory.

Accountability and Governance for EH&S

The Environment, Health, and Safety Committee of the Board of Directors governs Con Edison, Inc.'s overall EH&S programs. Since its inception in 1995, this committee meets quarterly to review the company's EH&S efforts. Typically, Con Edison's chairman, utility presidents, general counsel, and EH&S vice president participate in these meetings.

We support all of our departments responsible for maintaining day-to-day compliance with environment and safety standards. We maintain EH&S as a top priority within the company, and provide employees with the opportunity to safely learn, train and grow in the company.

The corporate EH&S vice president, reporting directly to Con Edison of New York's president, heads a leadership team to oversee and implement the company's sustainability plan. The team consists of EH&S managers from operating departments, and representatives from a number of business departments, including corporate EH&S. This team is focused on the development of strategic goals that drive the company toward EH&S excellence. The EH&S vice president and EH&S leaders meet with Con Edison's chairman and the Con Edison of New York president throughout the year to review the status of major EH&S projects and issues.

As a part of senior management's commitment to EH&S excellence, the following strategic independent oversight functions have been established.

Office of the Corporate Ombudsman – provides employees with an independent office to which they can confidentially refer suspected violations of Con Edison's Code of Conduct, including EH&S requirements, or ethical and legal concerns. The ombudsman and the deputy ombudsman have the authority to either investigate these matters or refer them to appropriate authorities within the company.

Environment, Health, and Safety Review Board – Three outside consultants regularly review and report on the company's efforts to achieve EH&S excellence.

Auditing

All Con Edison subsidiaries are subject to a rigorous EH&S auditing program run by Con Edison of New York's corporate auditing department. Both facility operations and company-wide programs (e.g., pollution prevention, right-to-know reporting) undergo periodic audits to evaluate compliance with regulations, as well as to determine the efficacy of EH&S management systems in use.

The EH&S Auditing Group has developed standard protocols tailored to each area of concern that may be encountered at company facilities to ensure comprehensive and consistent audits. Formal audit reports are prepared and distributed to all officers whose organizations have responsibilities for corrective actions based on audit findings. Audit reports go to company senior officers, the Board's audit committee and the EH&S leadership team. The ombudsman, Con Edison's independent auditors, and members of the Environment, Health and Safety Quality Review Board also receive EH&S audit reports.

Environmental Factors	Health & Safety Factors
Compliance	Compliance
Management systems	Management systems
PCBs	Emergency response planning
Asbestos, lead, and mercury	Personal safety
Spill prevention	Transportation safety
Air quality	Material/equipment safety
Water quality	Industrial health and hygiene
Solid/hazardous waste management	Fire safety/emergency evacuation
Storage tanks	Employee health and medical issues
Leaks and releases	
Site remediation	

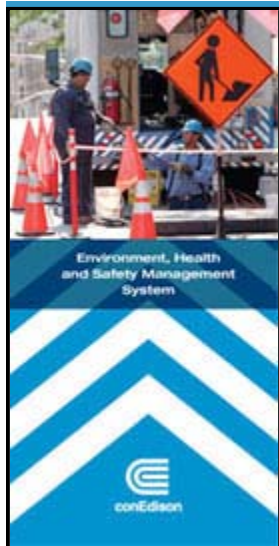
Environmental Factors**Health & Safety Factors**

Land use/fish and wildlife

Chemical use approval

Resource use (recycling/pollution prevention)

Con Edison also established a formal self-assessment program for company organizations to systematically monitor their own compliance. The EH&S Auditing Group administers this program by developing self-assessment protocols, training personnel in their use, and monitoring compliance with program guidelines.



Our EH&S Management System outlines procedures, communications, risk management, and other



critical information.

A monthly video magazine titled The Excellence Files keeps employees



informed about environment, health and safety topics.



An ongoing employee communications campaign emphasizes the importance of safety.

Sustainability Strategy



Con Edison of New York delivers energy

services in one of the nation's most densely populated urban settings.

Con Edison's sustainability strategy is aligned with the company's strategic goals, and structured to allow continuing development. These six principles are:

- Con Edison will model sustainable behavior internally
- Con Edison will promote sustainable behavior to external stakeholders

- Con Edison will innovate to meet customer preferences for a sustainable lifestyle
- Con Edison will partner with governments to shape policies and standards consistent with its sustainability vision
- Con Edison will develop infrastructure to advance the use and delivery of value-creating clean energy alternatives
- Con Edison will incorporate environmental and societal values in its decision making

Con Edison fosters sustainable business practices by effectively managing corporate environmental, social, and economic programs and by measuring performance. Con Edison's sustainability vision statement specifies that we provide our customers and the public with efficient, clean, and sustainable energy, and model green behavior internally. To achieve this, we partner with stakeholders, including customers, community members, public officials, and employees, to promote and support energy efficient buildings, clean fuels, and renewable energy, along with electric-powered and alternative-energy powered transportation.

Key Sustainability Measures

In 2011, the six sustainability principles define 14 strategic goals supported by 38 initiatives. Moving forward, the number of goals and initiatives will be broadened as additional social, economic, and environmental undertakings are implemented. In this report, practical applications of the sustainability strategy are featured as Key Sustainability Measures implemented during 2011.

Integrating Sustainable Solutions

Sustainability coordinators are present in all operating groups and businesses throughout the company. These coordinators take an active role in setting long and short term goals for the initiatives that are pertinent to their respective business units. In part, the coordinators are responsible for assembling subject-matter experts to support their sustainability programs, and engaging other organizations to successfully carry out these programs.

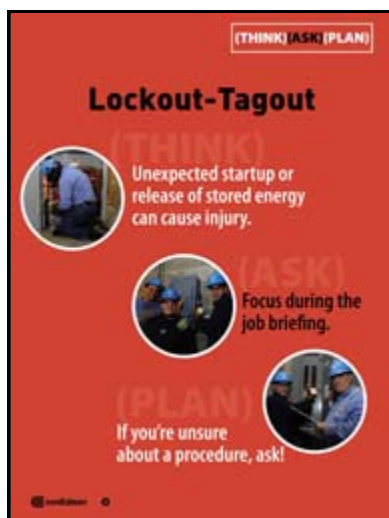
The scope of each initiative and business case for long-term efforts is defined as part of a strategic roadmap developed for achieving the operational goals of each project and program. These goals are incorporated into each business's Long Range Plan. Additionally, work plans establish a framework for implementing each initiative, setting measurable goals, selecting and training initiative leaders, and charting overall achievement of key milestones on the way to successful completion.

Sustainability Frames Business Strategy and Priorities

Con Edison's strategy is to deliver reliable energy services and provide a stable foundation for supporting New York's economic future. Con Edison has made gains in improving the energy efficiency of its own operations and provides customers with resources to become more energy efficient, both in the way they live at home and in the way they operate their businesses. The company has effective customer outreach programs that provide customers with information about how they can take an active role in diminishing the carbon footprint of their energy services. Con Edison will also broaden customer options for renewable energy, both through "Green Power" offerings and by helping customers install alternate forms of green energy generation.

Con Edison Applies an Integrated Approach to Strengthening its Safety Culture

Con Edison remains committed to continually improving safety performance. As a measure of progress in achieving this objective, the company has set a goal to achieve first-quartile performance in its OSHA injury/illness rate by 2014. In support of this aim, important safety communications are delivered to employees throughout the company via our (Think)(Ask)(Plan) communications campaign. Professional development, reinforced safety ownership within line organizations, business-specific program improvements, and enhanced analysis of accident and incident trends contribute to improved safety performance and drive progress toward the goal of an injury-free workplace. Clear communication and Job Site Safety Exchanges help employees participate actively in an ongoing dialogue and internalize the commitment to working safely.



Our (Think)(Ask)(Plan) communications campaign reinforces safety messages to further our goal of achieving an injury-free workplace.

During 2011, safety coordinators from all CECONY operating divisions exchanged safety information and shared best practices at monthly meetings. This forum encouraged open discussion of safety topics that affect the groups represented, and the company as a whole, and allowed for the identification of trends. The participants then communicated all relevant information to all operating groups. Meeting participants helped direct and implement safety action plans throughout the company.

Con Edison considers public safety from the earliest stages of design for electric, gas, and steam systems. As the company plans and builds new substations, modernizes and upgrades equipment, and performs routine maintenance activities it carefully tests and inspects the work to protect public safety.

Operating groups follow detailed procedures and specifications in carrying out their responsibilities. When field work is performed, extensive requirements for work-area protection are implemented to make certain that employees and the public are protected from potential hazards.

The company regularly communicates useful safety information in bill inserts to customers of its regulated utility companies. These newsletters offer seasonal safety tips. In addition, Con Edison and O&R websites provide safety information about residential electric and gas use, as well as safety messages about carbon monoxide, and generator safety.

Con Edison consistently communicates with all employees to emphasize the public safety aspects of company infrastructure management, design, maintenance, and operations. Employees are on alert around the clock, keeping their eyes out for safety hazards, including emergencies unrelated to our operations.

Working toward an injury-free workplace and providing reliable, safe delivery of energy services are principal components of Con Edison's approach to sustainable business.

Operating Sustainably by Addressing Climate Change

Con Edison's sustainability strategy commits the company to the pursuit of environmental excellence, including mitigating its carbon footprint. We know that mitigation efforts may require upfront costs. However, if mitigation efforts are planned and implemented properly, they can also lower costs and reduce risk – measured in both dollars, and impact to the environment. Efforts to mitigate climate change not only make good environmental sense, they also make good business sense.

Con Edison's climate strategy includes five critical perspectives:

- Integration of climate change and global-warming principles into our business planning.
- Publicly committing to reduce our greenhouse gas emissions from company operations.
- Expanding our energy-efficiency programs, including customer outreach and education
- Linking the company's carbon footprint to our customers' use of energy, and setting goals to reduce regional emissions.
- Advocating for legislation to reduce greenhouse gas emissions that is both proactive and balanced through economy-wide integration.

Con Edison supports growth in the use of green power from hydro, wind, and other renewable sources, which are available directly to energy customers through Con Edison Solutions, and through large grid-connected solar energy projects being carried out by Con Edison Development. Con Edison is working with fellow utilities, as well as vehicle and battery manufacturers to help develop a joint strategy for adding large numbers of plug-in hybrid electric vehicles (PHEV) to our grid and to the electric grids of other utilities. The company also participates in discussions at local, state, and national levels on developing and implementing policies and equitable solutions in carbon legislation. Con Edison engages with elected representatives, regulators, non-governmental organizations, industry, and other stakeholders to help frame a clearer consensus on uniform national policy.



Our customer newsletters offer safety tips for severe weather, and messages about carbon



monoxide and generator safety.

We communicate important safety messages to our employees.

About This Report



Con Edison of New York serves a population of nearly nine million throughout its 660-square-mile service territory.

Con Edison's approach to sustainability includes providing clear and comprehensive information to stakeholders. The company communicates using the Web, media, newsletters, advertising, and other methods such as social networks like Facebook and Twitter. This sustainability report is part of that communication, and is designed to serve as a transparent view of how Con Edison is working to conduct its business sustainably. The four sections of this report – safety, environment, business, and stakeholders – represents the four focus areas of sustainability that Con Edison is integrating into daily operations and long term business plans. This report addresses these focus areas by presenting key elements of our sustainability strategy, documenting our performance, describing our challenges, and identifying areas for improvement.

Scope of this report

Our report provides information about Con Edison and its subsidiary companies. By far the greater portion of the information in this document concerns Con Edison's regulated utility companies, Con Edison Company of New York, and Orange and Rockland Utilities. While this report offers substantial information about Con Edison and its subsidiaries, it complements the company's shareholder [annual report](#).

Sustainability Reporting Guidance

The Global Reporting Initiative (GRI) provides comprehensive guidelines for sustainability reporting that establish a protocol for transparent stakeholder communications regarding business strategy and corporate profile, governance, performance indicators, and more. GRI also includes guidelines intended for specific industries, including the electrical utility industry. For information on how the content of this report is aligned to GRI guidelines, a GRI Index has been provided.

Reporting Interval

This report represents Con Edison's performance from January 1, 2011 through December 31, 2011. However, information is also provided about some programs, commitments, and other initiatives that span longer intervals than the 12-month boundary.

Comment on this Report

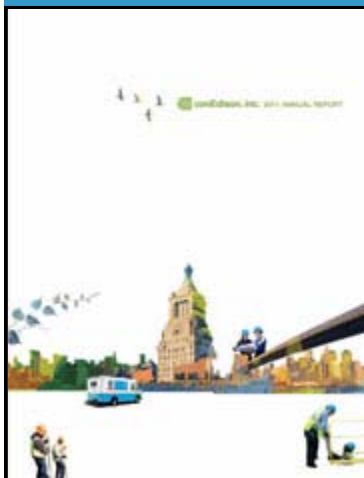
Thank you for taking the time to learn about Con Edison's commitment to sustainability. We welcome opinions on how we carry out this commitment and on the way in which we report it to stakeholders. If you'd like to comment, please contact:

Con Edison

RE: EH&S report, 15NE
4 Irving Place

New York, NY 10003

EHSannualreport@conEd.com



The company's annual shareholder report.






GRI Index

The Global Reporting Initiative guidelines provide a framework to assist companies in disclosing their sustainability values, efforts, and achievements. In putting together our sustainability report, we considered and incorporated the GRI 3.1 guidelines wherever feasible. The GRI 3.1 index that appears on this page includes relevant links to sections within the 2011 Sustainability Report, public webpages maintained by Con Edison, or in some cases may answer the GRI question directly. Additionally, we have included the GRI Electric Utility Sector Supplement as an attachment within this index and can be viewed [here](#).

Con Edison is striving to meet the GRI self assessment scoring criteria to attain an "A" rating for our disclosure statements. We are currently in the process of registering with the Global Reporting Initiative. A full list of registered members can be found online at www.globalreporting.org/reportservices/grireportslist.

1. Strategy and Analysis

Information Links

1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	See Letter from the Chairman in the 2011 Sustainability Report  2011 Sustainability Report - Introduction
1.2	Description of key impacts, risks, and opportunities.	Key Impacts, Risks, Opportunities  Consolidated Edison, Inc. 2011 Form 10-K  2011 Sustainability Report - Sustainability Strategy  2011 Sustainability Report - Managing Risk  2011 Sustainability Report - Reducing Greenhouse Gasses

2. Organizational Profile

Information Links

2.1	Name of the organization.	Consolidated Edison, Inc.
2.2	Primary brands, products, and/or services.	Primary Brands, Services  Consolidated Edison, Inc. 2011 Form 10-K P. #11  2011 Annual Report P. #38  2011 Sustainability Report - Company Profile
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Operational Structure  Consolidated Edison, Inc. 2011 Form 10-K P. #11  2011 Sustainability Report - Company Profile
2.4	Location of the organization's headquarters.	Headquarters
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Countries of Operation  2011 Sustainability Report - Company Profile
2.6	Nature of ownership and legal form.	Legal Form
2.7	Markets served (including	Markets Served

Executive Summary



Con Edison provides energy services for nine million New Yorkers.

Executive Summary

From our early history lighting gas lamps to today's cutting edge electric vehicle and smart grid technologies, Con Edison has powered New York for nearly 190 years.

More than nine million customers across New York City and Westchester County depend on us to provide safe, reliable, and affordable energy to light and warm their homes, run their businesses, and help the region grow.

This report outlines the sustainability strategy that will strengthen Con Edison and help us prepare for the challenges ahead, so that we can thrive and grow as a company for the next 190 years and beyond.

Our attention is focused on three critical interests: our stakeholders, protecting our planet, and the long-term health of our company.

This report will outline our achievements and goals in safety performance, engagement with our stakeholders, environmental stewardship, and the vitality of our business as a whole.

Safety

The safety of our workforce and the public has always been the cornerstone of Con Edison's business, and is an integral component to our Sustainability Strategy. In light of that critical importance, we have chosen to highlight our Health and Safety program in a dedicated section of the report. In this section we detail our 2011 performance, our plans for integrating safety into every aspect of our work, and the performance goals we strive to achieve going forward.

In 2011, our utility companies had the safest year on record. Con Edison of New York achieved an OSHA incidence rate of 1.92, and Orange and Rockland Utilities achieved a rate of 2.88. Con Edison of New York has set an aggressive goal to achieve top-quartile performance in safety by 2014. To do this, we estimate that we will need to finish 2014 with an OSHA rate of 1.5. Orange and Rockland also set an aggressive goal to improve their safety performance by 50 percent within the same timeframe.

We are focused on the basics to achieve our safety target. We communicate the value of working safely, and develop simple protocols that leave no room for interpretation. For example, our (Think)(Ask)(Plan) communications campaign encourages employees to remain alert and aware of their surroundings at all times, and to ask questions when they are unsure. Additionally, we emphasize fundamental safety requirements for all employees and contractors, as well as strive to make safety our top priority when planning and implementing work.

Stakeholder Engagement

We are also focused on the health and well-being of our employees, and the quality of life of our customers and the communities we serve.

Con Edison sponsors hundreds of nonprofit organizations that benefit the arts, environment, education, and civic and community engagement.

Con Edison is working to improve relationships with all who have a stake in the company, and encourages open, honest, and transparent communications with our employees, regulators, customers, and members of our communities.

Environmental Stewardship

We're also helping our communities by doing our part to protect the environment and lower our carbon footprint.

Sustainable building practices at our Newtown Substation in Queens earned it a LEED certification under the U.S. Green Building Council's LEED rating system, and it was the first substation in the country to do so.

We have reduced greenhouse gas emissions another 12 percent in 2011, for a total reduction of more than 40 percent since 2005. The Carbon Disclosure Project recognized us for the fifth consecutive year for our work to curb carbon emissions, and we were named to the Dow Jones Sustainability Index for the third straight year in 2011.

Newsweek magazine named Con Edison the nation's greenest utility company in 2011.

Our Business

We are also working to protect the planet by investing in cleaner alternative fuel sources. Over the next three years, we will invest \$300 million to develop green-power generation.

Con Edison is leading the way in renewable-energy generation, and is at the forefront of clean energy. The new Pilesgrove solar farm in New Jersey is producing enough energy to power more than 5,000 homes in the Middle Atlantic region. In New Jersey and Massachusetts, six new solar projects with a total of 28 megawatts went online in 2011. About 20 megawatts of additional solar projects will go into service in 2012 throughout the northeast.

Con Edison is also encouraging customers to explore distributed generation, and is working with New York City to streamline the process for installing solar panels.

We are also building our natural gas business by promoting oil to gas conversions, to help our customers switch from polluting heating oils to cleaner-burning natural gas.

Conclusion

Our award-winning environmental stewardship, unflagging commitment to safety, and smart long-term investments will strengthen Con Edison and allow the company to continue providing the reliable and sustainable service our customers expect for generations to come.

Working Safely

The safety of our employees and the public is our first priority. We strive to continuously improve our efforts to recognize and reduce hazards to ensure a safer work environment in all that we do.

► **Reduced** the company's **OSHA incidence rate** to an all-time low of **1.92**.

Commitment to Safety



Con Edison is committed to the safety of the public and its employees, and achieving an injury-free workplace.

Con Edison remains committed to continuous improvement in safety performance. We deliver frequent safety messages to all employees, and encourage ongoing Job Site Safety Exchanges, development of professional expertise for all employees, reinforced safety ownership within organizations, business-specific program improvements, and enhanced analysis of accident and incident trends. These measures and others are designed to support all personnel as they work together to help achieve an injury-free workplace and maintain public safety.

The Occupational Safety and Health Administration (OSHA) Injury/Illness Incidence Rate is a federal standard for quantifying work-related injuries and illnesses. Con Edison surpassed its goal to finish 2011 with an OSHA rate of 2.56 or lower by achieving a best-ever rate of 1.92. O&R achieved an OSHA rate of 2.88 in 2011, far better than the goal for the year of 4.42.

In 2009, Con Edison committed to a five-year OSHA Incidence Rate goal of 1.50 or lower by 2014. This ambitious target can be achieved by creating a culture that embraces the preventability of task and system-related injuries. Situational awareness was a key focus in 2011. Encouraging our employees to be aware of their surroundings, ask questions, comply with rules, and identify risks and hazards during job planning meetings and briefings, are all seen as a key factor in further reducing our OSHA rate.

At O&R, a special safety team made up of union and management employees reinforces a strong safety culture and acts to address the core causes of accidents and injuries. The team has implemented programs including establishing field observations and visits by safety team members, creation of Ad Hoc committees to address specific safety concerns, and truck committees which address the safe operation of larger fleet vehicles.



A poster campaign encourages situational awareness to prevent accidents and injuries.



A special safety team reinforces the company's safety culture and addresses the core causes of accidents and injuries.

Focus on Situational Awareness



We train our employees to be aware of their surroundings, to speak openly and ask questions, and to adapt to changing working conditions.

In 2011 we continued our commitment to achieving an injury-free workplace through a focus on the concepts of situational awareness and a questioning attitude. We encourage employees to remain alert to their surroundings at all times and draw on their experience, training, and skills to evaluate every task. They are encouraged to speak openly, ask questions, and remain flexible to changing working conditions. Con Edison believes this approach will help employees to work safely, be responsible stewards of the environment, and avoid costly mistakes. The company has already seen positive results: OSHA-recordable injuries with situational awareness as a root cause were down 22 percent in 2011 relative to 2010, and those attributed to planning oversights were down 27 percent.

(Think)(Ask)(Plan) Campaign

The (Think)(Ask)(Plan) communications campaign launched in 2010 to enhance the understanding of how situational awareness and a questioning attitude relate to the work that we do. The campaign was expanded in 2011 to incorporate a number of different avenues for communication, including posters, informational cards, and videos. Every month, a theme for the communications package is selected depending on the trending of injuries, a specific issue recognized across the organizations, or feedback from the field. The colorful and engaging posters and videos feature actual Con Edison employees talking about their experiences and offering safety tips. The campaign reinforces the importance of thinking jobs through before beginning, asking for clarification if an employee is unsure, and planning ahead while anticipating potential problems.



We promote safety messages and tips on elevator screens in our buildings.



An ongoing employee communications campaign emphasizes the importance of safety.

Focus on Job Planning

In 2011, Con Edison developed a Job Safety Analysis Procedure to help avoid or eliminate hazards before a job even begins. Operating organizations developed and submitted Job Safety Analyses (JSAs) for various tasks, and a library was established to share all JSAs as cross-organizational references. Each month, an analysis was conducted of the incidents with "lack of job planning" as a root cause. If the incident could be associated with an existing JSA, the organizations first reviewed how well the document was followed, then reassessed its completeness. If no JSA existed, organizations were asked to assess the job and develop a JSA as appropriate.



Planning is a crucial part of every job we do, as reinforced in 2011 through this (THINK)(ASK)(PLAN) safety communication.

Safety Communication

The importance of safety must be communicated to employees effectively and through multiple channels. The (Think)(Ask)(Plan) campaign is one communications method. This campaign was greatly enhanced in 2011 with the introduction of the quarterly video program where employees discuss a scenario where they had good situational awareness that helped them to avoid a potential injury or environmental incident. The videos were well-received by the Con Edison audience, and are an important starting point for dialogue among employees about how they can be more aware of their surroundings.

Also in 2011, the President of Con Edison of New York distributed a monthly "Speaking Safety" message to all employees via e-mail. These concise messages kept readers current about safety-related topics of interest, provided year-to-date updates on safety performance, and reinforced the company's commitment to achieving an injury-free workplace.

Employees also have access to environmental and safety communications, policies and procedures from the Environment, Health and Safety (EH&S) intranet site called EH&S Connect. In addition, hard copies of certain safety documents, such as the Work Area Protection and Traffic Control Field Manual are maintained on company service trucks for easy reference in the field.

Monthly Safety Committee meetings are hosted by local organizations throughout the year to celebrate achievements, review lessons learned, and focus on EH&S performance. Safety is also a focus every day as first-line supervisors conduct daily job briefings covering environmental, health and safety issues at the start of the shift when work is assigned, and during the job, as needed, if changes are made.

Safety Communication in Practice: Job Site Safety Exchanges

Job Site Safety Exchanges serve as a means to encourage open communication, discuss safety practices, and ultimately prevent injuries. These exchanges are most often performed by first-line supervisors, as well as by all levels of management, and members of the union safety committees.

A Job Site Safety Exchange is intended to open up a dialogue between employees where opinions can be expressed, working practices discussed, and information shared. They are also intended to be a coaching opportunity; if a problem is discovered, it can be immediately addressed and corrected in a safe learning environment. The evaluations are not checklist observations, and they are not conducted to find faults or lay blame.



Job Site Safety Exchanges allow employees to share information, discuss work practices, and express opinions.

While the exchanges themselves are intended to be informal conversations, they are documented to collect information that can benefit the entire company.

We believe that the Job Site Safety Exchanges can help identify broad-based trends, revealing which safety initiatives are working well, and where there are opportunities for improvement.

We believe that the Job Site Safety Exchanges can help identify broad-based trends, revealing which safety initiatives are working well, and where there are opportunities for improvement.

Effective communication is a two-way street. Con Edison encourages employees to advise their managers of any identified unsafe conditions or risky situations that could result in accidents or injuries. Management and union employees are provided with a *Close Call* system for reporting situations where accidents or injuries were narrowly avoided. These *Close Calls* are then communicated throughout the employee's organization to build awareness and take corrective actions as required. The *Close Call* program was enhanced in 2011 with the introduction of *Good Catch!*

Good Catch! submissions recognize employees for their exceptional situational awareness and strong questioning attitudes that helped them recognize a *Close Call*. While every *Good Catch* is a *Close Call*, not every *Close Call* is a *Good Catch*. *Good Catch!* submissions are featured on the (Think)(Ask)(Plan) intranet site, and nominated employees receive an "I made a *Good Catch!*" shirt. *Good Catch!* scenarios are featured in the (Think)(Ask)(Plan) video series.

Subject line: Ask for advice when something doesn't seem right



Nick Behr thought something didn't seem right, and asked for advice to fix the problem.

Paying attention to details and having a questioning attitude helped Nick correct a potential problem that saved the company from a costly cleanup.

[Click here](#) to see Nick explain what happened.

Nick made a **Good Catch!** Stay tuned for future videos that highlight how (THINK)(ASK)(PLAN) can help us stay safe, take care of the environment, and avoid costly mistakes.

Visit our [Communications Tools Page](#) on EH&S Connect to learn more and read about this month's campaign on Close Calls.

Questions/comments? Contact [Morgan Scott](#).

Randy Price, VP EH&S

We highlighted employees who made a

"Good Catch!" and recognized a problem before it caused an accident or injury.

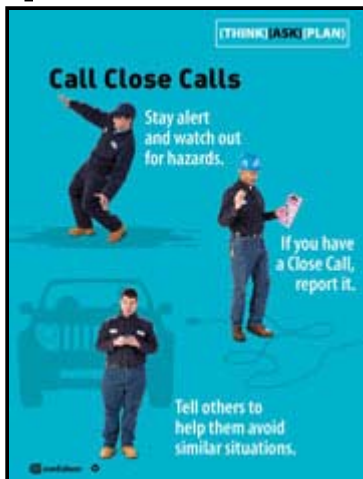
Any employee is empowered to call a Time Out if an environmental, health or safety issue arises on the job. If an employee has an EH&S concern they must discuss it with their supervisor before proceeding with the job. After discussion, if there is still uncertainty on how to proceed or the concern is not adequately addressed, the employee has the right to call a Time Out. When a Time Out is called, work stops until an EH&S representative and subject matter expert have addressed the relevant concerns, or an alternate work plan has been organized. Top management regularly communicates support for the program and encourages employee participation. The Time Out program empowers employees to stop work when EH&S concerns arise in the field, and to resolve the issues before work proceeds.

Con Edison produces and issues an award-winning monthly video news magazine called The Excellence Files, covering health and safety issues, special features, descriptions of any recent EH&S-related incidents and environmental topics. The series is available to all employees on DVD, as well as on the EH&S Connect intranet site. Episodes are regularly featured at monthly safety meetings.

O&R communicates safety messages through health and safety training programs, skills training programs, and daily job assignment briefings by supervisors and crew chiefs. Animated safety messages are relayed on electronic bulletin boards throughout the facilities and "Safety Grams" are documents distributed to employees on such issues as recent accidents or seasonal safety concerns. In 2011, O&R also began to deploy the (Think)(Ask)(Plan) program, launching their first poster in July.



The EH&S Connect intranet site provides safety bulletins, tracks injury trends, and offers a



closer look at safety concerns.

importance of being alert and aware to stay safe on the job.

Our (Think)(Ask)(Plan) campaign reminded employees of the

Education and Training



training at our state-of-the-art Learning Center in 2011.

The Learning Center is Con Edison's training, meeting, and conference center in Long Island City, New York. The facility has 35 classrooms, 39 laboratories, a library, auditorium, and cafeteria. The Learning Center offers more than 800 classes, covering technical courses, as well as skills enhancement and leadership development for Con Edison and O&R employees.

A full complement of EH&S training courses improve employee understanding of regulations, company policies, procedures, technologies, and operations. During 2011, more than 10,000 employees received training at The Learning Center. In addition, safety-related training was provided to a number of local external organizations including the New York City Department of Environmental Protection, the Port Authority of New York, other local utilities, and electrical and gas contractors.

More than 10,000 employees received

In 2011, a significant effort was made to begin reviewing the effectiveness and integration of EH&S topics into skills training. Surveys were developed and sent to students in five EH&S courses to rate the content, delivery, and whether the lessons learned can be incorporated into the day-to-day job. Analysis of the feedback will help guide future changes and improvements to the courses.

Also in 2011, 12 non-EH&S skills courses were attended and reviewed by the Corporate EH&S training coordinator to evaluate how EH&S topics are addressed within job training. While many had incorporated core EH&S themes, there were some opportunities for improvement, which were identified and reported to skills course trainers. A new Training Continuum review program has been developed to further this effort and will be deployed in 2012.

Training coordinators within each organization work with management to determine exactly which training courses each employee should have. Several employees took advantage of the growing number of interactive distance learning and web-based courses (especially certain annual refresher training courses) accessible through Con Edison's internal training portal and *EH&S Connect* website.



We offer training courses through our internal EH&S

Connect website.

Formal on-the-job training (OJT) is conducted for employees by each operating department using curricula developed by personnel from The Learning Center, Corporate EH&S, and operating departments. Available OJT courses cover safety considerations for a broad range of company operations.

At O&R, the Environmental Health, Safety and Training Department provides safety training covering applicable regulatory standards in cooperation with local management. The Department also coordinates safety seminars for public organizations, police academies, fire departments and rescue teams on safe practices when responding to emergencies at electric and gas facilities.

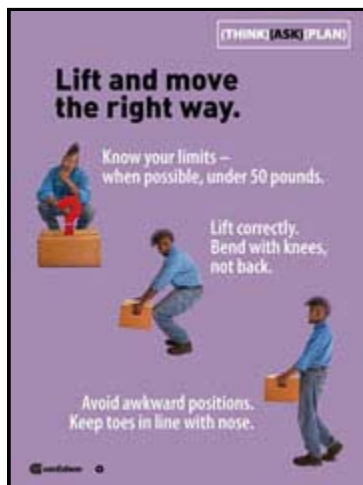
Hearing Conservation

Federal regulations require that private sector employers develop a hearing conservation program and provide worker protection against the effects of noise exposure when sound levels exceed a certain level over an eight-hour period. The company, through Corporate EH&S, provides guidance on identifying noise hazards, performing noise monitoring, controlling noise, selecting hearing protection, and employee training and record-keeping.

In 2011, Con Edison performed a company-wide review of potential noise exposures that could result in occupational hearing losses. An initiative to improve handling of such injuries in 2010 entailed a broad reassessment of noise exposures present throughout the company. The resulting data enables local organizations to target certain noise sources for reductions based on knowledge of their impact. Prevention efforts have also been focused on the most at-risk personnel, to reduce the potential for future hearing losses among our employees.

Ergonomics

Ergonomics is a mechanism for ensuring a healthy workplace by reducing the possibility of employees developing musculoskeletal disorders. By recognizing and reducing ergonomic stressors on the job site, in the office and in between, Con Edison decreases the risk of soft tissue injuries in the workplace. Repetition, lifting, awkward postures and contact stress are examples of ergonomic stressors.



We improved lifting procedures and trained more than 5,000 employees in proper techniques to prevent injuries.

In 2011, the company built on 2010 efforts to identify at-risk lifting tasks and improve employee lifting practices. We assembled an ad hoc procedure development team to develop five formal instructions targeted to employees lifting items that weighed in excess of 50 pounds, which is the maximum weight, under ideal lift conditions, that is considered safe under National Institute for Occupational Safety and Health (NIOSH) recommendations. We developed documented on the job training materials and identified subject matter experts to assist operations in training all affected employees. As a result, more than 5,000 employees received training on proper heavy-lifting techniques.

Stretching to warm up muscles before beginning strenuous field work was also a focus in 2011. Office personnel are also embracing stretching programs.

We experienced a 25 percent reduction in overall ergonomic injuries in 2011, and in cases where the root cause was attributed to poor technique, such as awkward posture while lifting, the reduction was 40 percent.





We encouraged employees to stretch their muscles in the office and in the field.

"When you teach live, you get to meet everyone and learn all different aspects of the company. You hear different stories from different departments, discuss it, and learn."



Patrick Hughes

Pat served in the company's generating plants for 24 years before becoming a senior instructor at The Learning Center in 2011. His favorite class to teach is OSHA.



The company is improving efforts to prevent noise hazards

"Stretching always brings a renewed sense of relief and invigoration to my mind and body so that I can continue in my daily functions at full capacity."



Gustavo Barrientos

Gus is a customer service representative in our call center and is an active participant in the stretching program.

and hearing loss.

Contractor Safety



We hold our contractors to rigorous environmental, health, and safety standards.

When Con Edison enters into a relationship with a service contractor (such as for excavation, construction or system maintenance), we verify that the vendor has the financial resources and insurance to meet our needs. We then conduct a rigorous environmental, health and safety review of the vendor to validate its EH&S programs, including a review of OSHA-related records and the history of associated violations.

In certain cases, we require contractors to participate in environment, health and safety training (available through on-line programs). Contractor health and safety plans are reviewed by company subject matter experts before the contractor begins work. Where a contractor has experienced recent accidents or violations on Con Edison assignments, we may require them to hire a third-party monitor to ensure that they are performing work in accordance with applicable EH&S requirements.

Periodically, Con Edison's Purchasing Department issues an *Environmental & Safety Newsletter for Contractors*, covering recent violations, new regulations, as well as best EH&S practices employed by exemplary contractors. The newsletter has featured articles on new federal requirements for temporary traffic control services, an asbestos abatement contractor suspended for EH&S program deficiencies, mandatory OSHA awareness training for employees, vendors, and contracted workers, and New York State Industrial Code 753 (and the One-Call System).

Contractors regularly undergo on-site inspections by trained and experienced Con Edison personnel, whose observations will form the basis of semi-annual report cards. They are also a part of our Job Site Safety Exchange program, opening up the lines of communication on safety topics daily between the vendor and our Con Edison employees. We maintain a special *Action Line* for employees to report contractor environmental, health and safety violations and potentially risky behavior. Purchasing uses a special committee to review contractor violations and assess disciplinary action (e.g., replace site manager or field personnel, undergo special training, lose eligibility for further contracts for a specified period of time).

These steps, though rigorous, help to ensure that contractors work safely on Con Edison assignments, and in compliance with applicable EH&S regulations. Achieving continuing improvement in contractor OSHA injury incidence rates is a key performance measure at Con Edison. For 2011, the company's contractors collectively had an OSHA injury incidence rate of 2.12, surpassing the goal of 2.56 or lower established for the year.

Similarly, O&R follows a defined procedure for ensuring that contractors follow certain safe and environmentally-compliant practices.

Rules We Live By

The Rules We Live By are a compendium of requirements drawn from various operational procedures specifically designed to prevent significant injuries. Operating groups have identified key procedures required to control energy sources or mitigate their impact on personnel or the public. Violations of *The Rules We Live By* are not tolerated; both company employees and contractors face significant penalties for infractions.

During 2011, there were 22 violations of the *Rules We Live By*. Ten incidents involved company employees, and 13 involved contractor employees (one incident involved both company and contractor employees). The two most common violations were not wearing required personal protective equipment and a lack of fall protection. In addition to reviewing the violations with company employees, Con Edison sponsored a *Rules We Live By* seminar for its contractors in 2011. The importance of adhering to these critical safety requirements was emphasized at gatherings that included contractor principals, senior managers, and field personnel.

O&R instituted a set of *Rules We Live By* in June 2011. These safety requirements increase focus on the potential for high hazards, and reinforce company-wide expectations and encouragement of employees and contractors to maintain ground rules. Adherence to these rules will further guard against instances of severe injury or fatality, or any placement of employees or the public at significant risk.



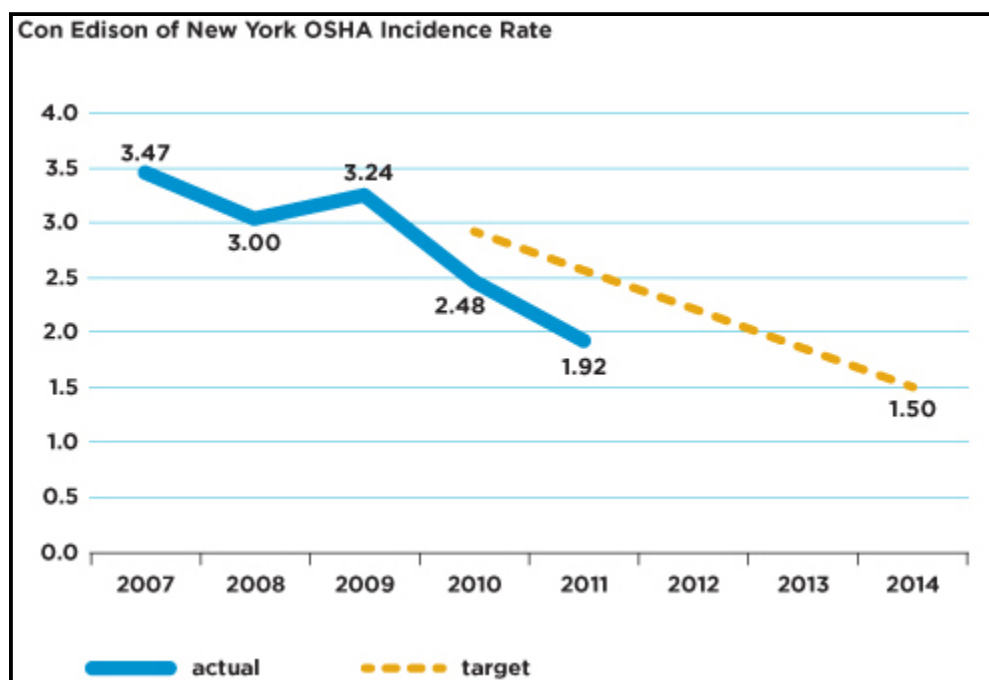
Operating groups have provided employees with wallet cards showing Rules We Live By as a quick reference resource.

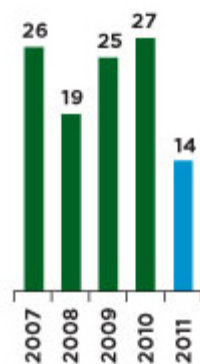
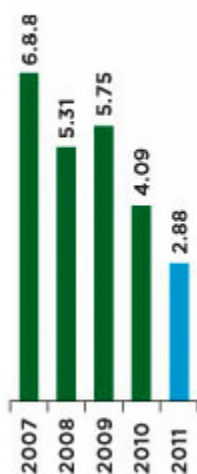
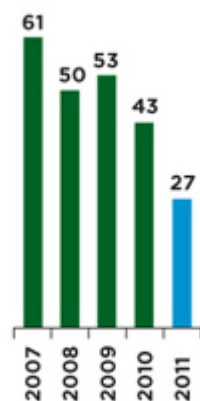
Safety Performance



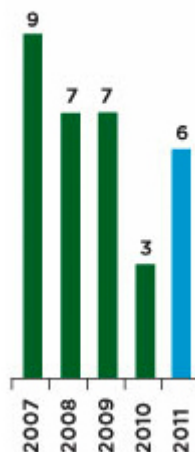
Both Con Edison of New York and Orange and Rockland broke company safety records in 2011.

Both Con Edison of New York and O&R broke company OSHA rate safety records again in 2011. We will continue to strive toward becoming a zero-injury workplace by stressing the elements of our overall safety program.



**Con Edison of New York
Recordable Injuries*****Con Edison of New York
Recordable Illnesses****O&R OSHA Injury/Illness
Incidence Rate****O&R Recordable Injuries***

*Recordable Injuries are those where medical attention beyond first aid is required.

O&R Recordable Illnesses

Public Safety



Con Edison is committed to safety, and takes extensive precautions when performing field work to protect the public from potential hazards. Con Edison is committed to integrating public safety considerations in every aspect of its system planning, design work, and system operations. Formal periodic inspection, testing, and maintenance of electric, gas, and steam transmission and distribution infrastructure confirms that system elements will continue to provide safe and reliable service. Operating groups follow detailed procedures and specifications in carrying out their responsibilities. When field work is performed, extensive requirements for work-area protection are implemented to make certain that Con Edison employees and the public are protected from potential hazards. To help identify and quickly report any hazards that may be associated with street work, a cross-functional team of operating personnel, the Work Area Protection Committee, has been assembled to meet regularly for the purpose of identifying and sharing best practices.

Con Edison also regularly communicates useful safety information to customers in its regular *Customer News* bill insert. O&R customers receive an insert titled *@home*. These publications provide seasonal safety tips for severe weather and remind customers about staying safe around downed power lines. In addition, the inserts along with O&R and Con Edison of New York websites offer safety tips about residential electric and gas use, along with information about carbon monoxide and generator safety.

Con Edison performs extensive stray-voltage testing on an ongoing basis. Stray voltage is the term that denotes the presence of electrical energy where it should not be present, such as on lamp posts, sidewalk grates, or other structures. Con Edison uses a fleet of vehicle-mounted-mobile stray-voltage detectors to test equipment and ensure public safety. The high-tech vehicles are dispatched throughout the company's service territory year-round and use sensors to detect stray voltage as low as one volt on manhole covers, gratings, service boxes, light poles, neon signs and other structures.



Con Edison's extensive stray-voltage

testing program checks company-owned equipment, as well as street lights, fences, and other structures.

The mobile stray-voltage-detectors enable Con Edison to perform multiple scans of geographic areas more quickly than using manual testing alone. The vehicles have the advantage of not needing to make direct contact with a structure to test it for stray voltage. In fact, the vehicles have found stray voltage on objects, such as scaffolding, that would not be tested in the manual testing program. The manual testing program, involving crews with hand-held voltage detection equipment, surveys structures in New York City and Westchester County once a year. The vehicles, however, are able to conduct system-wide surveys far more frequently. In 2011, the company completed 12 system sweeps using the mobile detectors for a cumulative total of more than a million stray-voltage tests.

In 2011, as a result of stray-voltage surveys, the company found and eliminated 3,464 cases of stray voltage. Of this total, 1,688, or nearly 49 percent, were on non-Con Edison equipment, such as streetlights, electric signs, and other structures. The remainders were on Con Edison structures.

O&R carries out comparable stray-voltage testing in its territory. During 2011, there were 128,545 overhead and 17,314 underground distribution structures tested. In addition, 6,577 transmission structures and 65 substation fences were stray-voltage tested. Traffic signals and street lights were also tested. Of the 2,137 street lights tested, 533 are owned by O&R, and the rest are under the jurisdiction of various municipalities within its service area, and the Department of Transportation. For all of 2011, there were 24 stray-voltage findings in excess of one volt identified in the O&R service territory. All were corrected, and there were no associated injuries.

Con Edison is working with government agencies to address the problem of stray voltage on non-company equipment, such as fencing and sidewalk bridges or scaffolding. In addition to mitigating stray voltage by means of surveys, Con Edison has developed and tested composite service box and manhole covers, and installed new insulating covers at many locations in its system during 2011. The company also developed isolation transformers that help to prevent stray voltage from developing on the outside of streetlight posts.

Safety and Environmental Emergency Response Planning



Our Incident Command System makes sure we are prepared for weather emergencies and system disruptions of all kinds.

Con Edison has developed comprehensive emergency response plans to address potential incidents resulting from storms or other natural disasters, system emergencies, and civil emergencies not related to company operations. The framework used in developing these plans is the nationally recognized Incident Command System (ICS). The ICS is a flexible framework that allows response organizations to grow or retract as the severity of the incident changes. Con Edison has worked closely with government agencies, response contractors, and community organizations to ensure preparedness among all our organizations in case of fires, explosions, uncontrolled spills, threats to security, weather emergencies, and system disruptions.

In 2001, the Con Edison Emergency Management department was established to facilitate responses to emergency situations throughout the service area. This department ensures that responses to incidents and emergencies are organized and managed consistently and effectively. The department provides liaison officers to interact with government agencies and first responders during severe emergencies and arranges for subject matter experts to support operating organizations, which are responsible for incidents and emergencies within their assigned areas. Staff members can be deployed to the field to help set up portable incident command posts, to help responders organize under ICS, and to interface with the police and fire department or other agencies on scene. In addition, the department specifies training requirements for individuals expected to manage or participate in response actions.



Con Edison's Emergency Management department is prepared to respond to emergency situations throughout our territory.

The department serves as the company's interface with state and local emergency management organizations, including the New York City Office of Emergency Management (OEM), the New York City Fire Department (FDNY), the New York City Police Department (NYPD), the New York State Emergency Management Office (EMO) and the Westchester County Office of Emergency Management. Representatives of the Emergency Management department communicate on a regular basis and meet periodically with these organizations. This open communication serves to break down barriers and provide for open and frank discussions.

To help New York City respond to deliberate attacks, approximately 100 employees are trained as a part of a citywide Biological-Chemical Weapons Response Team. These personnel – all volunteers – would deal with controlling electric, gas, and steam services, where necessary, in areas contaminated by the deployment of biological or chemical weapons. Con Edison's Biological-Chemical Weapons Response Team members train with the FDNY every year.

In 2011, a new spill management team was established to assist in the recovery from any oil spills to navigable waterways.

Drills and exercises are an important part of emergency preparedness. Con Edison administers 12 major exercises each year covering all operating organizations, in addition to the periodic evacuation and fire drills conducted at all facilities. The city's OEM and the New York State Public Service Commission (PSC) observe and critique exercises involving electric operations. Oil spill response exercises are conducted annually. The U.S. Coast Guard, spill response contractors, and FDNY frequently participate in these exercises. Con Edison makes The Learning Center available to FDNY and other city agencies to conduct response training, exercises and drills. Orientation tours of most facilities have been conducted with local fire companies. In addition, local fire companies are provided annually with inventories of hazardous substances stored at nearby Con Edison facilities, as required by both federal and state, and local regulations.

O&R has EH&S staff members trained to respond, supervise, clean up and remediate, if necessary, oil or hazardous substance releases. Staff members are experienced in internal and regulatory notification, sampling, clean-up and waste disposal procedures required to address spills or releases associated with the operation of natural gas distribution as well as electric distribution and transmission systems.

An environmental response plan specifies the process and procedures to support the company's response to emergency situations, including spills or releases. The plan details specific duties and responsibilities, including regulatory notifications, incident characterization, protection of personal health and safety, and remediation management. Operations personnel have been trained to the First Responder Operations Level and will respond to a spill or hazardous substance release. Their function is to contain the release from a safe distance, keep it from spreading and prevent exposures to employees and the public. O&R presently contracts outside services to respond and clean up all spills, and dispose of resultant non-hazardous and hazardous waste.

Con Edison resources are also available to support O&R responses to environmental emergencies, and both companies have mutual-aid understandings with neighboring utility companies as well.

All of the communities that O&R serves have volunteer fire and rescue departments. These organizations and the other emergency services groups throughout our service territory have been provided with Orange and Rockland's Electrical Safety Awareness presentation. In addition, these groups have participated in site substation drills, site propane plant drills, tours of the Distribution Control Center, Customer Service Center and all other facilities. To comply with the Emergency Planning and Community Right-to-Know Act, O&R provides a hazardous materials inventory of threshold quantities that the company uses in its operations to emergency responders and local emergency planning committees. A Tier II (New York) or Community Right-to-Know Survey (New Jersey) form is completed depending upon the location of the facility.

In addition, contingency plans are prepared for each O&R facility that is or has the potential to be a large-quantity generator of hazardous waste. Plans are updated semi-annually, and are maintained on-site for easy access by emergency responders.

CUSTOMER NEWS

con edison

An Energy Calculator for Your Home

The Green Team Plays Its Part in Energy Savings

Free Business Energy Surveys

Ways for Larger Businesses to Save Energy & Money

Energy and Green News Directly to You

Rebates for New Room A/C

You and Your Meter Reader

Our incident Command System makes sure we are prepared for weather emergencies and

@home with Con Edison

Recycle & CASH IN

Win an iPad 2

Appliance rebates available

See a summer power issue? Call us!

system disruptions of all kinds.

Con Edison of New York and O&R customers receive regular

newsletters that feature information about storm safety as well as gas and electrical safety.



Crews use hand-held detection equipment to survey structures for stray voltage. use devices that test for contact voltage to protect the public.



Our crews

Stakeholder Engagement

Con Edison is dedicated to providing the world-class service and reliability our customers expect. By planning early when severe weather is expected, we strive to reduce the time it takes to make repairs and restore outages for our customers. We work throughout the year to improve the environment in our communities, continuously research new technologies for our electrical distribution system, and develop new ideas to help our customers conserve energy and resources.

Con Edison also focuses inwardly to continue to strengthen our workforce and promote positive cultural transformation. We celebrate the diversity of our employees, embrace ethical business practices, and support open and honest communication both inside and outside our company.

► Worked with customers to **convert 243** buildings from **heavy fuel** to **natural gas.**

► **Restored service to 71,000** customers **within 24** hours of a **record-setting** heat event in New York City.

Early Response Planning



A Halloween snowstorm downed tree limbs and knocked out power.

Record snow in January, a July heat wave, an earthquake, Hurricane Irene, and a Halloween snow storm were the highlights of the wild weather across our service territory in 2011.

Through it all, Con Edison employees worked tirelessly to keep our systems running, and to restore service when storms damaged our equipment. With each new challenge, we reached out to our customers ahead of expected severe weather with safety tips and recommended preventive measures. We kept in touch during and after the storms with updates about the restoration efforts.

For each of the major weather events in 2011, our primary objectives were communicating with our customers and safely getting them back online as quickly as possible.



Con Edison crews worked around the clock throughout our service territory to speed storm recovery in the aftermath of Hurricane Irene.

Heat Contingency

Over the course of a four-day heat wave in late July, Con Edison customers used 1 trillion watt hours of electricity – about the same amount the state of Vermont uses in two months.

The demand on our grid shattered records, with overall electric use peaking at 13,189 megawatts on July 22, 2011, eclipsing the previous record of 13,141 megawatts set on August 2, 2006. The company also posted a new weekend peak record on July 23, 2011 – 11,533 megawatts – breaking the previous weekend-high mark of 11,209 megawatts set on July 24, 2010.

The peak would have soared even higher if not for the customers who responded to calls for conservation, or who took advantage of Con Edison's energy-efficiency programs. Demand response programs, which pay large customers to cut back on power use during heat waves, were credited with reducing peak demand by approximately 500 MW. The company also asked its 3.2 million customers to conserve power, and credited them with helping to keep the power flowing reliably.

Along with encouraging conservation on the customer-side, proactive voltage reductions were enacted in all five boroughs and Westchester County at different times throughout the heat event to protect equipment and maintain service as company crews worked to repair systems.

Despite all possible precautions, 71,000 customers experienced outages as a result of the heat wave. The company responded with hundreds of crews in the street working 12-hour shifts around the clock to restore power. Con Edison representatives staffed customer service vans where customers could pick up dry ice as needed. Within one day after the heat event, all customers had their power restored, meeting 100 percent of the global ETR goals.



We distributed dry ice to customers who lost power during a four-day heat wave in July 2011 that shattered records for electric use.

Hurricane Irene

Hurricane Irene slammed the city in August, causing the first ever shut-down of the city's subways, evacuations of low-lying areas including downtown Manhattan and south Brooklyn, and a storm surge that flooded city streets.

Con Edison began preparing for the storm days before landfall. The company's request for mutual aid yielded 400 crews from as far as Texas, Colorado, and Wisconsin.

The following video is a segment from Con Edison's The Excellence Files, which is a monthly internal video newsmagazine program that highlights the company's work on environment, health, and safety issues.

Before the storm, we alerted more than 5,000 customers in Lower Manhattan by telephone that the company might need to shut down electricity to protect equipment from damage if significant flooding and storm surges were to occur. That measure turned out to be unnecessary, but the company did shut down several portions of the steam system and steam generating assets, all in low lying areas, as a precaution to prevent damage from coastal flooding. This shutdown affected several major steam

customers. Steam crews worked around the clock to ensure customers' services were shut down safely prior to the hurricane's arrival. After the storm, steam generating units were back online for steam supply the next morning, and all customers were restored within 48 hours.



Crews worked around the clock to restore power after Hurricane Irene caused the most storm-related outages in Con Edison's service area. The storm's fierce winds knocked trees into power lines, poles, and transformers, causing 211,400 customers to lose power – the most storm-related outages ever in Con Edison's service area. Global ETR goals were set based on assessments made within 12 hours of the storm's conclusion, and the company met 100 percent of its commitments.

Winter Weather

With 36 inches of snowfall, 2011 began with the snowiest January in New York City history. The snow and cold weather resulted in record-breaking use of natural gas. Throughout January, the company delivered 25.14 million dekatherms of gas to its distribution customers breaking the company's previous record of 23.86 million dekatherms in January 2009.

In addition, counting the delivery of natural gas to electric and steam generation facilities, Con Edison set monthly, daily, and hourly records in January. The monthly delivery was 36.77 million dekatherms. The company set the daily record on January 13 by delivering 1.34 million dekatherms, and the hourly record at 8 a.m. January 10 with the delivery of 66,431 dekatherms.

A surprise Halloween storm dumped snow across Con Edison's service territory; as much as a foot fell in Orange County. Once again, 2011 broke records, making it the snowiest October in New York's Central Park since records began being kept there in 1869, according to the National Weather Service.

As a result of the snow, nearly 136,000 customers lost power. Many of the outages were the result of the weight of snow and ice on trees that had yet to drop their leaves, causing limbs and entire trees to fall. Once again, Con Edison crews, along with contractors and mutual aid crews from other utilities responded and worked around the clock to restore power. Global ETR goals were set within 12 hours of the storm concluding and the company met 91 percent of its commitments.

Measuring Reliability

Con Edison is committed to delivering energy safely and reliably. The economic growth of our region is dependent upon our ability to provide uninterrupted power. Our company is responsible for illuminating Broadway marquees, powering Wall Street stock tickers, and keeping the lights on in the city that never sleeps. For more than a century, we have provided the energy that keeps millions of New Yorkers comfortable in their homes and productive in their businesses. That undertaking calls for managing many large facilities, and one of the most complex transmission and distribution networks in the world.

In 2011, PA Consulting Group named Con Edison winner of the National Award for Outstanding Reliability Performance, for the company's electricity delivery in 2010. Con Edison also received the organization's Reliability One™ Award for the Northeast Region, as well as an award for Outstanding System-Wide Reliability.

We measure our service reliability using two standards; the System Average Interruption Frequency Index (SAIFI) and the Customer Average Interruption Duration Index (CAIDI).

The SAIFI is the total number of interruptions divided by the total number of customers served. The lower the value, the better the performance.

CAIDI is the average time (in minutes) to restore interrupted customers, or the interruption time divided by the affected customers.

System Average Interruption Frequency Index (SAIFI)

	2011	2010	2009	2008	2007
Con Edison of New York	0.147	0.128	0.104	0.126	0.156
O&R	0.96	1.15	1.07	1.22	1.00

Customer Average Interruption Duration Index (CAIDI)

	2011	2010	2009	2008	2007
Con Edison of New York	162.6	154.2	136.2	136.2	118.2
O&R	98.1	118.7	100.3	108.0	96.4

Researching Improved Technologies



We are researching Smart Grid technologies and other ways to increase reliability and efficiency, while reducing our carbon footprint.

Con Edison's research and development investments are intended to reduce the carbon footprint associated with energy delivery, while increasing reliability and efficiency. Some are still in the research phase, some are pilot programs, and others are planned for introduction in the near future.

Please visit links at the left to read more about our work with 3G, Automated Metering, Distributed Generation, and Smart Grid technologies.

3G Electric Distribution



We are studying new ways to design and build electric distribution infrastructure in dense urban settings.

We expect the need for electricity will continue to increase in Con Edison's service area, but the space available for building new substations is scarce, particularly in Manhattan. Associated new distribution lines will also be difficult to route because of an already-crowded underground environment that accommodates dense concentrations of telephone lines, optic fiber, subways, water and sewer lines, and energy-delivery systems. Con Edison has undertaken a long-term study that is intended to culminate in a new way of designing and building substations and electric distribution installations in urban settings. This initiative is the **3G System of the Future** project. The project began with international benchmarking of other reliable electric utilities around the world serving dense urban centers that are characterized by the same space constraints existing in the New York metropolitan area. The teams conducted fact-finding studies of electrical system design and operation in Tokyo, Osaka, Paris, London, Hong Kong, Shanghai, and Chicago. As a result of these findings, Con Edison has begun defining specific project objectives including improved operating flexibility, making better use of existing assets, reduced street congestion, reduced risk of large outages, and excellent customer service and reliability.

Project designs for the 3G System of the Future have been developed and analyzed based on system reconfiguration to share demand, increase operational flexibility, enhance customer reliability, and maximize asset utilization. A new design will be implemented in eastern Queens, where new switch installations provide for increased operational flexibility. Another implementation will also occur in fast-growing areas like Manhattan's east side, where a new substation and underground infrastructure will be required to meet the demand.

In a related initiative, Con Edison has partnered with the Department of Homeland Security under their Resilient Electric Grid program to design and construct a high temperature superconducting (HTS) cable intertie between two of the company's area substations. The HTS cable functions at cryogenic temperatures and is capable of carrying much higher levels of current than traditional copper cables. The Hydra application will allow two adjacent substations to seamlessly share the power supply from a single transformer, increasing reliability and efficiency, and making better use of existing assets.

In the future, Con Edison sees the Hydra concept as an enabling technology for its 3G design approach. By helping pioneer this HTS technology, Con Edison expects that its usefulness will eventually extend beyond our own service area, and that our work will pave the way for securing other power grids.

Automated Metering

By the end of 2011, Con Edison installed more than 877,477 electric and gas meters that provide remote meter-reading capability. These meters can register and retain intervals of usage data, and transmit that information to specially equipped company vehicles. This automated meter-reading technology is more economical than the traditional practice of having meter

readers visit customer premises on a monthly basis to register meter readings. It's much more convenient for customers as well because it's not necessary to have someone at the customer location provide access to the meters in order to register a reading. Automated meter-reading also eliminates the need for estimated bills because physical access to meters is not required in order to get an accurate monthly reading of energy consumed at the customer's premises. In the longer term, there is the potential for using remote metering to give customers a load usage profile, a better understanding of their day-to-day energy use, and help them to identify the potential for lowering energy use at their premises.



Automated meter-reading allows us to record energy use data without having to visit a customer's premises.

Distributed Generation



Solar panels are one of the most popular forms of distributed generation requested by our customers.

It is easier than ever for our customers to install alternative energy sources, thanks to New York State Energy Research and Development Authority (NYSERDA) funding, changes to net-metering laws, and big incentives to help defray the cost.

Solar panels are one of the most common types of distributed generation (DG), or electricity generated on-site by customers' equipment. Of the 280 DG applications the company received in 2011, the vast majority were for solar projects.

Con Edison has been working closely with customers, solar panel contractors, and NYSERDA to streamline the process for converting to photovoltaics (PVs), and government has supported the effort. NYSERDA expanded its program, creating incentives for larger solar projects thereby broadening the participation of larger businesses.

Net-metering allows customers to reduce their bills by using the energy they generate on-site, and sell back any excess energy they generate to Con Edison. The typical residential customer with a 6kW solar installation can save about \$1,400 per year.

Both Con Edison of New York and O&R provide customers with information and resources to facilitate the installation of photovoltaics, as well as other technologies like wind-driven generators and microturbines fueled by clean-burning natural gas.

Con Edison collaborated with various city agencies and hosted workshops with installers, architects and engineers to teach best practices and provide information on how to avoid common mistakes and application delays when working with Con Edison, Department of Buildings, NYSEERDA, and the FDNY.

An area-by-area breakdown of new solar projects installed in Con Edison's service territory over the past two years shows considerable growth in output capacity in 2011:

	2011 Installations	2011 kW	Total # of Installations	Total kW
Brooklyn	33	547	116	2193
Bronx	6	151	68	1280
Manhattan	21	579	54	1154
Queens	53	838	168	3248
Staten Island	16	183	44	470
Westchester	31	422	261	3365

Smart Grid



Con Edison of New York and Orange and

Rockland both operated smart grid pilot installations in 2011.

Smart grid pilot installations were operated in the service territories of both Con Edison of New York and O&R through 2011. Con Edison's project combines advanced technology with existing innovations to test and evaluate the company's response to customer use and power interruptions. Con Edison of New York's initial, urban smart grid pilot is installed within the company's Long Island City network, an 8.3 square-mile-area, which has a customer density and mixture similar to other areas in the company's system.

O&R is developing an innovative pilot, coupling state-of-the-art equipment design with cutting-edge technological advances in computer analysis, system-monitoring, and control. This advanced system would significantly improve reliability by restoring customers' electric service automatically when disturbances occur, and minimizing the extent of outages through expanded distribution automation.

O&R implemented its three-year smart grid pilot project in the vicinity of the company's West Nyack and Snake Hill substations, both in West Nyack, New York. For more information about Con Edison's smart grid initiatives, refer to Con Edison's website at coned.com/publicissues/smartgrid.asp.

Sustainable Policies and Standards

The company partners with stakeholders to promote energy-efficient buildings and cleaner fuels, and pursues programs and policies that support sustainable practices.

Three of Con Edison's sustainability principles underline the company's outward relationship with customers and the policies and opportunities that affect them:

- Innovating to meet customers' preferences for a greener lifestyle
- Partnering with government to shape policies and standards consistent with our sustainability vision
- Developing infrastructure to advance the use and delivery of value-creating clean energy alternatives

In support of those principles, the company created a new Gas Conversion Group in 2011 that is dedicated to helping customers convert their buildings from heavier fuel oils to cleaner-burning natural gas.

Con Edison's three other principles of sustainability focus on:

- Modeling green behavior internally
- Promoting green behavior to external stakeholders
- Incorporating environmental and social value into our decision-making

These principles were put into practice in 2011 when Con Edison partnered with the New York City Department of Parks and Recreation to plant several community groves of tree saplings to replace two large oak trees. The trees were removed during underground vault work needed to ensure reliable service in Staten Island, New York.

Fuel Oil to Natural Gas Conversions

In 2011, the City of New York passed a regulation phasing out the use of #4 and #6 heavy fuel oils – the two most polluting types. As part of the city's goal to reduce emissions from burning these two oils and improve air quality, the city will stop issuing new permits for #6 heavy fuel oil by the end of 2015, and will do the same for #4 fuel oil by the end of 2030. Con Edison anticipates that many of the large buildings currently burning these oils will want to convert their primary fuel source to natural gas supplied from Con Edison's gas distribution system.

There are approximately 10,000 buildings citywide that are currently permitted to burn #4 or #6 fuel oil, with about 7,000 within Con Edison's gas service territory. New demand for gas services will lead to growth in the company's gas business, but it will also pose challenges to the logistics of our operations and the management of our infrastructure.

To help manage these opportunities and challenges, Con Edison's new Gas Conversion Group is streamlining the conversion process for our customers. The group tracks the number of customers who convert from oil to natural gas, and sets goals for future conversions. In 2011, we successfully converted 243 buildings burning #4 or #6 oils, and our goal is to nearly double our efforts in 2012, with a plan to convert 482 buildings.

From application for service to boiler ignition, our team is rising to the challenge of cleaning New York's air.

Please visit our [oil to gas conversion website](#) for more information, including how to begin the gas conversion process for your building.

Planting Mini-Forests on Staten Island

In 2011, Con Edison crews had to remove two large Pin Oaks in order to install a pair of vaults outside of a Staten Island high school. Vaults were needed to ensure electric service reliability because of a surge in computer and air conditioning use at the school. Initially, only one tree was expected to require removal, but discovery of an unmapped sewer line meant a second vault would need to be relocated to where an additional oak was growing.

Following the city's formula for determining the number of replacement trees based on the size of the trees that were removed, Con Edison foresters planted 52 trees throughout Staten Island, starting in the neighborhood where the trees were removed. These mini-groves are made up of Pin Oaks, Zelkova, Swamp White Oak, Fastgate English Oak, London Plane, Hawthorne Winter King, Red Maple, Amur Maacki, and Flower Dogwood.



We partner with nonprofits to plant trees

"Con Edison is a crucial partner to the City of New York in helping meet its clean air goal. I am proud to be a part of that."



Nickolas Hellen

Nick is a member of the newly formed Oil to Gas Conversion Team started in 2011.

and protect the earth as part of our commitment to environmental stewardship.



Con Edison promotes energy-efficient buildings and the use of cleaner fuels.

Helping Customers Conserve

Con Edison is working to manage the rising consumer demand for power through energy efficiency and demand management efforts. These programs reduce the need for costly infrastructure investments, and reduce environmental impacts. The Con Edison of New York and O&R "Power of Green" campaigns promoted on our websites and through traditional and social media, keep customers informed about energy-efficiency programs, rebates, and energy-saving tips for homes and businesses. Our

Power of Green Facebook page offers tips to save energy, and a forum where customers can compare notes about how they conserve in their own homes and businesses. We also provide ideas for easy ways to use less electricity in our Customer News bill inserts.

A national leader in energy-efficiency services, Con Edison Solutions (CES) broadened its reach to federal, state, and local government markets in 2011. The company's services include design and installation of lighting retrofits, high-efficiency heating, ventilation, and air-conditioning equipment. The company's work for the US Postal Service has now been expanded to include facilities nationwide. CES has also won competitive energy-saving contracts with the Department of Energy, Department of Defense, and other major national accounts, including public school districts across the country. In addition, CES offers a variety of *Green Power* options for residential and non-residential customers.

Residential Efficiency Programs

Homeowners in Con Edison of New York's service territory can take advantage of home energy surveys, financial incentives for upgrading to high-efficiency heating and cooling equipment, rebates on new ENERGY STAR room air conditioners, and free or subsidized efficiency upgrades in targeted neighborhoods. More information about these efficiency measures is available to customers at www.coned.com/energyefficiency/residential.asp.

O&R customers in New York can earn rebates by recycling old, inefficient appliances. Incentives are offered for upgrading gas heating and water-heating equipment with more efficient units. There are also programs to provide financial incentives for homeowners who upgrade oil or propane heating systems to cleaner-burning natural gas. For O&R's New Jersey homeowners, there are also rebate options for the purchase and installation of high-efficiency central air-conditioners and heat pumps. O&R customers can find more information at www.oru.com/programsandservices/incentivesandrebates/



Residential customers can earn rebates by recycling old, inefficient appliances.

Commercial Efficiency Programs

Con Edison of New York's commercial customers, as well as owners of five-to-75-unit multi-family properties, have an extensive selection of energy-efficiency options. These include free energy surveys, programs that provide financial incentives for lowering energy use, and incentives covering up to 70 percent of the cost for efficiency upgrades to a facility's equipment. There are also offerings for free programmable thermostats, and incentives for converting to gas heating from oil-fired furnaces. Information on these energy-efficiency measures and others is available at conEd.com/energyefficiency/business.asp

O&R's commercial customers can take advantage of programs that reward upgrades to high-efficiency lighting. Rebates are available for industrial and commercial facilities that upgrade the efficiency of their HVAC installations, and implement custom-designed energy-efficiency upgrades. O&R also offers an appliance recycling and rebate initiative for its business customers. More information on these programs and others is available at www.oru.com/programsandservices/incentivesandrebates/



We offer small business customers free energy surveys and incentives to cover up to 70 percent of the cost of efficiency upgrades.

Demand Management

The majority of Con Edison's capital spending is devoted to maintenance, repair, and upgrade of the energy transmission and distribution systems of its regulated utility companies. One of the ways to defer the necessity for costly system enhancements capital is to limit the rate of demand growth of utility customers. Working with NYSERDA, energy-efficiency contractors, and customers, Con Edison developed demand-response and demand-side management programs that help moderate peak demand. By asking our customers to cut back on the power they use, these programs can help curb demand, particularly in specific neighborhoods where demand on the energy-delivery infrastructure is approaching capacity.

Demand Response



Customers can find out about our demand response programs and other ways they can conserve energy by visiting our website.

To maintain a high standard of service reliability, Con Edison offers several demand-response and peak shaving programs to its customers. The company administers electric load-reduction programs to manage energy usage during times of summer peak demand and throughout the year. In addition to helping maintain reliable service, customers who participate in these programs benefit from financial incentives, technological support, and a reduction in energy consumption. Program options include:

Distribution Load Relief Program – This program is available to commercial customers in Con Edison of New York's service area who pledge to curtail power consumption on request during contingency events. The request is made directly by Con Edison of New York. Participants are paid on a kW basis for their pledged amount and on a kWh basis for their reduction during a contingency event. There are de-ratings associated with this program.

Commercial System Relief Program – This program is available to Con Edison commercial customers who pledge to reduce electricity usage during a peak load shaving event. A peak load shaving event is when the day-ahead forecast exceeds 96 percent of the forecasted summer system-wide peak. Customers must be in Zone J and be able to decrease their demand during their defined network day or night peak periods. Participants are paid on a kW basis for their pledged amount and on a kWh basis for their reduction during a planned event.

Critical Peak Rebate Program – Participants will be paid on a per-kWh basis during planned events to reduce their energy demand during a peak load shaving event. Voluntary participation in program events is required to receive payment. Participants must be in Zone J and be able to decrease their demand during their defined network day or night peak periods. (Pending PSC approval, this program may be incorporated into the Commercial System Relief Program as the voluntary option.)

Direct Load Control – Residential and small commercial customers are offered a free smart thermostat, along with a cash incentive for both residential and commercial accounts. In return, we have the ability, to remotely cycle their central air conditioning units. Customers can override the change without penalty.

The following video is a segment from Con Edison's The Excellence Files, which is a monthly internal video newsmagazine program that highlights the company's work on environment, health, and safety issues.

Demand-Side Management

Targeted demand-side management (DSM) programs are designed to permanently reduce customer electric demand by installing energy-efficient lighting, refrigeration, air-conditioning, and heating equipment. Con Edison DSM efforts not only help customers manage energy use, but will ultimately enable us to defer \$221 million in capital investments through 2012.

These targeted demand-side management programs have a sector-by-sector approach specifically geared to the Con Edison of New York service area, and are designed to reduce both peak demand and energy consumption. Permanent energy-efficiency projects installed in specific neighborhoods can defer the installation of cable, transformers, and other equipment. Con Edison will incorporate the peak demand reductions into system planning so that that it can defer building certain new infrastructure, thereby curbing capital expenditures and helping contain customer costs.



Our demand management programs can help curb demand in neighborhoods that are



approaching capacity.

We work with participating business customers to manage the energy



they use during summer peak demand and throughout the year. High-efficiency equipment upgrades and lighting retrofits can permanently reduce electric demand.

High-efficiency equipment

Energy Calculators

Knowing how much electricity appliances use will give customers a clearer picture of where their energy dollars are going. Powered with this knowledge, they can use energy more efficiently and have greater control over their energy budgets.

Con Edison of New York customers have a selection of home energy calculators available on the company's website at conEd.com/customercentral/calculators/EC_res.html. The Home Energy Calculator analyzes how much energy is used in your home, and calculates the savings that can be achieved from a variety of simple energy-efficiency measures for appliances, televisions, lighting, thermostats and more.

O&R customers can visit www.oru.com/energyandsafety/thepowerofgreen/calculatingenergyuse.html for a variety of calculators that provide profiles of energy usage in typical home settings, and take into account the home's electrical loads, hours of use, and other factors.

Clean Energy Sources



Renewable energy sources will help us reduce emissions and our dependence on fossil fuels.

Renewable clean-energy development will help reduce our dependency on fossil fuels and lower emissions of greenhouse gases. The increased use of more-efficient renewable energy technologies is an important strategy in environmental sustainability.

Please visit links at the left to read more about Con Edison Development's Clean Energy Development and Con Edison Solutions' renewable energy products.

Con Edison Development New Generation

Con Edison Development (CED) develops, owns and operates renewable and energy infrastructure projects in the Northeast. Through constructive collaboration, the company is focusing on renewable energy and gas assets as part of an overall corporate goal of responsible environmental stewardship. Con Edison Development already has built a renewable energy project pipeline of over 150 MW in New Jersey, Massachusetts, Connecticut and Pennsylvania.

At the Alcatel-Lucent Bell Labs headquarters campus in Murray Hill, N.J. Con Edison Development, working with SunPower, completed a 1.2 megawatt solar photovoltaic installation. The solar array system uses a mechanical tracking mechanism to position more than 3,700 solar panels to follow the sun's movement during the day. The trackers capture up to 25 percent more sunlight than conventional fixed-tilt systems while requiring significantly less land for the installations.

The system at the Bell Labs campus, occupying six acres of the 200-acre site, will generate approximately \$2.5 million in cost savings over the next 15 years. This installation will offset the production of more than 25,000 tons of carbon dioxide emissions over its 30-year lifetime.

Con Edison Development also produced, owns and operates a 2-megawatt photovoltaic project that began delivering clean, renewable power to Massachusetts utilities on March 10, 2011. The ten-acre solar facility is sited on the New Bedford Business Park, which straddles the towns of Dartmouth and New Bedford in Massachusetts. With more than 8,000 crystalline silicon panels, the installation delivers enough energy to provide power to 2,000 households, making it the largest operating solar installation in New England. The ground-mounted panels are virtually invisible from outside the park. In addition to supplying completely emission-free energy, the installation supports the state's Green Communities Act and Renewable Energy Portfolio Standard, helping utility companies reach a statewide target of 400 megawatts of solar generation.

Con Edison Development teamed with Panda Power to build the Northeast's largest solar farm in Pilesgrove Township, New Jersey. The installation consists of 71,400 solar panels. The stationary panels are designed to minimize glare and absorb more than 95 percent of available sunlight. Overall, the solar farm has the capacity to generate 20 megawatts DC (corresponding to 18 megawatts AC) of electric power. Electricity generated from the solar farm will provide energy for the local utility, and surplus energy will be sold to customers in the rest of New Jersey, Pennsylvania and Maryland. Each megawatt generated can power up to 800 homes with clean, renewable energy.



Con Edison Development's solar farm in Pilesgrove, New Jersey, is helping to reduce carbon emissions

Con Edison Solutions Delivers Renewable Energy and Customized Energy Services



Expanding our use of clean energy sources is an important part of our sustainability strategy.

Con Edison promotes renewable energy development by offering a renewable energy product through its Con Edison Solutions (CES) subsidiary. This product, called *Green Power*, consists of 100 percent renewable energy.

Residential customers of Con Edison of New York and O&R may purchase their full electrical requirements with a mix of 75 percent low-impact hydropower and 25 percent wind energy. For commercial customers, CES can supply between 5 and 100 percent of their electricity requirements with 100 percent wind energy. Sales of these products have increased the demand for renewable energy during 2011, with total deliveries amounting to approximately 280,000 megawatt hours for the year. CES *Green Power* is Green-e certified. Green-e is a leading national labeling program that sets consumer protection and environmental standards for environmentally superior electricity products. CES is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

In addition, Con Edison Solutions offers programs and services tailored to help customers achieve their individual energy objectives. The company is the cornerstone of an effort in New Bedford, Massachusetts to develop a city-wide, multi-site solar power initiative using solar panels that are exclusively manufactured in the United States. This will reduce New Bedford's overall energy spending through a goal of installing up to 10 megawatts of renewable energy, enough to power approximately 1,500 homes.

The program is the first of its kind in a Massachusetts municipality. New Bedford will install rooftop and ground-based photovoltaic units at city-owned sites. Locations will include municipal buildings, schools and selected municipal land parcels. All installations are expected to be operational by 2013. In addition to decreasing dependence on fossil fuels, production of solar energy is expected to equate to 25 percent of electricity consumed by city-owned facilities when all installations are completed. City officials estimate that total savings could reach as high as \$10 million by the year 2033.

Con Edison Solutions teamed with BlueWave Capital, LLC to carry out the program. Con Edison Solutions will own the solar installations on city sites and will enter into long-term power purchase agreements with New Bedford. Con Edison Solutions will also be responsible for installation, ongoing operations, and maintenance, and will provide for financing of the projects. BlueWave will partner with the city in a program aimed at bringing third-party-financed solar energy to New Bedford businesses and homeowners. BlueWave will also work with the city on local job and apprenticeship opportunities, the re-use of brownfields and other surplus land, and educational programs in New Bedford schools. To help boost area employment, Con Edison Solutions is committed to using local construction contractors for the project.

Con Edison Solutions has been certified as a state-approved qualified energy services provider in Arizona, Colorado, Connecticut, Delaware, Florida, Kansas, Massachusetts, Missouri, New Hampshire, North Carolina, Pennsylvania, Rhode Island, Virginia, Wyoming, and Washington, D.C.

While guidelines vary somewhat from state to state, the designation allows Con Edison Solutions to provide energy conservation measures for facilities owned or leased by the state and its political subdivisions. Services may typically include such measures as project management, site energy audits, energy modeling, lighting retrofits, engineering design, construction management, commissioning, training, and ongoing measurement and verification.

In addition to its certification in the specified states, Con Edison Solutions is also a nationwide provider of energy services to the Department of Defense, the Department of Energy and the United States Postal Service.



Con Edison Solutions offers customers a variety of Green Power options.

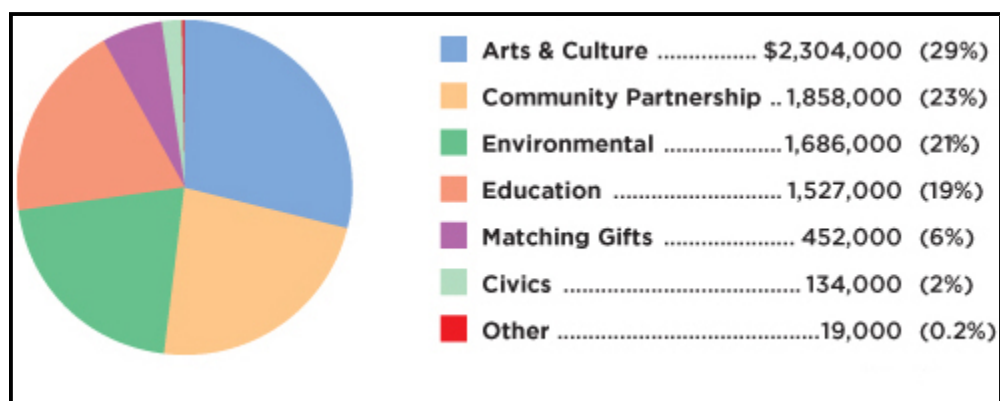
Strengthening Communities Served



The Power of Giving 2011 Year in Review

Con Edison supports about 1,200 nonprofit organizations in New York City and Westchester County whose programs illustrate our dedication to healthy and sustainable communities. We commit our time and more than \$8 million in charitable funding to groups that focus on five areas:

- Education in science, technology, engineering, energy, and mathematics
- Environmental stewardship
- Community partnerships
- Civics
- Arts and culture



Our Power of Giving program is more than cash grants. It also includes a strong and loyal volunteer corps, employee participation on nonprofit governing boards, partnerships and collaborations, in-kind contributions, and company matching of employee donations.

Cash Grants



Education

Con Edison supports groups with programs in math, science, engineering, energy, and technology for students from kindergarten through college. In 2011, Con Edison provided close to \$1.5 million in charitable funding to organizations that focus on education.



Environmental Stewardship

Con Edison partners with programs that focus on energy efficiency, preservation of natural resources and parklands, environmental education, and green careers. In 2011, Con Edison provided about \$1.7 million in charitable funding to environmental groups.



Community Partnerships

Con Edison supports groups that focus on youth, law enforcement, housing services, landmarks preservation, education, and diversity. In 2011, Con Edison contributed \$1.8 million to community organizations.



Civics

Con Edison funds programs that provide young people ages 8 to 18 with the skills and opportunities for lifelong civic engagement. We seek to create interest in the democratic process by providing young people with the skills necessary to voice their opinions, affect policy changes, and remain civically engaged throughout their lives. In 2011, Con Edison provided \$134,000 to organizations promoting civic engagement.



Arts and Culture

Con Edison supports organizations that contribute to arts and culture in a variety of ways—from presenting visual and performing arts to the public to providing arts in education. In 2011, Con Edison contributed more than \$2.3 million to arts and culture groups.



Volunteerism

Our volunteer program gives Con Edison employees, retirees, and their families a chance to donate their time and resources to make a difference in the communities we serve. Volunteers participate in diverse and innovative activities at nonprofits throughout New York City and Westchester County. Con Edison employees and retirees donated more than 3,500 volunteer hours across New York City and Westchester County in 2011.



Board Participation Program

Con Edison employees serve on the governing boards of more than 150 nonprofit groups we support — and that number increases every year. Our participation on nonprofit boards strengthens our relationships with our nonprofit partners, increases our awareness of community issues, fosters a corporate culture of community involvement, and helps employees develop new skills.



Partnerships and Collaboration

Along with our support, Con Edison also helps create synergies between community-based groups. We actively seek opportunities to foster partnerships and collaborations among nonprofits by connecting them with each other through programs or projects we support.



In-Kind Contributions

Con Edison enhances its support of nonprofit organizations through in-kind, non-cash donations. For example, we donate compact fluorescent light bulbs, services, and loaned labor, whereby an employee with a particular expertise or skill assists a nonprofit on a short-term project or program.



Matching Gifts

In 2011, Con Edison awarded more than \$452,000 to nearly 159 higher education institutions through our employee matching-gift program. We provide a double match for employee and retiree gifts up to \$3,000, and a single match for gifts of \$3,001 up to a maximum of \$7,500 in one calendar year. In 2011, our employee and retiree gifts plus our matching gifts to colleges and universities totaled almost \$800,000.

"I love spending time volunteering – it's a chance to meet great people and get out and do something good for our community and the environment."



Sarah Phelan

Sarah works in our Remediation group and was honored as the volunteer donating the most time in 2011 – 100 hours!

"Every time I volunteer I feel energized, happy, and inspired afterwards. They call it the 'Power of Giving' for a reason."



Charles Tienken

Charles is a customer field representative. He put in more than 35 volunteer hours in 2011, his first year with the company.

Organizations Con Edison Supports

Featured Organizations Con Edison Supports

GrowNYC — GrowNYC's hands-on environmental programs transform communities block by block to improve New York City's quality of life. The goal is to empower all New Yorkers to secure a clean, healthy environment for future generations. Con Edison sponsors the non-profit organization's science and service-learning programs, engaging NYC students in education and activities around energy, sustainability, and habitat restoration.

Friends of the High School for Environmental Studies — Friends of the High School for Environmental Studies is committed to providing environmental programs and private resources to support the students and faculty at the school. Con Edison supports the organization's Environmental Career Internship Program, providing students with hands-on experiences that build environmental literacy, re-enforce classroom learning, and develop leadership skills.

Wave Hill — Wave Hill celebrates the artistry and legacy of its gardens and landscapes, to preserve its magnificent views, and to explore human connections to the natural world through programs in horticulture, education, and the arts. Con Edison supports Wave Hill's educational programs which help New York City students connect with nature and respect the planet.



Wave Hill's educational programs help kids connect with nature in the Bronx.

Bronx River Alliance — The Bronx River Alliance works in partnership to protect, improve and restore the Bronx River corridor so that it can be a healthy, ecological, recreational, educational, and economic resource for surrounding communities. Con Edison supports the Alliance's volunteer programs, which bring in approximately 100 volunteers each year to plant trees, monitor river water, control erosion, guide paddlers, staff public events, and share their knowledge and experience of the river through nature walks.



We support volunteer programs at the Bronx River Alliance, to help plant trees, control erosion, and guide paddlers.

Friends of New York Transit Museum — The New York Transit Museum is one of the world's few museums devoted exclusively to urban mass transit. Created as a contribution by the New York City Transit Authority to the U.S. Bicentennial Celebration in 1976, the Museum stands as a tribute to the vital role of public transit in New York City's economic development. Con Edison is the lead sponsor of the Museum's "ElectriCity: Powering New York's Rails" exhibit, which engages visitors in a compelling and participatory exploration of electricity's role in powering the metropolitan region's subways and commuter rails.



We sponsored the New York Transit

Museum's "ElectriCity: Powering New York's Rails" exhibit in 2011.

Beczak Environmental Center — Beczak Environmental Center educates people about the ecology, culture, and history of the Hudson, Saw Mill and the Bronx Rivers through interactive educational experiences. Con Edison is the sole corporate sponsor of the organization's River Explorers and Fish Tales programs. Both programs are free and open to children ages 3 through 12. The programs evolved from a need expressed by many families who said their children's school classes did not have the opportunity to participate in field trips to a riverfront Interpretive Learning Center.



Con Edison supports Beczak Environmental

Center's "River Explorers" and "Fish Tales" programs.

Sheldrake Environmental Center — Sheldrake Environmental Center works to inspire environmental awareness and action in its Westchester community, and to preserve, protect, and enhance local environmental resources. Con Edison sponsors the organization's Volunteer Environmental Educator (VEE) program and the Community Compost Education Program (CCEP). The VEE program prepares adults to teach students about the natural world. The CCEP program provides a critical link between the organization's ecological education of natural world and sustainable lifestyle choices.



Students learned to use their senses to explore nature during a school trip to the Sheldrake River Trails in Larchmont, New York.

Freshkills Park Alliance — Freshkills Park Alliance is focused on transforming the former Fresh Kills Landfill on the Arthur Kill waterfront of Staten Island into a new public park over the next 30 years. Once completed, it will be the largest park developed in New York City in over 100 years. The transformation of what was formerly the world's largest landfill into a productive and beautiful cultural destination makes the park a symbol of renewal and an expression of how society can restore balance to its landscape. Con Edison supports the Alliance's education and public engagement program to develop constituencies and advocates for the park and cultivate environmental stewardship within the community.

Staten Island Zoological Society — Through wildlife exhibitions, promotion of species conservation, educational programs and community outreach, the Staten Island Zoological Society has become a powerful instrument for influencing and informing the public about the beauty, value and vulnerability of nature. Con Edison is a major sponsor of the Society's education programs, including the "It's Cool to Be Green" program, which was created to help visitors understand the importance of energy conservation. The exhibit highlights how reptiles generate clean energy, and green initiatives made by the Staten Island Zoo.



Children can climb on a giant snake sculpture In the animal-themed play area at the Staten Island Zoo.

Organizations Con Edison Supports

100 Hispanic Women, Inc.
52nd Street Project, Inc.
92nd Street Y - (YM-YWHA Performing Arts Program)
Abyssinian Development Corporation
Actors Fund of America
Added Value and Herban Solutions
Addie Mae Collins Community Service
African American Men of Westchester, Inc.
African Refuge Inc
Afro-Latin Jazz Alliance Inc
The After-School Corporation (TASC)
Alfred E. Smith Memorial Foundation
Alianza Dominicana, Inc.
Alive in Hope Foundation of the Diocese of Brooklyn
Alley Pond Environmental Center, Inc.
Alliance for Downtown New York, Inc.
Alliance of Resident Theatres
Alpha Workshops, Inc.
Alvin Ailey American Dance Theater
American Heart Association
American Heart Association/Founders Affiliate
American Museum of Natural History
American Red Cross of Greater New York
American Red Cross-Westchester County Chapter
Americans for the Arts
Ansonia Music Outreach
Apollo Theater Foundation, Inc.
Arab American Association of New York
Armory Track and Field Foundation
Art In General
Arthur D. Phillips Scholarship Fund
Artists Space , Inc.
Arts & Business Council of New York
Arts Connection, Inc.
ArtsWestchester (Westchester Arts Council)
Asian American Arts Alliance
Asian American Business Development Center
Asian American Federation
Asian Americans for Equality, Inc.
Asian Women In Business
Asphalt Green, Inc.
Aspira of New York, Inc.
Association of Development Officers
Astoria Performing Arts Center, Inc.
Atlantic Theater Company
AYUDA for the Arts
Ballet Hispanico of New York
Banana Kelly Community Improvement Association
Bank Street College of Education
Barnard College
Bartow-Pell Mansion Museum
Baruch College Fund - The City University of New York
Battery Conservancy
Battery Dance Company

Be'er Hagolah Institutes
Beczak Environmental Education Center, Inc.
Bedford Stuyvesant Restoration Corporation
The BELL Foundation
Big Apple Circus
Bloomfield Conservancy
Booker T. Washington Learning Center
Bottomless Closet
Boy Scouts of America
Boys and Girls Clubs of America
Boys Town New York
Boys' Club of New York
Bramson ORT Technical Institute
Brave New World Repertory Theatre Inc.
Breakthrough New York
Bridge Street Development Corporation
Broadway Mall Association
Bronx Arts Ensemble
Bronx Museum of the Arts
Bronx River Alliance
Bronx River Art Center, Inc
BronxWorks
Brooklyn Academy of Music
Brooklyn Arts Council
Brooklyn Arts Exchange
Brooklyn Botanic Garden
Brooklyn Bridge Park Conservancy, Inc.
Brooklyn Bureau of Community Service
Brooklyn Center for the Performing Arts at Brooklyn College
Brooklyn Children's Museum Corporation
Brooklyn Chinese-American Association, Inc.
Brooklyn College Foundation, Inc.
Brooklyn Conservatory of Music
Brooklyn Greenway Initiative
Brooklyn Historical Society
BRIC Arts I Media I Bklyn - Brooklyn Information and Culture
Brooklyn Law School
Brooklyn Legal Services Corp. A
Brooklyn Museum of Art
Brooklyn Navy Yard Development Corporation
Brooklyn Public Library Foundation
Brooklyn Technical Alumni Foundation
Brooklyn Youth Chorus, Inc.
Camp Brooklyn Fund, Inc.
Caribbean American Center of New York
Casita Maria, Inc.
Catholic Charities of Archdiocese of New York, Inc.
CEC Stuyvesant Cove, Inc.
Center for Alternative Sentencing and Employment Services
Center for Arts Education
Center for Traditional Music and Dance Inc.
Central Astoria Local Development Coalition Inc.
Central Park Conservancy
Chamber Music Society of Lincoln Center
Children's Aid Society
Children's Environmental Literacy Foundation

Children's Museum Of The Arts
Children's Storefront
Chinatown Partnership LDC
Chinese-American Planning Council, Inc.
Chocolate Factory Theater
Citizens Budget Commission
Citizens Housing and Planning Council
New York City Center
City College of the City University of New York (21st Century)
City Parks Foundation
CITYarts, Inc.
Civic Builders, Inc.
Classroom, Inc.
College of New Rochelle
College of Staten Island Foundation
Colony-South Brooklyn Houses
Columbia Business School
Comite Noviembre
Committee for Economic Development
Committee for Hispanic Children and Families, Inc.
Common Cents New York
Community Association of Progressive Dominicans
Westchester Community Foundation
Community Impact
Community League of the Heights (CLOTH)
Community Word Project
Community Works, Inc.
Congress Of Italian American Organizations
Constitution Works
Cool Culture
Cooper Union
CORO New York Leadership Center
Council on the Arts and Humanities for Staten Island
The Crenulated Company Ltd
Crime Victims Support Services of the North Bronx , Inc.
Cypress Hills Local Development Corporation
Dance Theatre Etcetera, Inc
Dance Theatre of Harlem, Inc.
Dancing in the Streets, Inc.
Dominican Women's Development Center, Inc.
Dominico American Society
Early Stages Program Inc.
Earth Celebrations, Inc.
The Earth Institute at Columbia University
East Harlem Business Capital Corporation
East Harlem Tutorial Program
East Side House, Inc.
Eastern Queens Alliance, Inc.
Education Through Music, Inc.
Educational Alliance
El Carnaval del Boulevard
El Museo del Barrio
Kaufman Center
Empire State Pride Agenda Foundation
Epic Theatre Center
Exploring the Metropolis, Inc.

FDNY Foundation
Federal Law Enforcement Foundation, Inc.
Figure Skating In Harlem, Inc.
Film Forum
Flamenco Vivo Carlota Santana
Flatiron/23rd Street Partnership
Flushing Council on Culture and the Arts
Fordham University
Forest Park Trust, Inc.
Fort Tryon Park Trust and the Heather Garden Committee
Foundation for Ethnic Understanding, Inc.
Fourth Arts Block
Fresh Air Fund
Fresh Youth Initiatives, Inc.
Freshkills Park Alliance
Friends of Blue Heron Park, Inc.
Friends of Cunningham Park, Inc.
Friends of Greenwich Street
Friends of the High School for Environmental Studies
Friends of the New York Transit Museum
Friends of Van Cortlandt Park, Inc.
Ghetto Film School
Girl Scouts Heart of the Hudson, Inc. / Central Administrative Office
Goddard Riverside Community Center
Good Shepherd Services
Goodhue Center
Gowanus Canal Conservancy
Grace Church Community Center, Inc.
Gracie Mansion Conservancy
Gran Parada Dominicana del Bronx
Grassroots Environmental Education
Green Guerillas
Greenbelt Conservancy, Inc.
Greenburgh Nature Center
Greyston Foundation Inc.
Groundwork Hudson Valley
GrowNYC - d/b/a Council on the Environment of New York City
Guggenheim Museum
H. T. Dance Company, Inc.
Harbor Lights Theater Company
Harlem Academy
Harlem Arts Alliance
Harlem Congregations for Community Improvement, Inc.
Harlem School Of The Arts
Harlem Stage
Harmonie Ensemble, Inc.
Hartley House
Hattie Carthan Community Garden
Henry Street Settlement Senior Companion Program
Hester Street Collaborative, Inc.
Hetrick-Martin Institute, Inc.
Highbridge Voices
Highland Park Community Development Corporation
Hispanic Federation of New York City, Inc.
Hispanic Resource Center Of Larchmont & Mamaroneck Inc
Historic House Trust of New York City

Historic Hudson Valley
Hope Program, Inc.
Horticultural Society of New York, Inc.
Hudson Guild
Hudson River Museum of Westchester
Hunter College Foundation, Inc.
Hunts Point Economic Development Corporation
IATI
Ifetayo Cultural Arts Facility Inc.
Immigrant Social Services, Inc.
Inner Circle
Intrepid Museum Foundation
Iridescent
Irondale Ensemble Project
Isabella Geriatric Center
Isamu Noguchi Garden Museum
Jackie Robinson Foundation
Jacob A. Riis Neighborhood Settlement House
Jay Heritage Center
Jazz at Lincoln Center, Inc.
Jefferson Market Garden
Jericho Project
Jewish Community Council of Greater Coney Island
Jewish Community Relations Council of New York, Inc.
Jewish Council of Yonkers Inc.
John A. Noble Maritime Collection
The Joseph Maffeo Foundation
Joyce Theater Foundation, Inc.
King Manor Museum
Kings Majestic Corporation
Kingsborough Community College Foundation, Inc.
Kingsbridge Heights Community Center, Inc.
Kingsbridge Riverdale Van Cortlandt Development Corporation
Kips Bay Boys and Girls Club, Inc.
Korean-American Senior Citizens Association of New York, Inc.
LaGuardia Community College
Latino Center on Aging
Latino Justice PRLDEF
League of Women Voters of the City of New York Education Fund

Learning Through An Expanded ARTS Program, Inc.
Lehman College Center for the Performing Arts, Inc.
Lehman College Foundation
Liberian Cultural Association, Inc.
Lincoln Center for the Performing Arts, Inc.
Local Initiatives Support Corporation
Long Island University
Lower East Side Tenement Museum
Outstanding Renewal Enterprises Inc. Lower East Side Ecology Center
Lower Manhattan Cultural Council
Madison Square Park Conservancy
Making Books Sing
Manhattan College
Manhattan Theatre Club
March Of Dimes Birth Defects Foundation - Northern Metro Chapter
Mayor's Fund to Advance New York

Medgar Evers Educational Foundation Inc
Mercy Center
Metropolis Ensemble
Midori Foundation (Midori & Friends)
Mind Builders Creative Arts Center
MOUSE, Inc.
Municipal Art Society of New York
Museum for African Art
Museum of American Finance
Museum of Chinese in America
Museum of Contemporary African Diasporan Arts
Museum of Jewish Heritage
Museum of Mathematics
Museum of the City of New York
Musica de Camara, Inc.
Musical Chairs Chamber Ensemble, Inc.
NAACP Northeast Queens
NAACP of Brooklyn
NAACP Staten Island Branch
National Action Council for Minorities in Engineering
National Association of Hispanic Journalists
National Audubon Society
National Dance Institute
National Housing Conference, Inc.
National Jewish Health
National Mentoring Partnership, Inc.
National Museum of The American Indian/Smithsonian Institution
National Urban Fellows, Inc.
Navy Yard Boys and Girls Club (Brooklyn Division)
Neighborhood Housing Services Of New York City, Inc.
Neighborhood Technical Assistance Clinic
New 42nd Street Inc
New York Aquarium
New York Botanical Garden
New York City ACT-SO, Inc.
New York City Audubon Society
New York City College of Technology Foundation
New York City Mission Society
New York City Outward Bound Center, Inc.
New York City Police Museum
New York Foundation for the Arts, Inc.
New York Hall of Science
New York Historical Society
New York League of Conservation Voters
New York Live Arts Inc
New York Police & Fire Widows' and Children's Benefit Fund, Inc.
New York Public Library
New York Restoration Project
New York Theatre Workshop
New York Urban League - Central Office
New Yorkers for Parks
Noel Pointer Foundation
North Shore, Staten Island Section, National Council of Negro Women, Inc.
North Shore Waterfront Conservancy of Staten Island
Northern Manhattan Arts Alliance (NoMAA)
Northern Manhattan Improvement Corporation

Northside Center for Child Development, Inc.
Ohel Children's Home
Old Stone House of Brooklyn, Inc.
One Hundred Black Men, Inc.
Opportunities for a Better Tomorrow
Orchestra of St. Luke's
Organization of Chinese - Americans, Inc.
Orpheon, Inc.
Osborne Association
Pace University
Pakistani Civic Association of Staten Island
Pan Asian Repertory Theatre, Inc.
Parks & Trails New York
Paula Hedbavny School - MS 278
PBA Widows & Orphans Fund
Per Scholas, Inc.
Playwrights Horizons, Inc.
Poets House
Point Community Development Corporation
Police Athletic League, Inc.
Polytechnic Institute of NYU
Poppenhusen Institute
Posse Foundation
Pratt Institute
Project Enterprise
Project Hospitality, Inc.
Prospect Park Alliance
Protectors Of Pine Oak Woods Inc
Public Allies New York
Public Theater New York Shakespeare Festival
Publicolor
Puerto Rican Bar Association Scholarship Fund
Puerto Rican Family Institute, Inc.
Puerto Rican Traveling Theatre Company
Puppetry In Practice Inc
Purchase College, SUNY
Queens Botanical Garden
Queens Centers for Progress
Queens College Foundation, Inc.
Queens County Farm Museum
Queens Library Foundation, Inc.
Queens Museum of Art
Queens Theatre
Queensborough Community College Fund
Rabbit Hole Ensemble
Rainbow Youth & Family Services, Inc.
Rainforest Alliance
Randalls Island Sports Foundation, Inc.
Reach The World
Red Hook Initiative Inc.
Redemption, Inc.
Redhawk Native American Arts Council
Reel Works Teen Filmmaking
Regina Opera Company
Renaissance Charter School
Resource Center for Community Development

Resources for the Future

Rev. Linnette C. Williamson Memorial Park Association, Inc.

Richmond County Orchestra Inc.

Riverdale Neighborhood House

Riverside Opera Company Inc.

Riverstone Senior Life Services

Rocking The Boat

Roundabout Theatre Company, Inc.

Rubin Museum of Art

Links-Brooklyn Chapter

Salvadori Center Education and the Built Environment, Ltd.

Salvation Army of Greater New York

Sandy Ground Historical Society

Scenic Hudson, Inc.

Second Stage Theatre, Inc.

Seniors Helping Seniors, Inc.

Serenade at Historic Christ Church, Inc.

Sheldrake Environmental Center

Seamen's Society for Children and Families

Society of the Educational Arts, Inc

Society of the Third Street Music School Settlement, Inc.

Socrates Sculpture Park, Inc.

South Asian Youth Action

South Bronx Educational Foundation, Inc.

South Bronx Overall Economic Development Corporation

South Queens Boys and Girls Club, Inc.

Spanish Theatre Repertory Co., Ltd.

Sponsors for Educational Opportunity, Inc.

St. Ann Center For Restoration and The Arts, Inc.

St. Francis College

St. Francis Food Pantries and Shelters

St. George Theatre Restoration, Inc.

St. Joseph's College

Starlight Children's Foundation

Staten Island Children's Museum

The Staten Island Employment Education Consortium

Staten Island Federation Of Parent Teacher Associations

Staten Island Inter-Agency Council for Aging, Inc.

Staten Island Mental Health Society, Inc.

Staten Island Museum

Staten Island Track Running and Community

Staten Island Zoological Society

Studio Museum In Harlem, Inc.

The Summit School

Sundog Theatre, Inc.

Sunnyside Community Services

Sunnyside Gardens Community Association, Inc

Support Center for Nonprofit Management

Open Space Institute (Sustainable Flatbush)

Symphony Space, Inc.

Tada! Youth Theater

Taproot Foundation

Teachers & Writers Collaborative

Teatown Lake Reservation, Inc.

Teatro Circulo, Ltd.

Tenet NYC, Inc.

Theatre for a New Audience, Inc.
Theatreworks/USA Corporation
Town Hall Foundation, Inc.
Town Square, Inc.
Transfiguration Education Association
Trees New York
Trey Whitfield Foundation Inc.
Tribeca Performing Arts Center at BMCC
Trout Unlimited
Union Square Partnership, Inc.
Unisphere, Inc.
United Activities Unlimited, Inc.
United Chinese Association of Brooklyn
United Neighborhood Houses of New York, Inc.
Universal Temple of The Arts, Inc
Urban Neighborhood Services, Inc
Urban Pathways, Inc.
Van Cortlandt Park Conservancy
Variety Boys and Girls Club Of Queens, Inc.
Vera Institute of Justice
Village Alliance District Management Association, Inc.
Vineyard Theatre and Workshop Center, Inc.
Visions/Services for the Blind and Visually Impaired
The Volunteer Center of United Way
Volunteers of Legal Service, Inc.
Metropolitan Waterfront Alliance
Wave Hill, Inc.
Weeksville Heritage Center
West Harlem Group Assistance, Inc.
West Side Community Garden, Inc.
Westchester Arc Foundation INC
Westchester Chamber Educational Foundation, Inc.
Westchester Children's Museum
Westchester Community College Foundation, Inc.
Whitney Museum of American Art
Wien House (YWHA)
Women's City Club of New York
Women's Enterprise Development Center, Inc.
Women's Forum, Inc.
Women's Housing and Economic Development Corporation
Women's Research and Education Fund
Woodside on the Move
Workshop in Business Opportunities
World Cares Center
World Savvy, Inc.
World Trade Center Memorial Foundation
Wyckoff House & Association Inc
YMCA - Greenpoint
YMCA - Harlem Branch
YMCA - Central Queens (Jamaica)
YMCA - Prospect Park
YMCA - Ridgewood
YMCA - Vanderbilt Branch
YMCA - Westside
YMCA Bedford Branch
YMCA Chinatown Branch

YMCA Dodge of Brooklyn
YMCA McBurney Branch
YMCA North Brooklyn
YMCA of Bronx
YMCA of Central and Northern Westchester
YMCA of Cross Island
YMCA of Flatbush
YMCA of Flushing
YMCA of Greater New York
YMCA of Long Island City
YMCA of Staten Island
York College Foundation, Inc.
Young Audiences / New York
Young Women's Christian Association of Queens
YWCA of the City of New York
Young Women's Christian Association of White Plains and Central Westchester
Young Women's Leadership Network

Our Workforce



Our dedicated workforce powers a vibrant region.

Please visit links at the left to read more about Con Edison's cultural transformation and imperatives, employee compensation and benefits, business ethics, and celebration of employee success.

Cultural Transformation

In 2011 we continue to take steps to strengthen our culture and to seek a better position for Con Edison in the future. We have seen evidence throughout the company of our cultural transformation to enhance customer and other external relationships, encourage openness, fairness, and trust, and enhance cost management consciousness. We continued to communicate and refine our long-range planning strategies to provide a framework for investments and technological change. We continue to use our holistic approach to cost management to create benefits for our customers, and improve our asset management techniques to determine what work needs to be done.

We are enabling our cultural transformation through development and implementation of new practices, tools and processes. In this way, our culture transformation encompasses active involvement of employees throughout the company.

We revisited our six core principles in 2011 with an eye toward managing costs, strengthening relationships with our communities, and communicating more openly and honestly.

We are seeing results through better relationships with stakeholders, greater openness and trust, and the establishment of a more cost conscious mindset of our employees. We recognize that cultural transformation will happen at a different pace within each area of the company, and will take several years overall to be successful. We continue to focus on signs of progress and examples of success while identifying areas where additional effort and support may be needed.

A New Era for The Way We Work

Ten years ago Con Edison launched *The Way We Work* to focus on the six core principles that guide the work we do and the way we conduct business. The principles represent our corporate values and are essential to achieving the level of excellence we strive for.

We have built on our past successes, incorporated lessons learned, and considered feedback from our employees to reintroduce fresh, clear, meaningful messages about The Way We Work at Con Edison.

In 2011, we fine-tuned the original principles with an eye toward managing costs, building better relationships throughout our communities, and encouraging even more open and honest communication.

Six Principles of The Way We Work

- Plan the Work and Work the Plan
- Seek and Accept Responsibility
- Communicate Openly
- Work in Teams
- Improve Continuously
- Celebrate Success



Cultural Imperatives



We strive to improve our relationships with the people we serve and encourage openness, fairness, and trust.

In 2011 Con Edison has implemented several new initiatives as well as improved upon several existing programs in order to strengthen our cultural imperatives. Our cultural imperatives include managing costs, improving external relationships, and encouraging openness, fairness, and trust.

Cost Management

As part of our promise to provide our customers with safe, reliable service, we also recognize that every dollar that we invest has an impact on their bill each month. As a responsible corporate citizen and as a competitive business, we need to invest in our system wisely, choosing which challenges to pursue and following the most cost-effective options to overcome those challenges. Choosing the best cost management strategies demonstrates that as a company we're getting the best return possible on the dollars we spend.

Our excellence in cost management is achieved through communication, a collaborative approach to planning and implementation, as well as the application of ongoing and forward-looking analysis. It requires us to work each day in a more efficient and productive manner, and make a personal commitment to be accountable for the impact we have. We are also focused on cost consciousness, or the basics for productivity and cost control. We will ensure that expectations are established, communicated, and enforced, and that contracts and material costs are effectively controlled. Con Edison achieves cost management excellence through the improvements in work volume and cost efficiencies, optimized use of overtime, reduced contractor costs, service and maintenance cost reductions, procurement of the most cost-effective energy supplies, elimination of work, and reduction in tax liabilities and other assessments.

Additionally, the company is undergoing an extensive consolidation of internal management systems to modernize our cost management processes. This effort has been dubbed Project One, and was designed to consolidate approximately 60 existing systems in order to manage costs and reduce risks. The development of Project One helps make it easier to record financial transactions and analyze data, purchase material and services, manage inventory in order to help develop business plans and budgets, and to report financial and purchasing data.

Trust

The guiding principles of The Way We Work form the bedrock of Con Edison's commitment to strengthening our culture to become a better company. These principles focus on building stronger relationships throughout our communities, and being open, honest, and trusted with our customers, shareholders, public officials, and all who have a stake in our company. We take this trust seriously and we strive to share more information more proactively to those whose lives and businesses we affect.

We also look to engage our workforce in open and honest dialogue, and periodically check in with our employees to see how we're doing.

In September 2011, Con Edison conducted the second company-wide confidential Voice of the Employee survey for Con Edison and O&R. The survey gave employees the opportunity to share their views on significant matters at the company, including their job, work environment, career development, and leadership. The survey assessed employee engagement and measured our results against various benchmarks, including our 2009 results.

The results, once again, clearly identify several strengths. Employees continue to recognize our commitment to operating safely, feel strong connections to the organization, and understand how the work they do contributes to the company's overall success. This survey is one initiative that allows us the opportunity to listen to our employees while focusing on strengthening the openness and trust of our culture.

Total Rewards Evaluation

Total Rewards includes everything the employee perceives to be of value resulting from the employment relationship including compensation, health care, retirement benefits, education opportunities and other programs. We conducted a comprehensive evaluation of our Total Rewards which included leadership interviews, focus groups and surveys to find out our employees preferences for Total Rewards programs. Surveys were administered by an independent consultant and all survey responses were confidentially registered directly with the consulting firm. No one at Con Edison will see an individual survey response. The consultant reviewed the responses and provided Con Edison with the compiled results of the survey. In addition, the evaluation included a competitive benchmarking assessment of Total Rewards with a peer group of companies. Based on benchmark information and employee feedback, we will be making some changes to our Total Rewards programs covering management employees that recognize what employees most value and support the company's attraction, motivation, and retention goals.

External Stakeholder Relations

As the operator of an extensive energy-distribution infrastructure in one of the world's most densely populated corridors, Con Edison has an extended group of stakeholders that includes customers, employees, environmental groups, shareholders, elected officials, regulators, and communities where we do business. The company actively participates in an ongoing engagement with its stakeholders to keep them informed, exchange information, find common ground on issues of mutual concern, and partner in the cultural and civic vitality of the region.

One of the most important stakeholder groups Con Edison has is its utility customers. In 2011, a cross-organizational team was brought together to develop a proactive, customer-centric culture to foster trust and confidence among customers and to improve value for all stakeholders. We recognize the importance of the customer to our business and want to ensure that we align our systems and employees to meet our customers' needs and expectations.



Con Edison's customer service representatives field customer questions around the clock, and provide information about energy conservation programs and more.

The team has identified a number of opportunities for improvement to enhance our relationships with customers; in 2011, the primary focus was on proactive communication. While we are investigating many ways to communicate with the customer, including through our Twitter feed and Facebook page, the initial focus was placed on outbound calls and e-mails.

Outbound calls in 2011 were made primarily during the summer months, and in particular during the heat wave, to administer demand response programs and alert customers to voltage reductions in their neighborhoods. These calls are a way for us to reach customers and keep them informed of changing situations, the needs of our system, and the importance of the role they play in keeping our system going in these high-load situations.

At the close of 2011, we had over 900,000 e-mail addresses for customers throughout the Con Edison service territory. We used those to deliver e-mail blasts three times last year. During the heat wave, we told customers how to conserve energy, and gave tips on staying safe and healthy in the sweltering heat. Prior to Hurricane Irene, an e-mail blast was sent out giving safety tips for stormy weather and reminding customers of the ways they can report outages. Finally, when we knew we would need to cancel meter reads as a result of the October snow storm, an e-mail blast was sent to those customers whose meters would not be read to inform them of the situation and remind them of how they could perform their own meter reading to avoid an estimated bill.

Though e-mails don't reach every one of our customers, we believe they are a good way of communicating important information to large audiences. We are looking to expand the program in the coming year to include announcements for planned routine work, emergency work, and tree trimming. Customers can sign up to receive these e-mails by providing their preferred address at conEd.com, or by calling 1-800-75-CONED.

A new standard for communications with external customers was also established in 2011, requiring that any letter or e-mail sent includes the sender's name and phone number. This is to ensure that the customer has a direct line of communication in order to address any subsequent issues or concerns.

While we're working on communicating better with our customers, we also know the importance of what we can learn when the customer communicates with us. In 2011, we began to analyze more closely the data provided through our bi-annual customer surveys. This data is helping us to identify areas for improvement as well as highlight areas where we know we're serving the customer well. This effort will continue throughout 2012 along with an increase in customer focus groups, e-mail surveys, and phone satisfaction ratings. We know the best way to serve the customer is to know what they need, and we believe that these efforts will help us to better understand those needs.

Supplier Diversity

Con Edison's award-winning Supplier Diversity Program invites entrepreneurs and executives to partner with us in mutually beneficial business relationships. The program serves as a model for other corporations around the country. As we continue to serve the energy needs of the world's most dynamic marketplace, we look forward to expanding our commercial relationships with New York's vibrant community of women and minority entrepreneurs and business owners.

To support this effort, the Purchasing department conducts seminars at both Con Edison and Orange & Rockland for prime contractors and minority- and women-owned businesses, to describe upcoming business opportunities, to thank prime contractors who have supported subcontracting efforts, and to encourage contractors to utilize program vendors in their business ventures. Also as part of the program, Con Edison helps fledgling firms to define themselves in the marketplace and to expand their services.

The Supplier Diversity program met its goal for 2011. Goods and services purchased from minority- and women-owned business enterprises totaled more than \$277 million, a reduction of 3 percent from the prior year compared to a reduction of 6 percent in company expenditures. Including fuel and gas, expenditures with minority- and women- owned businesses totaled more than \$294 million.

Supplier Diversity Program Expenditures

Year	Goods/Services	Fuel	\$ in millions
2007	270.1	0.0	270.1
2008	296.1	9.0	305.1
2009	264.0	14.8	278.8
2010	285.8	21.3	307.1

Year	Goods/Services	Fuel	\$ in millions
2011	277.9	16.3	294.2

We continued to reach out to diverse communities to identify and qualify more vendors in technical and nontraditional areas. In support of this effort, the Supplier Diversity program, in conjunction with Public Affairs, launched a new advertising campaign. In 2011, 27 new vendors were identified and qualified. We remain diligent with encouraging prime contractors to award subcontracts to minority- and women-owned businesses.

We also launched a series of road show presentations for our internal customers promoting our Supplier Diversity program's initiatives and to encourage more minority- and women-owned participation in contractual opportunities. Some notable successes in 2011 were:

- \$4.9-million contract to a minority-owned business for Gas Operations flagging services
- \$3.2-million contract to a woman-owned business for the Bruckner roof repairs project
- \$2.5-million contract to a woman-owned business to construct a new electric substation in West Nyack
- \$2-million contract to a minority-owned business for Electric Operations flagging services

Con Edison hosted and participated in numerous seminars and educational workshops that were used to enhance skills and provide support to minority- and women-owned businesses including: the Women Presidents' Educational Organization's *I am Certified, Now What?* forum; the Thypin Oltchick Institute for Women's Entrepreneurship; the Supplier Diversity Development Council Conference, and the Orange Chamber of Commerce Procurement Expo.

Supplier Diversity staff also attended and participated in several seminars and workshops to network with minority- and women-owned businesses.

Those included: the Albany 2011 Small Business and M/WBE Matchmaker Expo; the Asian Women in Business Procurement Opportunity Expo; the Association of Minority Enterprises of New York Inc.'s Annual Business Legislative Conference in Albany; the New York State M/WBE Legislative Forum in Albany; a National Association of Women Business Owners (New York City Chapter) program; the New York City Small Business Annual Citywide Procurement Expo; and the U.S. Department of Commerce's Minority Enterprise Development Med Week Conference in Washington, D.C. Supplier diversity programs from Con Edison and other corporations were benchmarked.

Con Edison also collaborated with the New York City Department of Small Business Service's Corporate Alliance Program (CAP) and 12 other corporations in an initiative to expand opportunities with minority- and women-owned businesses by connecting them with contracting and capacity-building opportunities through the CAP/Columbia University Construction Mentorship Program.

Our Supplier Diversity program received several awards in recognition of Con Edison's commitment, support, development, and success of the program:

- The U.S. Department of Commerce recognized the company for its leadership and commitment to minority- and women-owned businesses
- National Minority Business Council 39th Anniversary award for continued commitment and support
- Sponsorship Recognition and Appreciation award from the New York State Association of Minority Contractors
- Supplier Diversity Development Council Advocate of the Year award
- Women Presidents' Educational Organization Corporate Partner award and Advocate of the Year award



The Way We Work principles guide the way we do business.



The principles of The Way We Work focus on strengthening relationships with the communities

"Con Edison has given me the opportunity to learn and exhibit the values and distinctions of what it means to excel as a customer service representative."



Catherine Tarrats

Cathy is a customer service representative and a 2012 Living Our Values award winner.

we serve, and with all who have a stake in our company.



We feature our employees in e-mail blasts with energy conservation tips, safety information, and other important messages.

Compensation and Benefits



Con Edison's competitive compensation and benefits attract and retain motivated employees to manage and operate the company's extensive energy-delivery systems. We offer a competitive compensation program to attract and retain bright and motivated employees. Management compensation is structured to be competitive with the median of a peer group of utility companies. The wages and benefits of union personnel are negotiated with their respective labor unions; Local 1-2, Utility Workers Union of America and Local 3 and 503, International Brotherhood of Electrical Workers.

All employees are covered under a comprehensive benefits package which includes paid holidays, vacation, sick leave, long-term disability insurance, medical insurance, a prescription drug plan, vision care, dental plan, group term life insurance, pension, stock purchase program with a company match, and 401(k) savings program with a company match. The Con Edison benefits package also includes annual flu vaccinations, a smoking cessation program, commuter transportation reimbursement accounts, health care and dependent care reimbursement accounts, in-house counseling services for employees and family members with substance abuse problems, outside work-home wellness counseling for employees and their families, eldercare counseling and information services, life planning seminars and discounted admission to cultural institutions.

Supporting Strong Business Ethics

Strong business ethics are a core value of Con Edison. Through the years, one of the most important lessons we have learned is that having a strong financial foundation and operational excellence are only part of what it takes to continue a company's success. We also recognize that our Standards of Business Conduct is a cornerstone of a sustainable company.

Con Edison adopted the Standards of Business Conduct built upon our values of service -- honesty, concern, courtesy, excellence, and teamwork. The Standards of Business Conduct sets forth basic principles that employees must follow in carrying out our commitment to the company and its shareholders, our customers, our vendors, our other business partners, and the public. The Standards of Business Conduct is provided as additional guidance that employees must follow in conducting day-to-day business. We are committed to holding ourselves to nothing less than the highest standards of ethical performance.

Every employee receives a copy of the [Con Edison Standards of Business Conduct](#) on their first day at the company and attends an ethics portion of the new employee orientation. The standards are also emphasized through periodic communications with employees.

In 2011, Con Edison's commitment to ethics led to the creation of a new executive position, Chief Ethics & Compliance Officer, responsible for supporting and directing the Business Ethics & Compliance program. The position was established to increase awareness and understanding of the ethics and compliance program and to encourage and establish expectations for employees to seek advice and raise concerns regarding ethics and compliance issues. This person is also responsible for implementing the organization's ethics and compliance training and communications and will oversee the confidential reporting program allowing employees and other stakeholders to report suspected violations of law, business conduct standards, or corporate policy.

Adhering to our Standards of Business Conduct is a condition of employment for all Con Edison employees. We encourage our employees to discuss any and all issues with their supervisors and provide several ways for employees to confidentially report what appears to be unethical or illegal activity to the General Auditor, the Ethics Helpline, the O&R Ethics Office, or the Company Ombudsman. A periodic ethics quiz for employees tests knowledge of ethics and reinforces key values.

Just as we keep our employees knowledgeable of their ethical responsibilities, we also work to educate our vendors and contractors on the Standards of Business Conduct. In support of this aim, all vendors with contracts of \$10,000 or more receive an annual letter from the vice president of the company's Purchasing Department, reminding them of the company's gift policy and providing them with a copy of our Standards of Business Conduct. Those vendors with contracts of \$350,000 or more also receive the Standards of Business Conduct and acknowledge that they understand and agree to abide by it in their dealings with Con Edison.

Ramifications of Unethical Relationships With Vendors



Con Edison's Standards of Business Conduct provides employees with on-line and hard-copy general guides for ethical decision-making.

Ramifications of Unethical Relationships with Vendors

Ethical behavior is a priority at Con Edison, but in recent years we have been victimized by 16 company employees and retirees as a result of three separate kickback schemes. The company immediately initiated an internal investigation after the uncovering of the first scheme and has cooperated with both federal and local authorities in their investigations. The company terminated employment of the arrested employees and its contracts with the vendors.

The company, based upon its evaluation of its internal controls for 2011 and previous years, believes that the controls were effective to provide reasonable assurance that its financial statements have been fairly presented in all material respects, in conformity with generally accepted accounting principles.

We have made numerous procedural and organizational changes to help prevent these issues from recurring in the future. After the initial scheme was discovered in 2009, the company began to re-evaluate how critical positions in our Purchasing, Construction Management, and Engineering departments are filled, which resulted in implementing a rotational policy to ensure that employees in these organizations periodically shift work and responsibilities.

These changes reflect the company's commitment to maintaining the trust of our ratepayers, shareholders, and community stakeholders. Moving forward, we will continue to aggressively investigate all allegations of fraud, misconduct, and unethical behavior of our employees, and will continue to work with law enforcement when necessary.

Diversity and Equal Employment Opportunity



Con Edison's diverse workforce is highlighted in the 2011 Diversity

Report.

Con Edison employees make their homes in New York, New Jersey, Connecticut, and Pennsylvania, representing one of the most diverse work communities in the country. The company is one of the largest employers in the region; at year-end 2011, Con Edison employed nearly 15,000 people at its regulated utility companies and competitive energy businesses, of which 44 percent are minorities, and 19 percent are women. To attract and retain talented employees who reflect the social, cultural and racial diversity of the communities we serve, Con Edison continues to use an integrated approach to recruitment that targets the Internet, job fairs, and strategic partnerships with search firms and other organizations. Of the nearly 700 employees we hired in 2011, over half were minorities and more than a third were women. For a comprehensive look at Con Edison's employee development and diversity programs, [click here](#) for Con Edison's 2011 Diversity Annual Report available on our website.

Recognition for Diversity

- DiversityInc named Con Edison one of the top regional utilities for promoting and encouraging diversity
- Con Edison named among diversity elite by Hispanic Business

- Con Edison of New York was recognized on LatinaStyle Magazine's list of the 50 best companies for Latinas to work in the United States
- Con Edison's LGBT pride group earned Empire State Pride award for creating an inclusive work environment for lesbian, gay, bisexual and transgender professionals



The report is illustrated with employees' "light drawings" depicting the things that give them energy.

Rules We Live By

Every employee at Con Edison has a responsibility to themselves, their coworkers, and the public, to perform their work safely. In 2009, several employees in different instances suffered significant injuries resulting from unprotected exposure to high-energy sources. These failures were serious enough that they could have resulted in fatalities, but thankfully didn't. Internal review of these incidents illustrated a lack of adherence to established specifications and safety guidelines for the work being performed. It was determined that greater focus needed to be directed to the core safety requirements that each organization in the company deals with on a regular basis.

As a result, Con Edison of New York introduced *The Rules We Live By*. Each of the company's major operating groups developed customized lists of specific safety procedures and specifications that serve as direct barriers between employees and potentially fatal energy levels.

The safety requirements in these individual documents were not new; they had all been in effect for several years. Violations of *Rules We Live By* are not tolerated, and the rules are strictly enforced by significant penalties for infractions, for both company employees and contractors. All employees were informed about the *Rules We Live By* program through a variety of internal communications channels. Operating groups also conducted training for employees to emphasize the importance of strict adherence to safety specifications and protocols in achieving an injury-free workplace.

During 2011, there were 22 violations of the *Rules We Live By*. Ten incidents involved company employees and 13 involved contractor employees (one incident involved both company and contractor employees). The two most common violations were not wearing required personal protective equipment, and for lack of fall protection. In response to the significant number of contractor violations, Con Edison of New York sponsored a contractor seminar in 2011, wherein the *Rules We Live By* was discussed in detail. Additionally, the importance of observing applicable safety requirements was emphasized at gatherings that included contractor principals, senior managers, and field personnel.



Operating groups have provided employees with wallet cards showing Rules We Live By as a quick reference resource.

Celebrating the Success of the Employee

Con Edison appreciates employee efforts that support the company's success, and it provides frequent recognition for individuals and teams whose work benefits Con Edison, the communities we serve, and the causes that help improve the world for us all.

Environment, Health and Safety Excellence Awards

Each year, Con Edison presents EH&S Excellence Awards at an annual breakfast celebration. These awards are the highest honor the company bestows for notable achievements that strengthen the company's environmental mission, and its effort to attain an injury-free workplace. In 2011, 85 employees were presented with awards either for individual accomplishments, or for work done as members of a team. Award categories correspond to the five Key EH&S Objectives: improve safety performance; ensure environment, health and safety compliance; enhance relationships with stakeholders; identify and reduce EH&S risk potential; and promote the wise and effective use of natural resources. Employees who have earned three or more EH&S Excellence Awards are appointed to the Circle of Excellence. For 2011, there were five Circle of Excellence honorees.

EH&S Excellence Award Winners:



2011 EH&S Excellence Award honorees

Peter Acocella

John Amato
Josephine Aromando
Anthony Barbera
Marilyn Benetatos
Devin Betancourt
Victor Billinghamurst
Darrell Blackman
Doug Brownson (CES)
Donald Caines
Frank Calabrese
Daniel Callaghan (O&R)
Robert Ceriello
Victor Cinquemani
Keith Cunningham
Robert David (O&R)
Thomas Davis
Timothy DeGroat
James Demarsico
Joseph Dente
Peter Digregorio
Karen DiMeglio (CES)
Francis Donohue
John Donovan
Roy Eaton
Anthony Esposito
Charles Feldman
David Ferri
John Flynn (O&R)
Thomas Fredeman
Emilio Frederick
Daniel Gately
Sean Harte
Ted Huyler
Rich Ingelido (CES)
John Johnson (CES)
Robert Jones
Chris Katzmann
Joseph Kay
Peter Knoblauch (CES)
Keith Kruger (O&R)
Gregory Kuehn

Vincent Kyne
Mario Lebano
Paul Longo
Donald Luft
John Macneil
Kenneth Magnus
Costas Magoulas
Gary Mannina
Steve Manwell (CES)
Robert McDonald
Salvatore Muto (O&R)
Joseph Napoli
Lawrence Nardo
Pasquale Natale

Ken Nathanson (CES)
Ed Nowowiejski
James Parmiter
Ronald Pietrowski
John Power
Todd Poynton (O&R)
Steven Prall (O&R)
Vito Rainone (O&R)
Christopher Ramos
Anthony Rodriguez
Alan Sama
Richard Scalamandre
Gregg Slintak
Richard Slote
Timothy Smith
Dowlatram Somrah
Wade Storey
Rocco Talarico
Scott Tamburrino
Christian Thomas
Stanley Tirelli
Mark Travers (O&R)
Robert Vuono (won 2 awards this year)
Frank Wassil
Thomas Wong
Roger Young
Larry Zanis (CES)

Circle of Excellence Honorees (those who have received their third Excellence Award):

Marilyn Benetatos
Joseph Dente
Roy Eaton

Mark Travers
Thomas Tropea

TEAM Awards

Twice a year, Con Edison of New York recognizes outstanding contributions made by teams of employees by means of the appropriately named TEAM awards. Award categories include: reducing overall costs; growing the business; satisfying customer needs; sustaining energy reliability; developing environmental excellence; helping ensure a safe workplace; developing employee skills; achieving technical excellence; and supporting a competitive market. During 2011, nearly 400 employees working in teams were honored at festive breakfast galas held at the New York Botanical Garden.

Living Our Values Awards

Con Edison of New York confers its distinguished Living Our Values Award on six employees every year. The LOV award is Con Edison's highest honor. Established in 1991, the award recognizes employees who exemplify Con Edison's Corporate Values and the principles of The Way We Work. LOV award winners clearly demonstrate outstanding character and superior accomplishment, and are recognized as men and women who not only live the corporate values at work, but in their personal lives as well.

All of the more than 14,000 employees of Con Edison, Inc. and its subsidiaries are eligible for the Living Our Values award. Any employee may nominate another employee who exemplifies Con Edison's Corporate Values and The Way We Work principles.

A review committee is established to examine each nomination and to interview the candidates' managers and peers. After the examination is complete, the review committee provides recommendations to senior management for final approval. This rigorous review process ensures that only the most deserving men and women are presented with the company's most prestigious honor. When the review process is complete, the six LOV award winners are announced. Presentation of the awards is made at a formal recognition ceremony.

Living Our Values Award Winners:

Jeffrey Legree
Jeffrey Peifer
David Del Rio Rivera

Jerry Turner
Connie Wetzler
Patrick R. Williams

Service Anniversaries

Con Edison has a large number of employees whose careers span long intervals. Service anniversaries are observed at extended staff meetings and other local get-togethers in organizations throughout the company. More formal recognition of time in service is provided at cardinal points in seniority such as five, ten, and 25-year anniversaries. Commemorative gifts can be chosen by employees to mark these special occasions, and often organizations convene luncheons where employees marking an anniversary can share the event with colleagues.

Safety Awards

In 2007, a specially appointed union/management committee was convened to assess gains made in working safely, and recommend new methods for improving performance. Committee members concentrated on identifying the traits that define safety leadership. The committee subsequently worked to help all employees internalize the commitment to safety by outlining the "The ABCs of Safety Leadership." In this case, the reference was to Actions, Behaviors, and Communications practices that distinguish employees recognized as safety leaders. Individuals who embody these leadership principles are nominated by their union and management peers for Safety Leadership Awards which are conferred at Con Edison of New York's Annual Safety Conference. In 2011, there were 32 individuals who were presented with individual awards.

Safety Leadership Award Winners:



2011 Safety Leadership Award winners

Thomas Barrett
Salvatore Bongiorno
Russell Borgio
Maureen Cullen

Nicholas De Jesus
Frank Demasi
Susan Duffy
Kevin Elder
William Fairechio
Anthony Giarratano
Henry Gutierrez
Thomas Hardman
Ronald Horenburg
Joseph Kay
Carlos Lora
John Mac Neil

Joseph Martin
Richard Mc Nally
Fred Mueller
Joseph Mussillo
Daniel O'Keefe
Ronald Parisi
Joseph Perini
Hector Ramos
Richard Rishkel
Edwin Rivera
Anthony Romano
Anthony Scavone
Louis Servidio
Ioannis Spanos
Alan Tangen
Antonino Vita

In addition, there were two organizations recognized in 2011 for maintaining exemplary safety performance throughout their ranks:

Staten Island Electric Operations
Substation Operations

"To me, safety means caring – caring for each other and caring about the service we provide to our customers."

**Susan Duffy**

Sue was named a 2011 Safety Leadership Award winner with her team from Bronx/Westchester Environmental Operations for their work to achieve a 75 percent reduction in their local OSHA injury/illness incidence rate, and an 80 percent drop in preventable motor vehicle accidents.

Environmental Stewardship

Con Edison's long-term sustainability strategy aims to minimize the environmental impact of its operations, use resources more efficiently, and help customers reduce their own carbon footprint. In 2011, the company achieved considerable greenhouse gas emission reductions, found a new way to reuse millions of dollars worth of scrap material, and began providing customers with electricity from the nation's first LEED-certified substation.

► **Reduced**
Greenhouse
Gas Emissions
44% from
2005 baseline.

► **Newtown**
Substation
became the
first LEED
-certified
substation
in the nation.

Reducing Greenhouse Gases



Con Edison Development's solar farm in

Pilesgrove, New Jersey, is helping to reduce carbon emissions.

We are committed to curbing our company's greenhouse gas emissions, and have already reduced our emissions by more than 40 percent since 2005. We are also doing more to help our customers shrink their own carbon footprints, through our energy efficiency programs, conservation efforts, and the option to choose cleaner power sources.

A team of local scientists working under the New York City Panel on Climate Change (NPCC) compiled a 2010 report to identify the effect of climate change on the New York metropolitan region. According to the report, climate change is likely to cause more frequent and longer-lasting heat waves across our service territory, as well as increasingly intense and severe storms. Climate change may cause droughts, flooding, and food shortages in other parts of the world. To achieve real reductions of harmful greenhouse gases, climate change must be an important priority for every country, company, and individual. While we await federal climate change regulations that may be enacted in the future, we believe that it is our corporate responsibility to do our part to reduce global emissions today.

We will set our sights on the energy used in buildings, which contributes to approximately 80 percent of New York City's carbon emissions. Con Edison's corporate sustainability strategy aims to curb these emissions by setting goals to:

- Work with the federal, state, and local governments, and other stakeholders to address climate change.
- Maintain an inventory of the company's direct and indirect greenhouse gas emissions.
- Consider the potential impact of business decisions on greenhouse gas emissions.
- Pursue improvements in energy-efficiency and cleaner-burning fuels in our operations to reduce our greenhouse gas emissions.
- Advocate, promote, and support energy-efficiency improvements and clean energy alternatives among our customers.
- Support new technology development in coordination with other key industry stakeholders.

- Support development of renewable sources of energy and other generation to reduce emissions, including greenhouse gases.

One of the company's sustainability targets is to reduce annual greenhouse gas emissions by more than 40 percent of 2005 levels. We continue to take steps to curb emissions at company facilities, including a project to add natural gas fuel capacity to two Manhattan steam plants currently burning fuel oil.

Con Edison has been active for nearly a decade in a broad range of initiatives aimed at curbing greenhouse gas emissions. We participate in shaping new environmental policies at all levels of government, and supported the development of the Regional Greenhouse Gas Initiative (RGGI).

In 2008, Con Edison became a founding reporter of the Climate Registry. The Registry helps organizations calculate and report greenhouse gas emissions, and has developed standardized reporting and third-party verification protocols for creating an inventory of emissions. Con Edison has voluntarily submitted to third-party verification of its greenhouse gas emissions under the Registry's reporting protocols for three consecutive years. The most recent verification, completed in 2011 for emissions occurring in 2010, was verified under the Registry's Electric Power Sector Protocol, which requires disclosure of all direct and indirect sources at company locations. All emissions reports are available on the Registry's website, theclimateregistry.org.

Since 2009, Con Edison has been subject to carbon dioxide emissions regulations established by New York State under the Regional Greenhouse Gas Initiative. The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, establishes a decreasing cap on carbon dioxide emissions resulting from the generation of electricity to a level 10 percent below the Initiative's baseline by 2018. Under the initiative, affected electric generators are required to obtain one emission allowance for each ton of carbon dioxide emitted. The allowances are available through quarterly auctions or a secondary market. Con Edison currently purchases allowances for its East River cogeneration plant.

The company is also required to report direct emissions through the U.S. EPA Greenhouse Gas Reporting system. In 2011, the company reported emissions from steam and cogeneration stations where fuel is combusted to produce steam and/or electric energy. The company also reported the emissions resulting from the combustion of natural gas delivered to its customers. Moving forward, the company will continue reporting these emissions, and begin reporting uncontrolled fugitive methane (CH₄) and sulfur hexafluoride (SF₆) emissions resulting from operation of the electric and natural gas distribution systems. The company's reported emissions are accessible through the EPA's greenhouse gas data publication tool.

We also support the research and development of new technologies that can help to reduce greenhouse gas emissions. The adoption of electric vehicles and major advances in computer- and energy-efficiency-technology hold great potential for reducing regional emissions through decreased electric demand. To play our part in the implementation of these technologies, we are partnering with the New York State Electric Research and Development Authority (NYSERDA), and the Electric Power Research Institute (EPRI) to research these technologies and work towards wide- scale deployment.

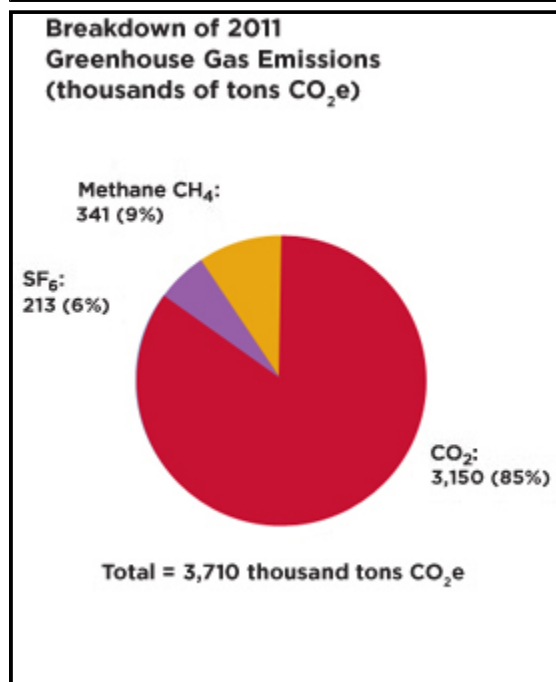
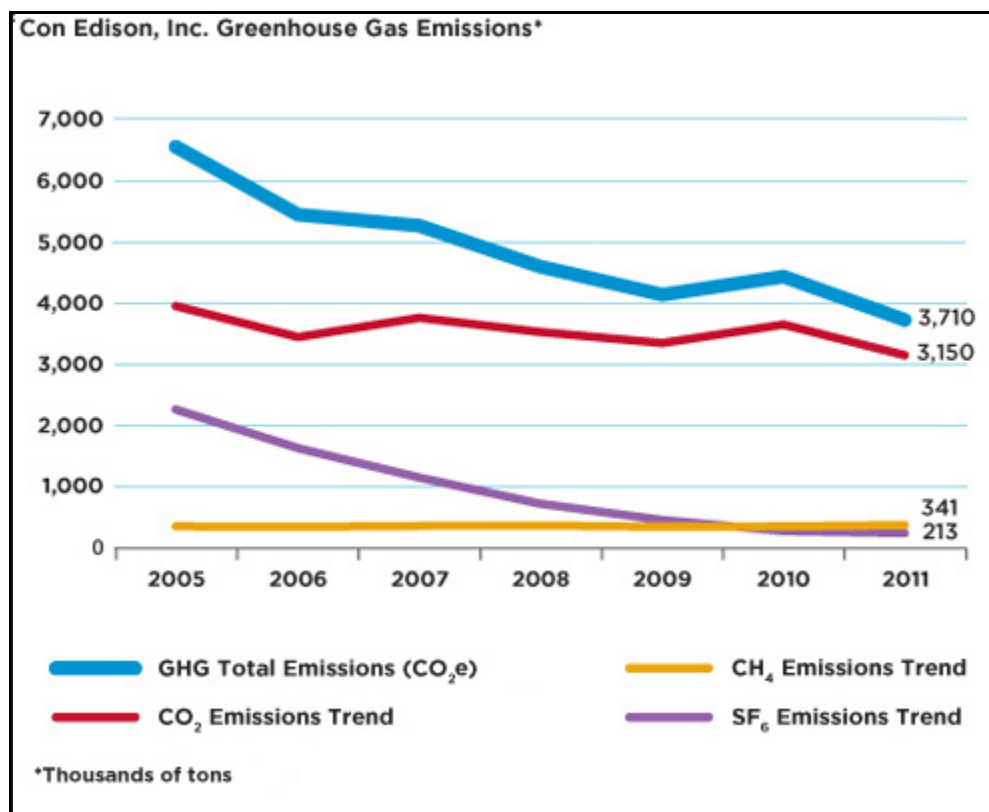
Con Edison's utility companies and affiliates are generally restricted by state regulators from owning large energy generation assets within New York State. However, as an energy service company, Con Edison Solutions is allowed to provide customers in New York State with green power through contracted supply options. The company also provides energy-efficiency and roof-mounted solar power technologies for residential, commercial, institutional, and government customers.

In 2011, Con Edison Development opened a new 20 MW solar farm in Pilesgrove, New Jersey, and several other smaller solar plants throughout the Northeast. The development and sale of renewable energy will help to offset greenhouse gas emissions from traditional fossil generation sources in these markets. For more information on these projects, see the Our Business / New Generation sections of this report.

Air Emissions Performance

The combustion of fossil fuels at our steam and cogeneration facilities result in the generation of greenhouse gases and other pollutants, principally, carbon dioxide (CO₂), a greenhouse gas; nitrogen oxide (NO_x), the principal pollutant attributed to the formation of smog; and sulfur dioxide (SO₂), a contributor to acid rain. Emissions of nitrogen oxide and sulfur dioxide are regulated under the U.S. Clean Air Act, and are covered in the Environmental Performance portion of this report. Sulfur hexafluoride (SF₆) is a greenhouse gas used in some pieces of the electric distribution system that can be released into the atmosphere through fugitive emissions. Fugitive methane (CH₄) is also a greenhouse gas that is accounted for through our natural gas distribution system.

Greenhouse gases are reported using carbon dioxide equivalents, or CO₂e, a standardized unit designed to account for the differing warming potentials of the various greenhouse gases.



In 2011, Con Edison's direct greenhouse gas emissions decreased more than 12 percent from 2010, and 44 percent from baseline 2005 emissions. Con Edison's steam and cogeneration stations are the company's largest sources of CO₂ emissions, which are heavily influenced by energy demand and weather. In 2011, an unusually mild fall decreased overall demand on our steam system to record lows, contributing to the lowest annual steam send-out since 1961. The reduced need for energy production significantly lowered greenhouse gas emissions at the generating plants, and the closing of the oil-fired Hudson Avenue Steam Station in Brooklyn further contributed to reductions.

Con Edison uses cogeneration technology at its East River Plant in Manhattan for efficient energy production. Cogeneration uses the combustion of natural gas to produce both steam and electricity, effectively lowering the emission rate and improving the efficiency of our steam and electric systems. Our plants consumed 86 percent natural gas in 2011, and the company is heading

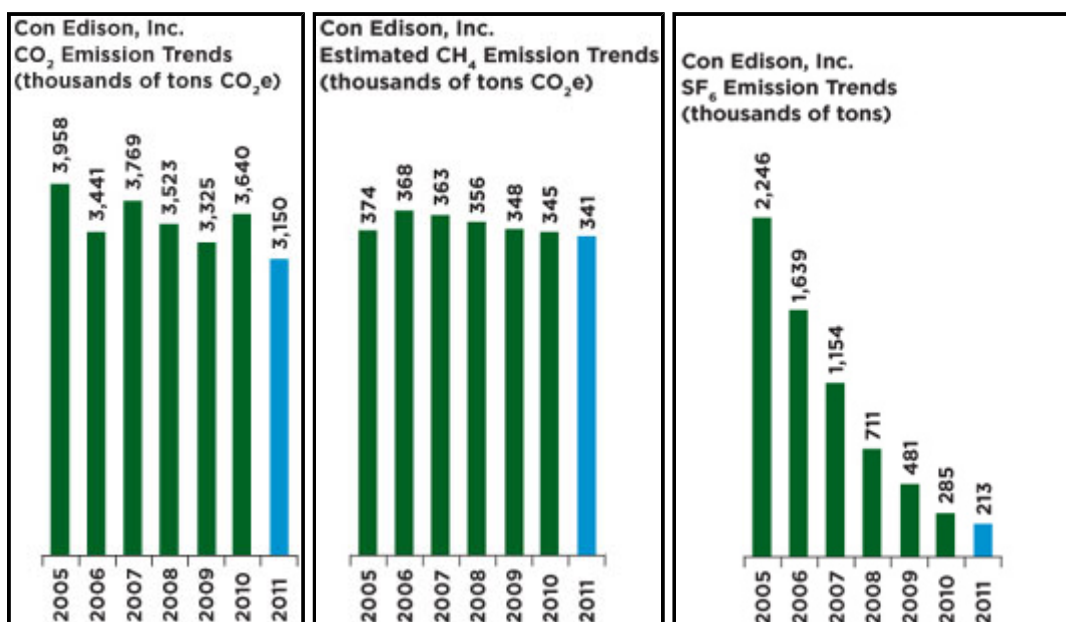
towards having the capability to burn gas at additional steam generation plants by the end of the decade. Gas is cleaner than the #6 fuel oil that currently makes up 14 percent of the total fuel burned at our steam plants. Con Edison steam stations burn low-sulfur fuel oil.



In 2011, we reduced our greenhouse gas emissions more than 12 percent over 2010.

Con Edison's vehicle fleet contributes a minute amount (approximately one percent) of total CO₂ emissions. We continue to reduce emissions by using biodiesel fuel, as well as expanding the number of hybrid and alternative fuel vehicles. Currently, roughly half of our vehicle fleet is running on some form of alternative fuel or high-efficiency engine.

Methane is a greenhouse gas that has 21 times the heat-trapping potential of CO₂. Fugitive methane emissions originate from Con Edison's and O&R's natural gas distribution systems. An ongoing program of infrastructure upgrades to the gas-delivery systems of Con Edison's regulated utilities has contributed to an estimated 15% reduction in methane emissions since 1993. Principally, through enhanced inspections and maintenance of gas infrastructure, proactive pipe replacement programs, lowered system gas pressures, and increased reclamation of gas left in pipes prior to servicing, Con Edison has consistently made progress in reducing fugitive methane emissions.



In 2011, Con Edison completed its 18th year of participation in the U.S. EPA's Gas Star program, a voluntary agreement to reduce natural gas emissions by implementing the program's management practices.

Con Edison has reduced its methane emissions by more than 6,000 tons (126,000 tons CO₂-equivalent) since 1993, prompting the EPA to call Con Edison "a model of environmental leadership for other companies to follow."

In 1999, Con Edison entered into a memorandum of understanding with the EPA, voluntarily agreeing to reduce its emissions of sulfur hexafluoride (SF₆), a colorless, odorless gas used in high-voltage circuit breakers and switches found chiefly in utility substations. Con Edison reduced its SF₆ emissions by more than 90 percent between 1999 and 2011 through an aggressive equipment replacement and leak detection program, and employee training. Con Edison developed a work-management database to identify and prioritize leak-prone equipment in the system. The company has already surpassed its goal to reduce its emissions below 25,000 pounds of SF₆ by 2020, and is currently working on creating new, lower emissions goals going forward.

Long-Term Business Strategies in Clean Energy



We actively support long-term clean-energy strategies and conservation measures.

Con Edison supports the long-term development of clean-energy sources and energy conservation measures through our direct action and through our local and state stakeholders. The company is an active and engaged stakeholder in the following regional programs and initiatives:

- The New York State Renewable Portfolio Standard (RPS), which calls for 30 percent of the state's energy to come from renewable resources by 2015.
- The New York Public Service Commission's Energy Efficiency Portfolio Standard (EEPS), which is designed to reduce New Yorkers' electricity use 15 percent below forecast levels by the year 2015.
- The New York PSC's System Benefits Charge, which funds public benefit programs to accelerate energy innovation through support for scientific research and market analysis, investment in technology development and demonstration, promotion of a clean energy economy through business and market development, acceleration of adoption of clean energy technologies and practices, and the incorporation of more rigorous energy-use standards in codes and industry best practices.
- The Regional Greenhouse Gas Initiative (RGGI), representing a 10-state cooperative effort to reduce greenhouse gas emissions from electric power plants by means of a cap-and-trade system.

- The State Energy Plan, which develops analyses and policy recommendations to guide the State in reliably meeting its future energy needs in a cost-effective and sustainable manner. The next State Energy Plan will be issued in March 2013.
- Executive Order 24, signed by Governor Paterson and re-signed by Governor Cuomo, to reduce New York State greenhouse gas emissions 80 percent by 2050.
- New York City's *PlaNYC*, which calls for reducing the city's greenhouse gas emissions 30 percent below 2006 levels by 2017, and advocates a range of clean-energy and conservation measures.

The following sections in this report detail how Con Edison is helping to achieve the goals of these state and local programs through new or ongoing initiatives using our long-term strategies.

New Value Through Customer-Distributed Resources



Con Edison is

working to make it easier for customers to connect to distributed generation technologies.

Con Edison supports distributed generation (DG), the use of small-scale power-generation technologies located close to the load being served – usually on or near a customer's premises. Distributed generation is designed to provide some or all of a customer's electricity needs using fuel sources that may include natural gas or renewable sources such as solar or wind. DG technologies include reciprocating diesel or natural gas engines, microturbines, combustion gas turbines, fuel cells, photovoltaics (commonly called solar panels), and wind. Natural gas and biogas-fueled technologies also offer customers the extra benefit of using the heat byproduct of electricity generation for facility heating. Such technology is known as combined heat and power (CHP).

Con Edison's competitive energy companies provide renewable energy and operating clean-energy generation resources. Most recently, Con Edison Solutions began working with customers on the installation and operation of roof-mounted solar cells through negotiated power purchase agreements.

Con Edison's regulated utilities, Con Edison Company of New York and Orange & Rockland Utilities, help customers connect DG facilities in both newly-constructed buildings as well as buildings that have been retrofitted for on-site generation. All customer DG systems are evaluated by the company to ensure the safety of our employees and the public, and to prevent any negative impacts on the energy distribution system. We provide comprehensive information about renewable energy installations on our company websites to simplify the process for customers. Additionally, a full time DG Ombudsman oversees the customer connection process, and ensures that customers have a point of contact throughout the process.

Customers can choose to use DG for emergencies only, to generate steam for heating, for peak-shaving, for total energy-offset, or to produce surplus energy to sell back to the grid. Most DG customers do not disconnect from the grid, but choose instead to offset or supplement some of their purchased energy, or to provide emergency back-up power.

Although DG may reduce the customer's reliance on the utility for energy, Con Edison sees distributed generation as an opportunity to:

- Reduce transmission and delivery infrastructure investments and power purchase costs to help keep rates low for customers
- Help customers take a more active role in managing their own energy costs
- Diminish the environmental impacts of delivering energy and meet federal, New York State, and New York City energy and environmental targets
- Enhance service reliability
- Diversify the company's energy-supply portfolio

Encouraging customers to produce electricity with their own generation assets reduces peak electric demand in certain load areas, thus reducing the need for reinforcement of network and substation equipment. Currently, Con Edison provides standby energy to DG customers. However, customers willing and able to give up partial standby service, or willing to make themselves interruptible, could allow Con Edison to defer future investment. In addition, highly efficient customer-sited generation lowers the energy losses on the system, thereby reducing energy and capacity purchases.

Con Edison is working to streamline the process for installing and connecting DG systems in New York City. Under the "100 Days of Solar" program, Con Edison would sponsor a task force to reduce the time it takes to get approval for a solar panel installation from one year to 100 days. Con Edison has been working with the New York City Department of Buildings Cogeneration Task Force to develop standards for installing photovoltaics and other distributed-generation technologies. By successfully developing this pioneering standard, Con Edison is helping to ensure that our customers are being provided with consistent standards for generating energy at their home or business.

In addition to the state and federal rebates available to owners of clean energy systems, DG customers may enter into net-metering agreements with Con Edison. With net-metering, when solar panels generate more energy than the building consumes, the meter flows backwards and sends the surplus energy back to the grid. When the installation generates less energy than the facility consumes, the net meter records how much energy is drawn from the grid, ensuring customer value regardless of the building's energy demand.

Helping our customers connect renewable DG systems such as photovoltaics and site-mounted wind turbines can potentially play a significant role in helping New York State achieve its Renewable Portfolio Standard and greenhouse gas reduction goals.

As an added benefit, proper integration of DG into the secondary network could result in increased reliability of the distribution network by reducing peak loading of system components.

Con Edison Development in Solar

Con Edison Development (CED) develops, owns and operates renewable and energy infrastructure projects in the Northeast. Through constructive collaboration, the company is focusing on renewable energy and gas assets as part of an overall corporate goal of responsible environmental stewardship. Con Edison Development has already built a renewable energy project pipeline of over 150 MW in New Jersey, Massachusetts, Connecticut, Pennsylvania and Rhode Island.

At the Alcatel-Lucent Bell Labs headquarters campus in Murray Hill, New Jersey, Con Edison Development, working with SunPower, completed a photovoltaic installation that positions more than 3,700 solar panels to follow the sun's movement during the day. The adjustable panels can capture up to 25 percent more sunlight than conventional fixed-tilt systems, while significantly reducing land use requirements. Each photovoltaic panel can generate 318 watts, with the total 1.2-megawatt system generating enough energy to power more than 180 homes per year.

The six-acre CED-owned and operated installation is expected to generate approximately \$2.5 million in cost-savings over the next 15 years.

According to U.S. EPA estimates, this installation will offset more than 25,000 tons of carbon dioxide emissions over its 30-year lifespan.

Con Edison Development also produced, owns and operates a 1.8 megawatt photovoltaic project that began delivering clean, renewable power to Massachusetts utilities in March 2011. The 10-acre solar facility is sited in the New Bedford Business Park, which straddles the towns of Dartmouth and New Bedford in Massachusetts. With more than 8,000 crystalline silicon panels, the installation delivers enough energy to provide power to 270 average households, making it one of the largest operating solar installations in New England. The ground-mounted panels are virtually invisible from outside the park. In addition to supplying completely emission-free energy, the installation supports the state's Green Communities Act and Renewable Energy Portfolio Standard, helping utility companies to reach a statewide target of 400 megawatts of solar generation.

Con Edison Development teamed with Panda Power to build a solar farm at Pilesgrove Township in New Jersey. The 71,400-panel installation is the largest in New Jersey and one of the largest in the Northeast. The stationary panels are designed to minimize glare and absorb more than 95 percent of available sunlight. Overall, the solar farm has the capacity to generate 20 megawatts of electricity for the local utility. Surplus energy will be sold to customers in the rest of New Jersey, Pennsylvania and Maryland. The project can power up to 3,000 homes with clean, renewable energy. New Jersey is one of many states requiring that renewable energy represent an increasing percentage of total electricity generated every year. By 2021, the state plans to produce 22.5 percent of its energy from renewable sources.

Con Edison Development's total operating solar projects at year-end 2011 were:

Project Name	State	MWdc
Murray Hill	NJ	1.2
Flemington	NJ	9.4
Frenchtown II	NJ	3.5
Lebanon	NJ	2.3
Pilesgrove	NJ	20
DBPS	MA	1.8
Total		38.1

Con Edison Development will continue to serve as a resource in developing clean, renewable energy in the Northeast and elsewhere in the country.

Con Edison Solutions Delivers Renewable Energy and Customized Energy Services



Zero-emission

renewable energy, like photovoltaics, helps to reduce our dependency on fossil fuels and lowers greenhouse gas emissions. Renewable energy development will help reduce our dependency on fossil fuels and lower emissions of greenhouse gases. The increased use of zero-emission renewable energy technologies is an important strategy in environmental sustainability.

Con Edison offers 100 percent renewable *Green Power* through its Con Edison Solutions (CES) subsidiary. Residential Con Edison of New York and O&R customers may purchase either a mix of 75 percent low-impact hydropower and 25 percent wind energy, or 100 percent wind energy, to meet their electricity needs. For commercial customers, CES can supply between five and 100 percent of their electricity requirements with 100 percent wind energy. Sales of these products have increased the demand for renewable energy during 2011, with total deliveries amounting to approximately 280,000 megawatt hours for the year. CES *Green Power* is Green-e certified. Green-e is a leading national labeling program that sets consumer protection and environmental standards for environmentally superior electricity products.

In addition, CES offers programs and services tailored to help customers achieve their individual energy objectives. The company is the cornerstone of an effort in New Bedford, Massachusetts to develop a city-wide, multi-site solar power initiative exclusively using solar panels that are manufactured in the United States. This will reduce the city's overall energy spending with a goal of installing up to 10 megawatts of renewable energy, enough to power approximately 1,500 homes.

In the first program of its kind in a Massachusetts municipality, Con Edison Solutions will install rooftop and ground-based photovoltaic units at city-owned sites. Locations will include public buildings, schools and selected municipal land parcels. All installations are expected to be operational by 2013. In addition to decreasing dependence on grid power, solar energy production is expected to equal a quarter of the electricity consumed by city-owned facilities when all installations are completed. City officials estimate that total savings could reach as high as \$10 million by the year 2033.

Con Edison Solutions will own the solar installations on city sites and will enter into long-term power purchase agreements with New Bedford. Con Edison Solutions will also be responsible for installation, ongoing operations and maintenance, and will provide for financing of the projects. To help boost area employment, Con Edison Solutions is committed to using local construction contractors for the project where possible.

CES is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

The energy efficiency projects that Con Edison Solutions undertakes on behalf of government institutions are often managed through a process called "energy performance contracting." Under such agreements, government entities pursue energy-efficient initiatives without paying upfront capital costs. Using this model, Con Edison Solutions typically designs, constructs and obtains financing for a project on behalf of the government entity, which pays the financing over time from the energy savings the project generates. The governmental entity's utility bills are reduced as a result of the improvements made under the contract. Once the contract ends, and the financing for the upgrades has been paid for, all continuing cost savings accrue to the government entity. Con Edison Solutions guarantees that the improvements will deliver the projected energy savings.



Con Edison Solutions offers Green Power options to Con Edison of New York and Orange and Rockland customers.

Con Edison Lowers Emissions from Steam Generation

Con Edison's steam system supplies heat, hot water, and cooling to customers in Manhattan, including many of New York's most famous landmarks. The company's central steam generating stations have enabled many of New York City's skyscrapers, apartment complexes, and cultural institutions to be built without individual boiler plants, and therefore without chimneys or smokestacks on every building. This eliminates local dispersion of air pollutants at lower elevations.

Con Edison's steam plants reduced emissions and lowered costs to steam customers in 2011 thanks to two efforts. First, the steam production boilers at the Hudson Avenue Generating Station were retired, and second, the steam system was operated for a full year according to modified, more-efficient operating criteria.

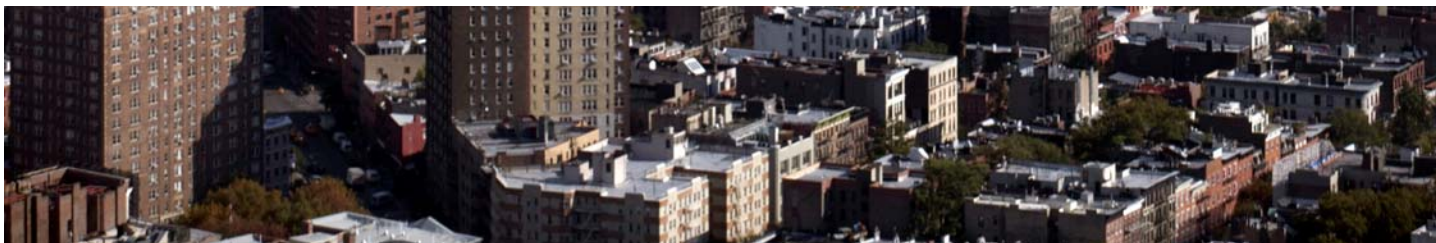
Hudson Avenue was the largest steam-power plant in the world at the time of its completion in the early 1930s. Of the original 32 boilers, 28 were retired in previous years, and by 2011 only four boilers remained in service with a total capacity of 1,600,000 pounds of steam per hour. By retiring these four oil burning steam boilers in February 2011, the associated air emissions were displaced by gas fired cogeneration units at Con Edison's East River plant, or a non-affiliated Brooklyn Navy Yard plant. Both of these plants utilize cleaner fuels, and have better emission controls than the now-shuttered Hudson Avenue plant.

The following video is a segment from Con Edison's *The Excellence Files*, which is a monthly internal video newsmagazine program that highlights the company's work on environment, health, and safety issues.

The steam system's operating criteria was modified in December 2010 to lower the average system operating pressure during the winter, and to reduce the amount of idling reserve generation requirements. These modifications came after a detailed assessment of customer pressure requirements. This modification, which was in full practice for all of 2011, allowed the company to run its most efficient steam production units more frequently, and reduce the usage of the least efficient units.

The company is also moving forward with gas addition projects at its 59th Street and 74th Street Generating Stations. Currently there is limited gas-burning capability at the 59th Street Generating Station, and no gas-burning capability at the 74th Street Generating Station. These projects are expected to be operational by January 2014 to comply with new emissions regulations going into effect in July 2014. While the addition of clean-burning gas at these facilities is an important aspect to our air-emissions compliance strategy, the company is also anticipating significant savings for its steam customers in the near-term due to the lower price of natural gas, which will displace the #6 fuel oil currently burned at the 59th Street and 74th Street Generating Stations. The total annual emissions reductions for both Generating Stations due to the gas addition projects is estimated to be approximately 74,000 tons of CO₂, 490 tons of NO_x, 930 tons of SO₂, and 135 tons of particulate matter. The estimated 74,000 ton reduction in CO₂ equates to about a 10 percent and 13 percent reduction for 74th Street and 59th Street Generating Stations, respectively.





Our steam system supplies heat, hot water, and cooling to many Manhattan skyscrapers, apartment complexes, and cultural institutions.

Con Edison Facilitates Customer Oil-to-Gas Conversions

In 2011 the City of New York passed regulations phasing out the use of #4 and #6 heavy fuel oils. These fuel oils are typically used only by large buildings for heating purposes, but when the fuel is combusted, soot and smog-forming pollutants are released into the atmosphere. As part of the city's goals to reduce local pollutant emissions and improve air quality, the city will stop issuing new permits for #6 heavy fuel oil by the end of 2015, and will do the same for #4 fuel oil by the end of 2030. Con Edison anticipates that many of these large buildings will want to convert their primary fuel source to natural gas supplied from the company's gas distribution system.

Con Edison estimates that as many as 7,000 of approximately 10,000 city buildings currently burning #4 or #6 fuel oil are located within the service territory of its gas distribution system. New demand for gas services will create opportunities for the company through growth in our gas business, but it will also pose challenges to the logistics of our operations and the management of our infrastructure.

To help manage these opportunities and challenges, Con Edison is tracking and setting annual goals for the number of customers who convert from heavy fuel oil to natural gas. In 2011 we worked with customers to convert 243 New York City buildings burning #4 or #6 fuel oil, and have set a goal to nearly double that amount to 482 in 2012. To meet this new demand, Con Edison has established a new Oil to Gas Conversion group to coordinate and streamline the conversion process for our stakeholders.

From application to boiler ignition, our team is ready to meet the challenge of cleaning New York's air. Please visit our [Oil to Gas Conversion website](#) for more information, including how to begin the gas conversion process for your building.

"Con Edison is a crucial partner to the City of New York in helping meet its clean air goal. I am proud to be a part of that."



Nickolas Hellen

Nick is a member of the newly formed Oil to Gas Conversion Team started in 2011.

Long-Term Policy Objectives

New York State has created a number of programs designed to achieve the clean energy goals contained in the RPS, EEPS, SBC and RGGI policies. These programs are supported by collections from electric and natural gas customers of Con Edison. The company has an interest in evaluating these programs to make sure benefits are being delivered to our customers in the most cost-effective manner possible. Ultimately the company supports these programs because they help achieve benefits desired by our customers: cleaner air and a healthier environment.

Renewable Portfolio Standard (RPS)

The State's Renewable Portfolio Standard program aims to increase the percentage of electricity consumed in New York State that is generated from renewable energy sources. The program is overseen by the PSC and implemented by NYSERDA. The RPS program has a specific goal: to generate 30 percent of the electricity consumed in the state from renewable energy sources by 2015. To fund the costs of the RPS program, the PSC has imposed a fee collection schedule that is mandatory for all investor-owned electric utilities in the state.

In 2011, Con Edison collected approximately \$73 million in RPS fees from electric customers; under the current collection schedule, this fee will peak at \$138 million in 2015. This NYSEDA-implemented program is currently on-target to achieve the goals set forth in the PSC order authorizing the program. Con Edison will also monitor the impacts and focus of the RPS program. Of particular concern is the geographic distribution of the program's spending. We will continue to advocate that a proportionate number of renewable energy resources be constructed in Con Edison's service territory. If the geographic balance is poor, or if programs are not sufficiently attractive to New York City customers, Con Edison will advocate, through filings and other means, for changes to the RPS program.

Con Edison has recently had success in advocating for such changes: in 2010 and 2011, after receiving comments from Con Edison and others on the lack of significant renewable energy development in the downstate region, NYSEDA developed and implemented a new initiative within the RPS program, called the Regional Program, which reserved \$25 million per year over five years for solar and biogas incentives in NYISO Zones I and J, which comprise a large majority of Con Edison's service territory. This program serves as an example of changes to the RPS program that the company will advocate for in the future should geographic balance continue to be an issue.

System Benefits Charge

The System Benefits Charge (SBC) program funds technology and market development (T&MD) activities relevant to the energy system. The PSC uses SBC to support research and development efforts that serve as a feeder of new technologies to be incorporated into the state's energy efficiency and renewable energy programs. NYSEDA implements the program under the PSC's supervision. In 2011 the PSC reauthorized the SBC through 2017, and approved statewide collections to fund the program; collections from Con Edison customers will provide at least \$150 million over the five year term of the program. The program will focus on a number of areas that should provide benefits to our customers, including smart grid, electric vehicles, advanced clean power system, advanced building designs, and environmental monitoring and evaluation. Like the RPS program, the SBC T&MD program raises concerns of geographic balance in the program's spending. Of particular concern is whether the program addresses the unique needs of electric customers in New York City and downstate. For example, research is needed to identify ways to incorporate the room air-conditioning units relied upon by residential customers in New York City into demand-response programs that currently use central thermostats to control temperatures.

Energy Efficiency Portfolio Standard (EEPS)



Our energy-efficiency programs aim to achieve a state goal of reducing electric and natural gas consumption 15 percent by 2015.

The PSC's Energy Efficiency Portfolio Standard (EEPS) program supports energy-efficiency initiatives with the aim of achieving a state goal of reducing electric and natural gas consumption 15 percent by 2015. Since the EEPS goal was established in 2008, the state has approved more than 100 energy-efficiency programs. Some of the approved programs are delivered by the state's electric utilities; others are delivered by NYSEDA. In all cases, programs chiefly aimed at increasing customers' energy-efficiency are funded through the EEPS fee collected from both electric and gas customers.

Approximately \$150 million was collected from electric and gas customers through the EEPS fee in 2010. The program has been reauthorized by the PSC for the years 2011 through 2016. The EEPS program, particularly the portion implemented directly by Con Edison, provides benefits to Con Edison customers by reducing the need for additional electric infrastructure. As a result, Con Edison believes it is appropriate to support somewhat higher EEPS collections in future years, balancing the costs of the program with the impact of those costs on our customers.

Regional Greenhouse Gas Initiative (RGGI)

In addition to monitoring the PSC-approved public policy programs, Con Edison also monitors programs that are funded by our customers but are not itemized on our customers' bills -- in particular, the cost of carbon emissions allowances resulting from New York State's participation in the Regional Greenhouse Gas Initiative. RGGI is a compact among 10 Northeast states to require most wholesale generators to purchase carbon allowances from the state in which their generation resource is located. New York's participation in the RGGI is mandated by public policy and legislative requirements. In 2010, approximately \$50 million in RGGI allowance costs were collected via the energy charges in Con Edison customer bills.

The RGGI programs are implemented by NYSERDA and fund additional spending on renewable energy and energy efficiency. Con Edison is currently implementing a program supported in part by RGGI funds that would allow customers to do "on-bill" financing of energy efficiency measures.



Con Edison's work to help customers conserve energy reduces our need to build more electrical infrastructure.

Managing the Environmental Agenda

Con Edison's utility and energy businesses seek to minimize our impact, or enhance the environment in which we work. We accomplish this through setting aggressive internal Key Performance Indicators for environmental performance, and through sustainably modeling green behavior.

Key Performance Indicators serve as benchmarks to track any deleterious impacts our operations may have on the environment. We use these indicators to track the aspects of our environmental impacts that are often regulated by federal, state, or local environmental agencies. These include spills, air emissions, and other releases to the environment. All employees in the company have a vested interest in meeting or out-performing our environmental indicators, because employee compensation is tied directly to whether or not Con Edison succeeds in minimizing our impact to the environment.

Modeling green behavior is manifested through the many programs that go beyond the regulatory requirements of our work. These actions and initiatives are mostly driven by teams of self-motivated employees who find new and exciting opportunities to improve an aspect of their work, and drive solutions to improve or enhance our environment. Some of these actions might be small – such as enhancing a bottle and can recycling system in an employee locker room; and others large – such as removing leaded cable from our electric distribution services.

Environmental Performance

Con Edison

Performance Indicator	Status Against 2011 Goal	2011 Actual	2011 Goal
Dielectric Fluid Released to Environment (gals)	↓	27,133	<24,300
Opacity Occurrences not to exceed NYCDEP Standard	↑	72	<126
SF6 Emissions (lbs. of gas emitted)	↑	17,824	<22,000
NOx Emissions Compliance (%)	↑	100	100
Wastewater Discharge (SPDES) Exceedances	↑	5	<21

O&R

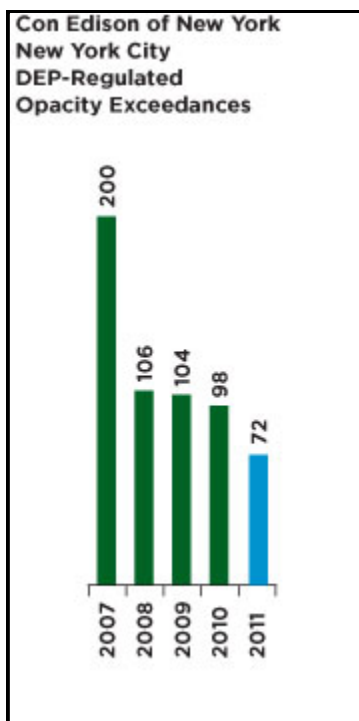
Performance Indicator	Status Against 2011 Goal	2011 Actual	2011 Goal
Violations (NOVs)	↑	0	<1
PCB Overhead Transformer Removals	↑	58	>50
Oil Spills	↓	217	<143
EH&S Site Assessments	↑	127	>80
Environmental System Improvements	↑	4	≥4

The graphics show performance for each indicator.

- ↑ Performance met target
- ↓ Target not met

Con Edison New York City DEP-regulated opacity exceedances

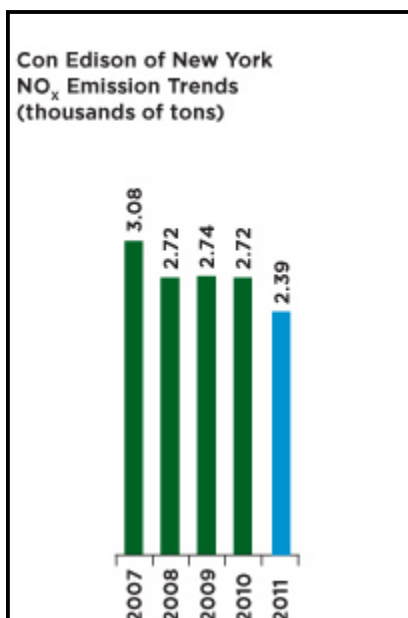
New York City Department of Environmental Protection (DEP) regulations require Con Edison to report instantaneous or two-minute opacity (or smoke) events at facilities with boilers and other combustion equipment. We had more than 26 percent fewer opacity events in 2011 than 2010, with 72 events requiring DEP notification. All opacity events are investigated in detail to determine root causes and to develop corrective measures for reducing the likelihood of recurrence.

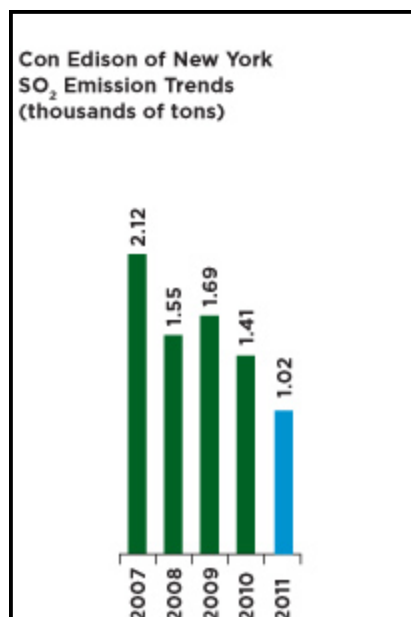


Nitrogen oxide (NO_x) and sulfur dioxide (SO₂)

Con Edison's steam business accounts for virtually all nitrogen oxide and sulfur dioxide released by combustion of fuel.

To minimize the quantity of NO_x and SO₂ resulting from company operations, Con Edison uses efficient controls to regulate and monitor combustion equipment and low sulfur fuel oil. Operations are carried out according to rigorous procedural guidelines, and sensors constantly monitor flue gases so that personnel can adjust combustion to curb emissions.





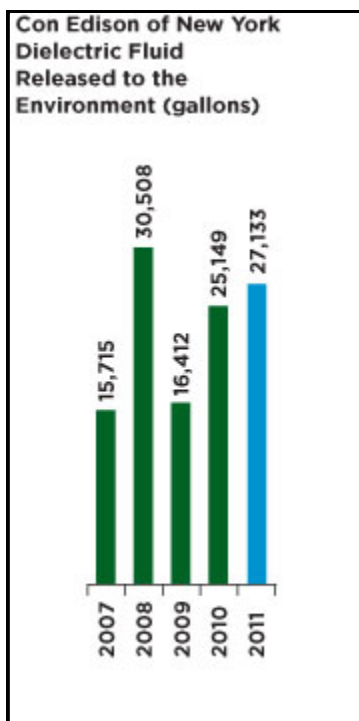
Con Edison of New York dielectric fluid released to the environment

Dielectric fluid is a non-conductive liquid used in steel pipes for insulating and cooling electrical transmission feeder cables. Con Edison's pipe-type cable system consists of about 630 miles of feeders and contains approximately nine million gallons of dielectric fluid.

In 2011, the company exceeded its goal of releasing no more than 24,300 gallons of fluid into the environment. These oil spills necessitate quick and thorough cleanup to avoid spreading the oil into waterways, and can expose the company to increased liabilities. Over one quarter of the dielectric fluid lost in 2011 was due to third party contractor damage to Con Edison's underground cable system. In one instance, a third party contractor struck an underground oil-filled electric feeder cable, which released nearly 6,300 gallons of fluid. The majority of remaining fluid leaks in 2011 resulted from corrosion of the steel pipe containing the transmission cables and dielectric fluid.

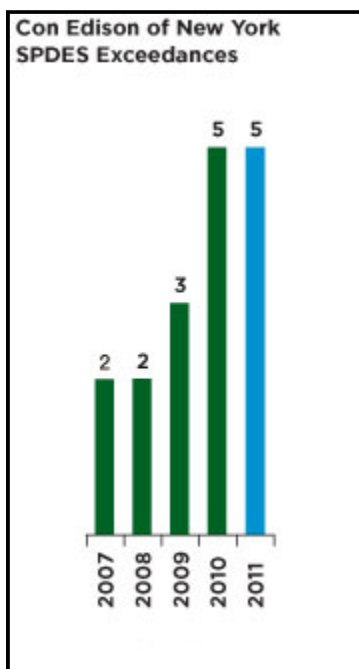
Con Edison continues to make process and equipment improvements to a sophisticated monitoring system for detecting leaks in its fluid-equipped feeders more quickly. A small amount of tracer compound is added to the dielectric fluid, detectable by sensors on specially-equipped trucks driven above the feeders. If the sensors detect the tracer, technicians can quickly pinpoint the location of the leak so that repairs can be made promptly.

As new feeders are installed over time to meet increasing customer loading, the use of solid dielectric cables, where appropriate, will be a preferred means of reducing the potential for feeder leaks. The company's Research and Development department continues to evaluate and pursue new methods to prevent leaks before they occur by potentially detecting corrosion of the steel feeder pipe. In addition, Con Edison continues to explore alternative and less expensive methods to predict, detect leaks, and locate the origin of the leak faster, therefore reducing the impact on the public and the environment.



Wastewater Permit Non-compliance reports

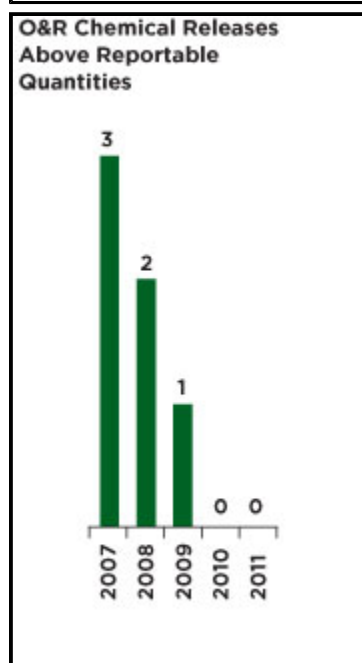
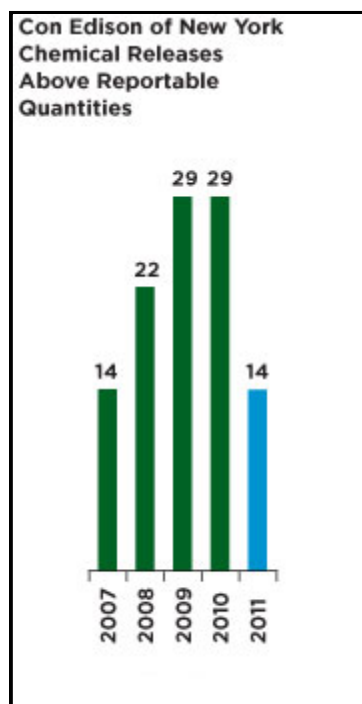
The New York State Department of Environmental Conservation (DEC) issues permits, and the Department of Environmental Protection issues authorizations to facilities that discharge wastewater or storm water to the environment. These permits and authorizations apply to discharges of wastewater operating under an existing State Pollution Discharge Elimination System (SPDES) permit or a DEP sewer system directive. The performance indicator reflects the number of times a facility operates outside of compliance with their SPDES permit and/or their sewer directive (analytical limits, schedule of compliance, violations) as defined by submission of a non-compliance report to the applicable governing authority. In 2011, the company met its internal water quality goal of fewer than 21 wastewater exceedances.



Chemical releases above reportable quantities

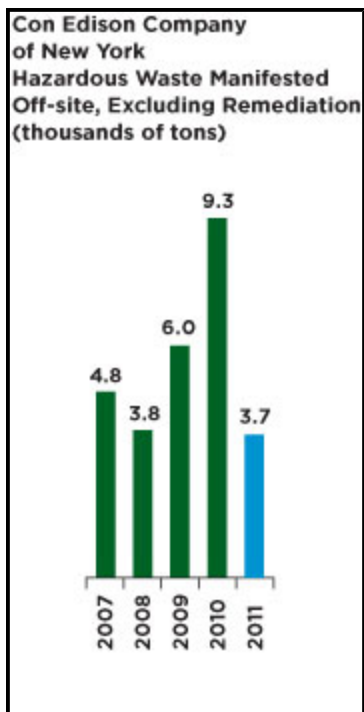
During 2011, Con Edison had 14 chemical releases that exceeded federally established reportable quantities. Of that total, 12 were releases of antifreeze exceeding 0.13 gallons. One was a release of refrigerant in excess of 50 lbs, while the other was sulfuric acid in excess of 6.5 gallons. In 2011, O&R had no chemical releases above reportable quantities.

The companies have taken steps to reduce the likelihood of chemical releases by developing and using a comprehensive electronic database to record, track, and analyze trends in spills. Additionally, root-cause analysis is performed on chemical releases to investigate the events and identify safer handling procedures. The information in the database is then used to track performance and ensure that operational changes have had the desired impact.



Hazardous waste manifested off-site

During 2011, Con Edison shipped 3,700 tons of hazardous non-remediation waste to licensed commercial waste-handling facilities. This 60 percent decrease from 2010 levels is largely due to the conclusion of operations associated with the construction of large infrastructure projects.



Developing New Initiatives



Con Edison is committed to developing new initiatives, technologies, and equipment, to deliver energy more sustainably.

In addition to its efforts to address climate change, Con Edison has a comprehensive approach to other aspects of environmental responsibility. As part of its continuing efforts to manage energy delivery more sustainably, Con Edison develops operational initiatives, new technologies, and innovative equipment that deliver environmental benefits.

LEED-Certified Substation



Con Edison's LEED-certified Newtown

substation was designed and built to conserve resources.

Con Edison's Newtown substation in Queens has earned a Leadership in Energy and Environmental Design (LEED) certification from the U.S. Green Building Council, as well as a design award from the Queens Chamber of Commerce. LEED certification verifies the substation was designed and built to save energy and water, reduce CO2 emissions, improve indoor environmental quality, and make better use of resources.

The following video is a segment from Con Edison's *The Excellence Files*, which is a monthly internal video newsmagazine program that highlights the company's work on environment, health, and safety issues.

Some of the substation's green features include recycled construction materials, and a reflective "cool" roof designed to keep the interior cooler in summer. High-efficiency water fixtures and ENERGY STAR-rated appliances also add to the overall efficiency of the building.

The exterior design blends into the neighborhood, and makes it look like several different buildings rather than one large building, to integrate the structure with the neighborhood. The colors complement the surroundings, and the corner building has a pediment and windows that are reminiscent of a bank. The facades adjoining it are separate and distinct, reflecting the fabric of the area around it.

The Newtown substation delivers electricity to more than 36,000 customers in the Long Island City area via two new networks, one with 75 megawatts and the other with 120 megawatts. The interconnected system of localized networks increases reliability by reducing the need to run long lengths of distribution feeder cables. The substation also has a foundation to accommodate a second floor for handling 50 percent more distribution feeders to meet anticipated growing electrical use.



Con Edison's Newtown Substation is designed to blend in with its surrounding neighborhood.

Helping Moderate Municipal Energy Consumption

More than 3,600 free energy surveys were performed through O&R's Lighten Up program for qualified O&R small business customers and municipalities with a monthly peak demand below 100 KW.

After a no-obligation survey of four municipal buildings in the Town of Deerpark, New York, O&R covered 70 percent of the \$5,400 cost of new energy-saving equipment recommended in the survey findings. The town paid only \$1,600 out of pocket for the improvements, including energy-efficient lighting fixtures and bulbs, occupancy sensors, and LED exit signs, which are expected to save about \$4,800 per year on energy costs.

O&R has also addressed the energy-efficiency needs of its larger business customers through its Big Energy Solutions Program. Comprised of both a prescriptive and a custom component, this program provides incentives to customers who invest in energy-efficient lighting, HVAC, and process-related upgrades. Among the several governmental entities that have participated and benefited from the program is Orange County, which performed comprehensive lighting upgrades to its courthouse and correctional facilities. The overhaul included the retrofit of over 4,300 fluorescent fixtures to high-efficiency lighting fixtures, upgrading 14 exit sign fixtures to LED, and the installation of 29 occupancy sensors. Based on these measures, Orange County will realize an estimated total of over 860,000 kWh annual energy savings and an O&R rebate of \$67,000, which will help pay down the initial cost of the project.

Wetlands Pamphlet

Because many Con Edison facilities are located within or adjacent to sensitive areas, employees must be mindful of special working provisions that apply to protected wetlands. Many of these sensitive wetland areas are not easy to recognize without the proper training.

Con Edison employees can access a computerized database of larger state-protected wetlands within our service territory. However, there are several smaller locally-protected wetlands not captured within this database that may be encountered during field operations.

To help employees identify all protected wetlands, Con Edison developed a wetland identification pamphlet for field use. This compact reference resource provides full-color photographs of common wetland indicators, such as vegetation, and provides employees with a reference to the appropriate company contacts and more detailed work protocols.

By comparing the landscape in front of them with the photographs in the pamphlet, workers have a useful source of information for concluding whether they are likely in a sensitive setting. They can then investigate further if necessary, or consult with qualified environmental experts to determine if special precautions must be observed before proceeding with work in the area.





We created posters and pamphlets to help our employees recognize and protect environmentally-sensitive wetlands.

Cable-End Use

Recycling unneeded material is better than just discarding it as trash. Finding other uses for perfectly good material instead of recycling it is better still. Con Edison uses a significant amount of cable in its electrical transmission and distribution infrastructure. This cable is supplied on large reels, and for many jobs, only part of the cable on a reel is needed.

Once the length of cable left on a reel is short enough, the cable can be scrapped, even though the remaining material is brand new and in perfect condition.

A team of Con Edison employees worked to explore the possibility of effectively using these short balanced reels, rather than turning the material over for recycling. During an extensive study to determine if short lengths of cable could be more commonly used, they discovered there were many applications that needed only short cable lengths and they worked with stakeholders throughout the company to encourage their use. These employees developed new ways of matching jobs that could use short lengths of cable with the existing inventory of material, and as a result of their efforts, approximately a million feet of cable that would have been scrapped for recycling was put to work instead. That provides an annual savings of approximately \$5 million through the reduced need for new material. It also eliminates the carbon emissions associated with trucking a million feet of cable to recyclers. This team worked hard to delivered a win-win situation that's good for both the environment and the bottom line.

TreeLine USA



Con Edison was designated a "Tree Line USA Utility" in 2011.

Con Edison's utility companies have each been designated a "Tree Line USA Utility" in 2011 by the Arbor Day Foundation and the National Association of State Foresters in recognition of their ongoing tree-trimming efforts to improve electric reliability. Con Edison earned this distinction for the third time, and O&R earned the honor for the 10th year in a row. The award spotlights Con Edison's care and maintenance of trees within its service territory, along with its commitment to public education programs, all while meeting service objectives.

Con Edison trims trees along distribution and transmission power lines to maintain safe and reliable service. Overgrown and fallen tree limbs are the leading cause of power outages during storms. The company's tree maintenance program helps ensure safe, reliable service, carefully trimming branches that may interfere with power lines.

The company also reinforces its dedication to preserving community trees through public education efforts, which advise utility customers on which plant species are appropriate to plant near utility lines.



Improved Firefighting Techniques for Oil-Filled Equipment



In the past, the Fire Department of New York (FDNY) would only fight electrical fires after the equipment was de-energized, isolated, and grounded. This often resulted in interrupting power to adjacent equipment not affected by the fire. The time it takes to de-energize can allow the fire to escalate, causing more damage to the electrical grid, and making repairs and restoration even more extensive. De-energizing equipment not affected by the fire could also lead to unnecessary service interruptions for many of our customers.

Con Edison collaborated with the FDNY's Research and Development group to evaluate current firefighting procedures that prohibit applying water to live electrical equipment. Scientific testing using water from fire hoses on live electric equipment was demonstrated at the company's Fresh Kills substation in Staten Island and simulated testing at Astoria and FDNY's training academy. Fire Department representatives were shown ways to safely extinguish live electrical equipment using a safe distance and a fog pattern water stream. As a result of these extensive tests, FDNY agreed to change its fire tactics and now allows firefighting on live electrical equipment. With the new tactics in place, the possibility for large quantities of smoke and other combustion by-products is minimized.

Additionally, it was determined last year through a follow-up investigation of a substation transformer fire that the company could face additional risk exposure. The water released from the fire suppression equipment protecting the transformers can fill the containment moat surrounding oil-filled equipment. If oil is released during the fire or emergency it can overflow the containment area and make its way to the environment. Con Edison introduced new firefighting equipment and methodology in 2011 that helps minimize that risk. The new equipment specifically targets hotspots during the initial stage of an electrical fire and rapidly extinguishes it. The equipment uses a minimal amount of water; substantially reducing the risk of oil and water overflowing the containment area and impacting the environment.

"You often wonder if the training you provide has an impact on the intended audience but I think our efforts clearly resulted in people getting home safe that day."

**Anthony Natale**

Tony works in our Emergency Management Response Group and is a visiting professor at the New York City Fire Academy. Based on Tony's training, the FDNY changed their approach to a transmission fire, preventing serious injuries.

Spill Management Team

As an outcome of the Water Vulnerability Assessment initiated in 2009, Con Edison established a Spill Management Team (SMT) in 2011. The SMT's mission is to mitigate, prepare for, respond to and recover from spills to navigable waterways from the substation and transmission systems, continuously striving for excellence in spill management response. Where operating organizations were once charged with handling both the operational and cleanup aspects of a spill response, the establishment of this team allows organizations to focus solely on their operational responsibilities while the SMT handles cleanup efforts. This means customers who lost service are restored faster and spills are addressed by specialized, trained responders.

The team developed more than 280 oil spill contingency plans in 2011, including maps created in partnership with local municipal agencies identifying sewage system pathways by which released oil could travel from Con Edison facilities to a waterway discharge point. The maps also identify areas to prioritize clean-up efforts in the event of an oil spill. Cleaning up these areas first will reduce the risk of oil contamination in the nearby waterways. In the event of a spill, these maps allow for a timelier, more geographically-focused response.

Along with the development of the oil spill contingency plans, the team worked extensively to develop a comprehensive training program. The team partnered with the [Clean Harbors Cooperative](#) to complete two days of oil spill training in 2011. Topics included oil identification, booming strategies, basic water flow properties, and a review of the Incident Command System. The team also assumed incident command during the company's annual oil spill response drill, developing a clean-up response plan to a theoretical release of oil to the Hudson River.

In October, the team responded to its first spill when a third party contractor struck a Con Edison feeder while drilling in a parking lot. The spill resulted in the release of over 6,000 gallons of dielectric fluid from a Con Edison pipe-type feeder cable. Within hours the SMT took over the cleanup response, and over the course of a week recovered 2,000 gallons of oil from the Hutchinson River, and nearly twice that amount on land. The quick recovery effort was a significant improvement compared to 2009, when a release of a few hundred gallons of dielectric fluid into the Bronx River took more than a month to clean up. The quick, targeted, and well-trained response on the Hutchinson River demonstrates how the SMT has improved the company's ability to respond and protect the environment in the event of an oil release.

"Having been through these events, and with an understanding of the mindset of the regulator, I believe I am able to offer insight that will help the company as we move forward with the Spill Management Team."

**Patrick Hanley**

Pat is a member of the EH&S Response Team and Spill Management Team, and is a lieutenant in the U.S. Coast Guard Reserve. Pat was a first responder during the 2010 BP Deepwater Horizon oil spill.

Environmental Remediation

Hazardous substances, including asbestos, polychlorinated biphenyls (PCBs) and coal tar, have historically been used or produced in Con Edison and O&R operations. Some of these sites (many of which are no longer owned by the company) still contain measurable levels of materials that are left over from historic operations. We have made substantial investments in investigating and, when necessary, remediating these sites, and strive to do so with minimal impact to property owners and our neighbors.

We are working closely with local, state, and federal regulatory agencies to identify and address sites that may be impacted by historic operations. A substantial number of sites are addressed under voluntary cleanup programs, where we have committed to minimize adverse impacts on health and the environment. In addition, the company is working closely with the community,

keeping the public informed and aware of current projects and programs, through regular meetings, signs and notices, and an [informational company website](#). We work hard to minimize disruptions to the local community, and monitor our impacts on a real-time basis throughout our remediation projects.

We accept our responsibilities for the investigation and cleanup of sites that we have historically owned and operated that were impacted by operations. Under state and federal laws, the company is held financially responsible for its impact to these sites and the remediation of impacted areas. The company sets aside money for the investigation and cleanup of these sites. For more information, please see the [annual 10K report](#).

Today, we have active remediation sites throughout our service territory, where we are continuing to evaluate and, if necessary, clean up impacted soils and groundwater. We continue to identify areas throughout our service territory where investigation and remediation may be needed.

Manufactured Gas Plant (MGP) Sites

Many of Con Edison's current remediation sites were formerly the location of manufactured gas plants, where the company made and distributed manufactured combustible gas. From the early 1800s to the mid 1900s, Con Edison, like many other utilities of its time, manufactured gas in such plants and distributed it in parts of New York City and in Westchester County. At the time, this gas provided many benefits to the community, heating homes and businesses, and lighting the city's streetlamps. However, some of the byproducts of this production may be harmful to human health and the environment.

Today, we are evaluating and monitoring potential and actual risks of exposure to contaminants from these facilities, and we are taking steps to ensure that these risks are minimized. We are working with our regulators to remove these contaminants from the environment or to treat or contain the contaminants so as to minimize potential migration and exposures. Testing, design and/or remediation are already underway at 13 former MGP sites. During 2011, O&R spent approximately \$3.7 million for its MGP program, and Con Edison spent approximately \$20.8 million. One of Con Edison's current MGP sites undergoing remediation is the Mount Vernon site in Westchester County. After extensive testing and investigation, the company has begun the process of removing historic contamination, following a plan approved by the New York State Department of Environmental Conservation. Throughout the investigative/remedial process, Con Edison has held numerous town meetings and worked hard to keep the community informed of the project status. For more information about this and other MGP sites, [click here](#).

Remediation of Historic Liabilities:

We believe firmly in the importance of remediating impacted sites when necessary, for the health of the community and the environment. Remediation requires a substantial investment of time, money, and natural resources as we remove, dispose of and replace impacted soils. Where feasible, we select remedies that reduce the amount of soil that needs to be removed from our clean-up sites. Through rock crushing and soil reuse efforts, the company saved more than \$6 million on remediation projects last year. These efforts not only reduce costs, they reduce the need for additional resources, and cut down on the carbon footprint of cleanup projects.

We continue to explore treatment options that are in situ, or in place, to avoid greenhouse gas emissions and costs associated with removing soils and taking them to landfills or other waste disposal facilities. We thoroughly evaluate the quality of soils as they are excavated, to retain as much clean material as possible for backfill.

When excavated soils must be disposed of, we take a portion to thermal treatment facilities. In these facilities, the soil is heated and organic compounds are vaporized, and then combusted or otherwise removed. The treated soil can then be used at other locations as fill, reducing the amount of new, clean soil that needs to be taken from other locations for use.

What to Watch for in 2012

Protecting Aquatic Life

Con Edison's East River Station withdraws water from the adjacent East River for equipment-cooling purposes. The water circulates through the station's cooling loop and is then returned to the river. Although the water intakes are screened, some aquatic life such as small fish, eggs, and larvae can be drawn through the system or trapped against the screen.

To substantially lower the plant's impact on the river's ecosystem, and to ensure future compliance with stricter State rules regulating water withdrawals, Con Edison embarked on a \$35 million project to upgrade the plant's water intakes. An additional water intake bay will be re-activated to supplement the four operating intake bays, thereby reducing the overall intake system's water velocity. A lower water intake velocity will enable fish to swim away from the intake pipes more effectively. Further, new traveling screens equipped with fine mesh panels will be installed within all five water intake bays to minimize the withdrawal or entrainment of smaller eggs and larvae. Any aquatic organism trapped, or impinged, on the new fine mesh screens will be gently removed via a low pressure spray wash system and delicately returned to the river through a dedicated fish return trough.

Work to accomplish the full redesign of the East River Station's intakes will continue throughout 2012, and the project scope and design have been approved by the New York State Department of Environmental Conservation. Once finished, the environmental impact of station operations on the East River's aquatic life will be considerably reduced.

Water Vulnerability Assessment

In 2009 Con Edison initiated an assessment to proactively identify and schedule corrective actions and administrative procedures needed to enhance water discharge control and operation. The cross-organizational Water Vulnerability Assessment (WVA) team worked first to develop a water discharge standard of operation focused on establishing the company's expectations for water discharge systems. This standard was then used throughout 2010 to perform a gap analysis throughout the company.

At the completion of the WVA team's efforts, 155 projects were identified for completion. Many of these projects were completed before the end of 2011. Project deliverables included the development of alarm response procedures, flow diagrams, and updated spill pollution, control, and containment plans. Physical changes to locations were made as well, including the installation of oil containment systems at a number of facilities. Some locations with more complex water operations will take longer to design the corrective actions. At the close of 2011, over 80 percent of design work was complete, with remaining items expected to be finalized in the first quarter of 2012.

The company is committed to understanding and acting upon knowledge of where its existing programs and processes are vulnerable. Correcting these vulnerabilities will be a clear manifestation of our commitment to protecting the environment, and will be an ongoing theme in future reports.

Environmental Recognition

- Con Edison is the greenest utility company in the United States, according to Newsweek magazine's 2011 Green Rankings. The rankings, which can be found at www.newsweek.com/green, were based on the magazine's ratings of a company's environmental impact, environmental management and disclosure. Newsweek developed a "Green Score" for each of the 500 largest publicly traded companies in the United States, and Con Edison scored highest among the 30 utilities rated. The magazine calls its list the most comprehensive rankings of corporate environmental performance.
- Con Edison has earned recognition from the international Carbon Disclosure Project (CDP) for five years running for the company's carbon emission reduction and carbon disclosure efforts. In the 2011 rankings, Con Edison placed first among utilities in the S&P 500 [Carbon Disclosure Leadership Index](#), and was the only utility recognized in the S&P 500 Carbon Performance Leadership Index for its successful reduction of greenhouse gas emissions. The CDP, representing 551 institutional investors who manage \$71 trillion in assets, has again commended the company for the way it discloses climate change information. Con Edison has been featured in the organization's Carbon Disclosure Leadership Index since the index was established. A key component of CDP's annual S&P 500 report, the index highlights companies that demonstrate the most professional corporate governance approach regarding revelation of climate change information. Companies are scored on their climate change disclosure practices. High scores indicate excellent internal data management and a clear understanding of climate change issues affecting the company.
- For the third straight year, Con Edison was named to the [Dow Jones Sustainability Index](#) for its financial performance, environmental initiatives, and social responsibility. Through its energy efficiency programs, the company encourages customers to use less energy, and provides rebates for customers to use energy-efficient equipment.
- Con Edison's new Newtown substation in Long Island City, Queens earned a Leadership in Energy and Environmental Design (LEED) certification from the U.S. Green Building Council as well as a design award from the Queens Chamber of Commerce.

Our Business

<p>► Developed 28 MW of photovoltaic capacity.</p>	<p>► Successfully opposed surcharge legislation that would have raised customer rates by 12%.</p>
--	--

Clean Energy Development

Con Edison's long range plans for meeting increased electric demand will include capital investments, advanced grid technology and innovation in response to customer power use, and broader customer options for renewable energy.

Con Edison Development (CED) develops, owns and operates renewable and energy infrastructure projects in the Northeast. Through constructive collaboration, the company is focusing on renewable energy and gas assets as part of an overall corporate goal of responsible environmental stewardship. Con Edison Development already has built a renewable energy project pipeline of over 150 MW in New Jersey, Massachusetts, Connecticut and Pennsylvania.

At the Alcatel-Lucent Bell Labs headquarters campus in Murray Hill, N.J. Con Edison Development, working with SunPower, completed a 1.2 megawatt solar photovoltaic installation. The solar array system uses a mechanical tracking mechanism to position more than 3,700 solar panels to follow the sun's movement during the day. The trackers capture up to 25 percent more sunlight than conventional fixed-tilt systems while requiring significantly less land for the installations.

The system at the Bell Labs campus, occupying six acres of the 200-acre site, will generate approximately \$2.5 million in cost savings over the next 15 years. This installation will offset the production of more than 25,000 tons of carbon dioxide emissions over its 30-year lifetime.

Con Edison Development also produced, owns and operates a 2-megawatt photovoltaic project that began delivering clean, renewable power to Massachusetts utilities on March 10, 2011. The ten-acre solar facility is sited on the New Bedford Business Park, which straddles the towns of Dartmouth and New Bedford in Massachusetts. With more than 8,000 crystalline silicon panels, the installation delivers enough energy to provide power to 2,000 households, making it the largest operating solar installation in New England. The ground-mounted panels are virtually invisible from outside the park. In addition to supplying completely emission-free energy, the installation supports the state's Green Communities Act and Renewable Energy Portfolio Standard, helping utility companies reach a statewide target of 400 megawatts of solar generation.

Con Edison Development teamed with Panda Power to build the Northeast's largest solar farm in Pilesgrove Township, New Jersey. The installation consists of 71,400 solar panels. The stationary panels are designed to minimize glare and absorb more than 95 percent of available sunlight. Overall, the solar farm has the capacity to generate 20 megawatts DC (corresponding to 18 megawatts AC) of electric power. Electricity generated from the solar farm will provide energy for the local utility, and surplus energy will be sold to customers in the rest of New Jersey, Pennsylvania and Maryland. Each megawatt generated can power up to 800 homes with clean, renewable energy.

Projected Electrical Demand



We expect demand for electricity to rise in the coming years.

Con Edison anticipates moderate economic growth and a corresponding increase in our customers' demand for electricity. The growth is expected to be offset by increased energy-efficiency. Con Edison's electric long-range plan forecasts a rise in demand for electricity in New York City and Westchester County of approximately 1.14 percent per year, and energy growth of 1.0 percent.

Our electric grid is built to meet peak demand, which could grow by about 25 percent over the next 20 years. In Con Edison's service territory, peak demand, or the maximum electricity our customers could require at any given time, is generally only reached for several hours over the span of a few days during the summer.

We plan to invest an average of \$1.3 billion per year in our capital infrastructure over the next 20 years, totaling \$26 billion in real 2011 dollars. Our supply costs are expected to increase at an annual rate of 1.2 percent over the next two decades. On a per kilowatt-hour (kWh) basis, that represents an increase from 9.0 cents per kWh in 2011 to 11.2 cents per kWh by 2031.

Together, these investment and supply cost increases are expected to raise a typical residential customer's monthly electric bill an average of 0.15 percent per year after the end of the company's current rate settlement in 2013.

In 2011, O&R filed a request to increase its base electric rates with the New York State Public Service Commission. The company has made substantial improvements in its electrical distribution system since its last rate filing, and has invested approximately \$200 million on new electric system construction, upgrades and maintenance over the last three years. Those improvements have improved the safety and reliability of O&R's service to approximately 225,000 customers.

During the course of its proposed three-year rate plan, O&R expects to invest \$261 million in the construction of new substations, and improvements to its electrical facilities. The new base rate plan would result in an increase in customer bills averaging 1.7 percent, 2.7 percent, and 2.7 percent in rate years one, two and three, respectively, if the Commission approves a levelized option. The increases in customer bills would average 2.5 percent, 1.5 percent and 2.7 percent in rate years one, two and three, respectively, if the Commission approves a non-levelized option. These increases begin July 1, 2012.

We will work to get the most out of every dollar we invest, to continue delivering reliable service while minimizing the impact on our customer bills.

Smart Grid



Con Edison of New York and Orange and

Rockland both operated smart grid pilot installations in 2011.

Smart grid pilot installations were operated in the service territories of both Con Edison of New York and O&R through 2011. Con Edison's project combines advanced technology with existing innovations to test and evaluate the company's response to customer use and power interruptions. Con Edison of New York's initial, urban smart grid pilot is installed within the company's Long Island City network, an 8.3 square-mile-area, which has a customer density and mixture similar to other areas in the company's system.

O&R is developing an innovative pilot, coupling state-of-the-art equipment design with cutting-edge technological advances in computer analysis, system-monitoring, and control. This advanced system would significantly improve reliability by restoring customers' electric service automatically when disturbances occur, and minimizing the extent of outages through expanded distribution automation.

O&R implemented its three-year smart grid pilot project in the vicinity of the company's West Nyack and Snake Hill substations, both in West Nyack, New York. For more information about Con Edison's smart grid initiatives, refer to Con Edison's website at coned.com/publicissues/smartgrid.asp.

Con Edison Solutions Green Power



Expanding our use of clean energy sources

is an important part of our sustainability strategy.

Con Edison promotes renewable energy development by offering a renewable energy product through its Con Edison Solutions (CES) subsidiary. This product, called *Green Power*, consists of 100 percent renewable energy.

Residential customers of Con Edison of New York and O&R may purchase their full electrical requirements with a mix of 75 percent low-impact hydropower and 25 percent wind energy. For commercial customers, CES can supply between 5 and 100 percent of their electricity requirements with 100 percent wind energy. Sales of these products have increased the demand for renewable energy during 2011, with total deliveries amounting to approximately 280,000 megawatt hours for the year. CES *Green Power* is Green-e certified. Green-e is a leading national labeling program that sets consumer protection and environmental standards for environmentally superior electricity products. CES is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

In addition, Con Edison Solutions offers programs and services tailored to help customers achieve their individual energy objectives. The company is the cornerstone of an effort in New Bedford, Massachusetts to develop a city-wide, multi-site solar power initiative using solar panels that are exclusively manufactured in the United States. This will reduce New Bedford's overall energy spending through a goal of installing up to 10 megawatts of renewable energy, enough to power approximately 1,500 homes.

The program is the first of its kind in a Massachusetts municipality. New Bedford will install rooftop and ground-based photovoltaic units at city-owned sites. Locations will include municipal buildings, schools and selected municipal land parcels. All installations are expected to be operational by 2013. In addition to decreasing dependence on fossil fuels, production of solar energy is expected to equate to 25 percent of electricity consumed by city-owned facilities when all installations are completed. City officials estimate that total savings could reach as high as \$10 million by the year 2033.

Con Edison Solutions teamed with BlueWave Capital, LLC to carry out the program. Con Edison Solutions will own the solar installations on city sites and will enter into long-term power purchase agreements with New Bedford. Con Edison Solutions will also be responsible for installation, ongoing operations, and maintenance, and will provide for financing of the projects. BlueWave will partner with the city in a program aimed at bringing third-party-financed solar energy to New Bedford businesses and homeowners. BlueWave will also work with the city on local job and apprenticeship opportunities, the re-use of brownfields and other surplus land, and educational programs in New Bedford schools. To help boost area employment, Con Edison Solutions is committed to using local construction contractors for the project.

Con Edison Solutions has been certified as a state-approved qualified energy services provider in Arizona, Colorado, Connecticut, Delaware, Florida, Kansas, Massachusetts, Missouri, New Hampshire, North Carolina, Pennsylvania, Rhode Island, Virginia, Wyoming, and Washington, D.C.

While guidelines vary somewhat from state to state, the designation allows Con Edison Solutions to provide energy conservation measures for facilities owned or leased by the state and its political subdivisions. Services may typically include such measures as project management, site energy audits, energy modeling, lighting retrofits, engineering design, construction management, commissioning, training, and ongoing measurement and verification.

In addition to its certification in the specified states, Con Edison Solutions is also a nationwide provider of energy services to the Department of Defense, the Department of Energy and the United States Postal Service.



Con Edison Solutions offers customers a variety of Green Power options.

Electric Vehicles



Con Edison of New York and O&R have added more hybrid and all-electric vehicles to their fleets to help lower carbon emissions.

The federal government has pledged to invest billions of dollars in alternative-fuel vehicles to address climate change and reduce carbon emissions. Con Edison recognizes the benefits of plug-in electric vehicles (PEVs) as a green technology offering drivers greater fuel-economy or using no fuel at all. For these reasons, the company is committed to making the transition from gasoline to electric vehicles as simple and convenient as possible.

In 2011, Con Edison saw the introduction of 200 electric vehicles into the service territory. We anticipate that number to increase exponentially as consumer awareness rises and prices plateau. We anticipate 9,300 electric vehicles on the system by 2015, and we are preparing for as many as 100,000 to 150,000 electric vehicles to plug in by 2020. While this is a significant number of new vehicles, perspective is important. Con Edison's customers have more than six million room air conditioners. Approximately 750,000 PEVs would have to be on the road in our region to match the electric demand of those six million room air conditioners.

Unlike air conditioners, the Con Edison infrastructure will need to support PEVs throughout the year and our infrastructure is prepared to accommodate an increase in electric vehicles. By encouraging energy efficiency, off-peak charging, demand response programming, and distributed generation development, we will be able to manage the new loads for these electric vehicles on our grid. Con Edison will look to offer incentives to encourage customers to charge their PEVs during off-peak hours. The company is currently working with regulators to expand time-of-use rates to encourage off-peak charging.

Customer education is key to the successful implementation of electric vehicles. In 2011, Con Edison launched a new [website](#) where customers can learn about the types of PEVs available, the charging options available both at home and on the road, and the impact owning a PEV can have on electric bills. Information for dealers is also available.

The company's commitment to PEVs was confirmed in 2011 with the institution of an electric-vehicle ombudsman, a position fully dedicated to the PEV industry and implementation. The EV ombudsman and team will continue to work to make the use of PEVs and integration into the Con Edison system as easy as possible for our customers.

We are collaborating with a PEV stakeholder group that includes utilities, automakers, and component suppliers. Con Edison also participated in studies to determine the impact of PEVs and anticipated patterns of use on the electrical grid.



Con Edison is preparing for as many as 100,000 to 150,000 electric vehicles in our area by 2020.

Managing Risks

The company's 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 company has established an enterprise risk management program to identify, assess, and manage its major operations and administrative 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 company also has financial and commodity market risks. The companies' major risks include:

The Failure to Operate Energy Facilities Safely and Reliably Could Adversely Affect The Company

Con Edison provides electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. 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. In such event, the company could be required to pay substantial amounts, which may not be covered by the company's 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 an event could also adversely affect the cost and availability of insurance. Changes to judicial doctrines could further expand the company's liability for service interruptions.

The Failure To Properly Complete Construction Projects Could Adversely Affect The Company

Con Edison's ongoing construction program includes large energy transmission, substation, and distribution system projects. The failure to properly complete these projects timely and effectively could adversely affect the company's ability to meet their customers' growing energy needs with the high level of safety and reliability that they currently provide, which would adversely affect the companies.

The Failure of Processes and Systems and the Performance of Employees and Contractors Could Adversely Affect the Company

The company has developed business processes for operations, customer service, legal compliance, personnel, accounting, planning and other matters. Some of the companies' information systems and communications systems have been operating for many years, and may become obsolete. The company is implementing new financial and supply chain enterprise resource planning information systems. The failure of the company's business processes or information or communication systems could adversely affect the company's operations and liquidity and result in substantial liability, higher costs and increased regulatory requirements. The failure by the company's employees or contractors to follow procedures, or their unsafe actions, errors or intentional misconduct, or work stoppages could also adversely affect the company.

The Company Is Extensively Regulated And Is Subject To Penalties

The company's 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 company for violations of state utility laws, regulations or orders. In addition, the Utilities rate plans usually include penalties for failing to meet certain operating standards. FERC has the authority to impose penalties on the utilities and the competitive energy businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. The company may also be subject to penalties from other regulatory agencies. The company may be subject to new laws, regulations, accounting standards or other requirements or the revision or reinterpretation of such requirements, which could adversely affect the companies.

Con Edison's Rate Plans May Not Provide A Reasonable Return

Con Edison 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). The company's rate plans can involve complex accounting and other calculations, a mistake in which could have a substantial adverse affect on the company. 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 company's actual costs may exceed levels provided for such costs in the rate plans. The company's rate plans usually include penalties for failing to meet certain operating standards. State utility regulators can initiate proceedings to prohibit the company from recovering from their customers the cost of service (including energy costs) that the regulators determine to have been imprudently incurred. The company has from time to time entered into settlement agreements to resolve various prudence proceedings.

The Company May Be Adversely Affected By Changes To Its Rate Plans

The company's 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 company's opportunity to obtain new rate plans that provide a reasonable rate of return and continue important provisions of current rate plans. The company's current New York electric and gas rate plans include revenue decoupling mechanisms. 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.

The Company Is Exposed to Risks From The Environmental Consequences Of Their Operations

The company is exposed to risks relating to climate change and related matters. CECONY may also be impacted by regulations requiring reductions in air emissions. 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. Electric and magnetic fields are found wherever electricity is used. The company could be adversely affected if a causal relationship between these fields and adverse health effects were to be established. Negative perceptions about electric and magnetic fields can make it more difficult to construct facilities needed for the companies' operations.

A Disruption In The Wholesale Energy Markets Or Failure By An Energy Supplier Could Adversely Affect The Company

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. Con Edison Energy and Con Edison Solutions also depend on wholesale energy markets to supply electricity to their customers. A disruption in the wholesale energy markets or a failure on the part of the company's energy suppliers or operators of energy delivery systems that connect to the utility's energy facilities could adversely affect the company's ability to meet its customers' energy needs and adversely affect the company.

The Company Has Substantial Unfunded Pension And Other Postretirement Benefit Liabilities

The company has 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 the pension and other postretirement benefits could trigger substantial funding requirements under governmental regulations.

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 subsidiaries 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.

The Company Requires Access To Capital Markets To Satisfy Funding Requirements

The company estimates that their construction expenditures will exceed \$6 billion over the next three years. The company expects to use internally-generated funds, equity contributions from Con Edison and external borrowings to fund the construction expenditures. The competitive energy businesses are evaluating opportunities to invest in renewable generation and energy-related infrastructure projects that would 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. The company does not expect to need to issue additional common equity in 2012. Changes in financial market conditions or in the companies' credit ratings could adversely affect their ability to raise new capital and the cost thereof.

The Internal Revenue Service Has Disallowed Substantial Tax Deductions Taken By The Company

The companies' federal income tax returns reflect certain tax positions with which the Internal Revenue Service does not or may not agree, particularly its tax positions for Con Edison's lease in/lease out transactions and the deduction of the cost of certain repairs to utility plant for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

A Cyber Attack Could Adversely Affect the Company

The company and other operators of critical energy infrastructure may face a heightened risk of cyber attack. In the event of such an attack, the utilities and the competitive energy businesses could have their operations disrupted, financial and other information systems impaired, property damaged and customer 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 Company Also Faces Other Risks That Are Beyond Its Control

The company's results of operations can be affected by circumstances or events that are beyond its control. Weather directly influences the demand for electricity, gas and steam service, and can affect the price of energy commodities. Natural disasters, such as a major storm, heat wave or hurricane or terrorist attacks or related acts of war could damage company facilities. As a provider of essential utility services, the company may experience more severe consequences from attempting to operate during

and after such events. In addition, pandemic illness could potentially disrupt the company's employees and contractors from providing essential utility services. Economic conditions can affect customers' demand and ability to pay for service, which could adversely affect the company.

Continuous Improvement

Con Edison maintains a rigorous auditing program, integrated with environment, health and safety to confirm regulatory compliance, proper procedural requirements are correctly implemented, and also to gather information that can help drive continuing improvement. The EH&S auditing effort is managed by Con Edison and covers all CEI subsidiaries. Both facility operations and company-wide programs (e.g., pollution prevention, right-to-know reporting) undergo periodic systematic audits to determine their compliance with applicable regulations and company procedures, as well as the adequacy of EH&S management systems in use.

EH&S audits are conducted by an EH&S group in Con Edison's Corporate Auditing Department. Under the CEI audit policy, this group audits all facilities and programs. The EH&S Auditing Group is staffed with dedicated personnel, experienced in auditing protocols, regulatory requirements, and company operations and procedures. On occasion, subject matter experts from other areas of the company have been used to augment EH&S audit teams. The EH&S Auditing group has developed standard protocols (including lists of questions) tailored to each area of concern that may be encountered at facilities operated by the company to ensure comprehensive and consistent audits. EH&S audits may cover the following areas as applicable.

Environmental Factors	Health and Safety Factors
<ul style="list-style-type: none"> • Compliance • Management systems • PCBs • Asbestos, lead and mercury • Spill prevention • Air Pollution Control • Water Pollution Control • Solid/hazardous waste management • Storage tanks • Leaks and releases • Site remediation • Land use/fish and wildlife • Chemical use approval • Resource use (recycling/pollution prevention) 	<ul style="list-style-type: none"> • Compliance • Management systems • Loss prevention • Personnel safety • Transportation safety • Material/equipment safety • Industrial health and hygiene • Fire safety/emergency evacuation • Employee health and medical issues

Formal audit reports prepared at the conclusion of each EH&S facility or program audit are widely distributed.

Quality Assurance and Risk Management

In addition to auditing, an important quality-control measure is ISO Certification. Con Edison of New York received corporate-wide certification for its management system under the ISO 14001 Standard from the International Organization for Standardization in 2002, and has recertified at three-year intervals, most recently in April of 2011. Ongoing assessments by independent auditors confirm that the company has comprehensive environment, health, and safety management protocols that are continually being enhanced. The ISO framework supports the company's commitment to continuous improvement.

Risk management is a key component of Con Edison's management systems and the company's EH&S policy. Identifying and reducing EH&S risk potential is also one of the [five EH&S key objectives](#). Con Edison's approach to risk management is focused on analyzing, managing, and, to the greatest possible degree, eliminating potential risks to the environment, and the health and safety of employees and the public.

In 2011 Con Edison formed a new EH&S Quality Assurance and Risk Management group to further assess and act upon the company's known and potential environmental, health and safety liabilities, as well as to identify those that might be unknown. Through fieldwork, teams assess equipment, processes, and procedures to identify potential environmental, safety, or health risks. Potential risks are evaluated to determine likelihood of occurrence, defining features, potential severity of possible consequences, and our ability to detect or control them.

Con Edison conducts vulnerability assessments to evaluate potential liabilities that the company has in relation to environmental, health and safety concerns. The company has already become engaged on a thorough review of potential water vulnerabilities, and in 2011 employed a corrective action plan developed to mitigate and address these concerns. In 2012, Con Edison will be commencing an assessment of the company's other potential environmental vulnerabilities.

Maximizing Return for Shareholders



Con Edison has a long record of delivering solid shareholder value, and has increased its dividend each year for the past 38 years.

Con Edison is one of the largest companies in New York State, and plays a major role in the economic development of the New York metropolitan area. We employ more than 14,000 people, purchase goods and services from community-based organizations, and are one of the largest taxpayers in both the city and the state. Our managers identify significant business and operational risks and liabilities to the company, ensuring that they are prudently addressed to minimize their impacts on our performance.

Financial Highlights

(in millions, except per-share information and statistical data)

	2010	2011
Operating revenues	\$13,325	\$12,938
Reported net income (GAAP)	\$992	\$1051
Income from ongoing operations	\$981	\$1,064
Reported earnings per share (GAAP)	\$3.49	\$3.59
Earnings per share from ongoing operations	\$3.45	\$3.64
Dividends per share	\$2.38	\$2.40

	2010	2011
Dividend payout ratio	69%	66%
Average common shares outstanding	284	293
Total assets	\$36,348	\$39,214
Capital expenditures	\$2,029	\$2,003
Common equity ratio	50.4%	52.5%
Market capitalization	\$14,400	\$18,200
Stock price per share at year-end	\$49.57	\$62.03
Return on equity	9.4%	9.5%
Total shareholder return	15.0%	30.8%
Dividend yield at year-end	4.8%	3.9%

Share Performance and Shareholder Return

During 2011, the market price of CEI's common stock increased by 25.14 percent from \$49.57 at year-end 2010 to \$62.03 at year-end 2011. By comparison, the S&P 500 Index remained unchanged and the S&P Utilities Index increased 14.83 percent.

The total return to CEI's common shareholders during 2011, including both price appreciation and reinvestment of dividends, was 30.82 percent. By comparison, the total returns for the S&P 500 Index and the S&P Utilities Index were 2.11 percent and 19.91 percent, respectively. For the five-year period, our shareholders' total average annual return was 10.84 percent, compared with total average annual returns for the S&P 500 Index and the S&P Utilities Index of -0.25 percent and 3.71 percent, respectively.

Managing Economic Uncertainty



Con Edison is committed to providing safe and reliable energy services, while doing all we can to keep our customers' costs as low as possible.

Customer Rates

A trend toward slow economic recovery was evidenced in 2011, but many of our customers experienced lasting effects of the economic slowdown that characterized the past several years, both in terms of operating expenses, and commitments to capital expenditures, Con Edison's prudent approach aims to keep ratepayer costs stable, and minimize the need for increases. However, energy supply costs are outside of the company's control, and determined by supply, demand, and market conditions. Nevertheless, Con Edison works diligently to purchase energy at the lowest possible cost to keep customers costs correspondingly low.

Con Edison's regulated utilities communicate regularly about the cost components of monthly bills with their customers. Likewise, customer service representatives are available to discuss billing issues with customers. In addition, both Con Edison of New York and O&R have programs available to help customers conserve energy and lower their utility bills.

Both Con Edison of New York and O&R will remain flexible with level-payment plans, agreements, and extensions to help customers who can benefit from these options. For those hardest hit, we provide information about grants to help pay bills, and no-cost services to make homes more energy efficient.

We are offering homeowners cash rebates for upgrading to high-efficiency air conditioners, heating systems, boilers, water heaters, Energy Star thermostats, and duct sealing. For small businesses, we are providing free energy audits and giving substantial rebates to those that make major upgrades. During the audits, we install free compact-fluorescent lights and water-heater thermostats. We also have an efficiency program for apartments, condos, and co-ops; owners and renters receive incentives to replace or upgrade refrigerators and window air conditioners. We perform free surveys to evaluate individual units and common areas for lighting and cooling upgrades.

Also, during 2011, Con Edison successfully opposed a federal ruling to grant a utility surcharge to power generators. The proposed Federal Energy Regulatory Commission ruling meant New Yorkers could have seen an estimated 12 percent rate hike in their monthly electric bills.

Even though the rate increase would have shown up on individual customers bills, Con Edison's regulated utility companies would not have received any of the money. They would only be collecting it for power plants.

Con Edison worked with members of New York's congressional delegation, and sent a letter to the chairman of the FERC urging him to reconsider, saying, "Electric reliability is important and providing adequate economic incentives for new electric generation when needed is also important. But, given the current and expected surplus of generation in New York City, higher capacity payments to generators are neither necessary nor justified."

Fortunately, the company's appeal was successful, so Con Edison of New York and O&R customers were not burdened by the proposed rate added expense.

Con Edison is committed to providing reliable energy services to its customers at fair and equitable rates, and it will continue to apply its technical, financial, and management resources to support that commitment going forward.
