Con Edison

CONSOLIDATED EDISON, INC.
ANNUAL REPORT 1997

A WORLD LEADER IN ENERGY – YESTERDAY, TODAY AND TOMORROW

As dawn breaks over the world's most famous skyline, Con Edison people are ready to meet the enormous and diverse energy needs of a typical New York City day.

A LEADER REBORN

On New Year's Day 1998 – New York City's 100th birthday as a five-borough metropolis – the utility that powered the city's growth into a world capital underwent a transformation of its own.

That day, Con Edison was reborn – as Consolidated Edison, Inc., a holding company with subsidiaries that offer energy-related products and services in regulated and competitive markets and invest in energy development projects worldwide.

At the dawn of a new day in our industry, the Con Edison family of companies reaffirms its proud history of leadership.

TO OUR SHAREHOLDERS

For our great company, 1997 was a successful and pivotal year. Con Edison achieved excellent financial and operating results. In addition, we completed an historic agreement – and an associated company restructuring – that are providing the framework for our future success in the new, competitive energy environment.

In September 1997, after a four-year public proceeding and a year of intense negotiations, the New York State Public Service Commission (PSC) approved our comprehensive plan to lower customers' electric bills, foster competition among electric suppliers in our region and reorganize our company – complete with a new-but-familiar name, Consolidated Edison, Inc. At a special meeting on December 12, 1997, you, our shareholders, voted to approve the new corporate structure – a holding company with, initially, four subsidiary companies. The change took effect on the first day of 1998.

How does this new structure affect your stock? Common shareholders own stock in the holding company; the holding company owns stock in the subsidiaries. On January 1, 1998, owners of Con Edison common stock automatically became holders of the holding company's common stock, on a one-for-one basis.

While attending to the complex details of this historic transition, we kept our focus firmly on our bottom line. Earnings per share for 1997 – $2.95, up two cents over 1996 – were the second-highest ever. The dividends we paid you per share of common stock in 1997 – $2.10 – were also up two cents over last year. In January 1998 our Board of Directors increased your dividend for the 24th straight year, to an annual rate of $2.12.

In accordance with our approved plan, retail competition in New York's electric market will begin in mid-1998. About 63,000 of our commercial and residential customers will then have the opportunity, for the first time ever, to choose their suppliers of electricity. Within the next three-and-a-half years, all of our three million electric customers will be able to make this choice. But no matter which supplier a customer chooses, Con Edison of New York – our regulated utility – will continue to deliver the electricity through its transmission and distribution systems. The delivery of energy – electricity, natural gas and steam – has been, and will remain, Con Edison's core business. As you have seen in our previous annual reports, we have been preparing for competition for many years. Our strategy is to leverage our traditional strengths in developing new business avenues.

Eugene R. McGrath

Chairman, President and Chief Executive Officer

OUR NEW CORPORATE FAMILY

CON EDISON OF NEW YORK: EXPERTS IN URBAN ENERGY SYSTEMS

New York City is the global center of finance, communications, information technology and other sophisticated industries critically dependent on reliable energy. Con Edison of New York, a regulated utility with $15 billion in assets, delivers energy with unparalleled reliability.

Our operations provide many examples of energy innovation and leadership. Our Megawatt-Hour Store is a pioneer in wholesale energy trading and marketing. We have a long track record as an industry bellwether in research and development, particularly in computerizing energy systems to serve densely-populated areas with maximum reliability. Our 115,000-square-foot Maintenance Services facility in The Bronx – today equipped with state-of-the-art machine tools and laser-based devices – has 35 years of experience in keeping turbines whirling, gears turning and pumps pumping.

The computer graphics and powerful workstations in our Northern Region's new Electric Control Center typify our high-tech approach to energy management.

Our Energy Control Center keeps an around-the-clock vigil on the electric system, using computerized equipment that provides early identification of potential problems and allows for quick response.

Through our Environmental Excellence program, we are committed to protecting the precious ecosystems in our 660-square-mile service area – the air, the water and the land. This is good corporate citizenry, and it makes good business sense. Excellent environmental performance enhances our credibility with consumers.

A LOOK BACK AT 1997

A review of our marquee achievements in 1997 and early 1998 reveals how these various strengths and commitments come into play in energizing "the city that never sleeps" and its northern environs:

In January 1997 the giant CitiCorp Center joined 83 other major Manhattan properties in subscribing to a valuable new service we designed for customers with substantial investments in complex, ultra-sensitive electrical equipment. Our Electronic Notification System (ENS) provides property managers with power-status information specific to their Manhattan buildings. For example, if the CitiCorp Center's lights blink for a fraction of a second, a pager carried by the Center's property manager sounds one minute later – and displays a detailed message telling whether the cause was a utility electric system event or a problem with the building's internal circuitry. ENS messages are also dispatched immediately to the Con Edison account executives and other employees who support managers of major sites 24 hours a day.

In February, by taking advantage of a pilot "retail access" program offered by nearby Orange and Rockland Utilities, we sold electricity to retail customers outside our regulated service area for the first time. The information gained from this program helped us design the Retail Choice program that will begin in our service area in mid-1998.

In March, our Megawatt-Hour Store received Federal Energy Regulatory Commission approval to become a power marketer. We then began selling bulk power at market-based rates in a new, unregulated arena. Early in 1998, the Store received an export license from the U.S. Department of Energy to trade power directly with Canada.

In April, we received a prestigious commendation from the Environmental Protection Agency for our 1996 pollution prevention activities and our involvement with the "WasteWi$e" program, which helps businesses find practical solutions to solid waste problems.

In May, we made it possible for you, our shareholders, to access your accounts and obtain up-to-date stock information 24 hours a day, seven days a week by calling an automated toll-free number (see page 53).

In June, we joined St. Vincent's Hospital and the Electric Power Research Institute in sponsoring the nation's first multi-city study using ultraviolet (UV) lights to help stop the spread of tuberculosis in homeless shelters. In the five-year study, ceiling-mounted UV lights (which provide up to 99.9 percent immediate disinfection of room air) will be installed in participating homeless shelters in New York and five other cities.

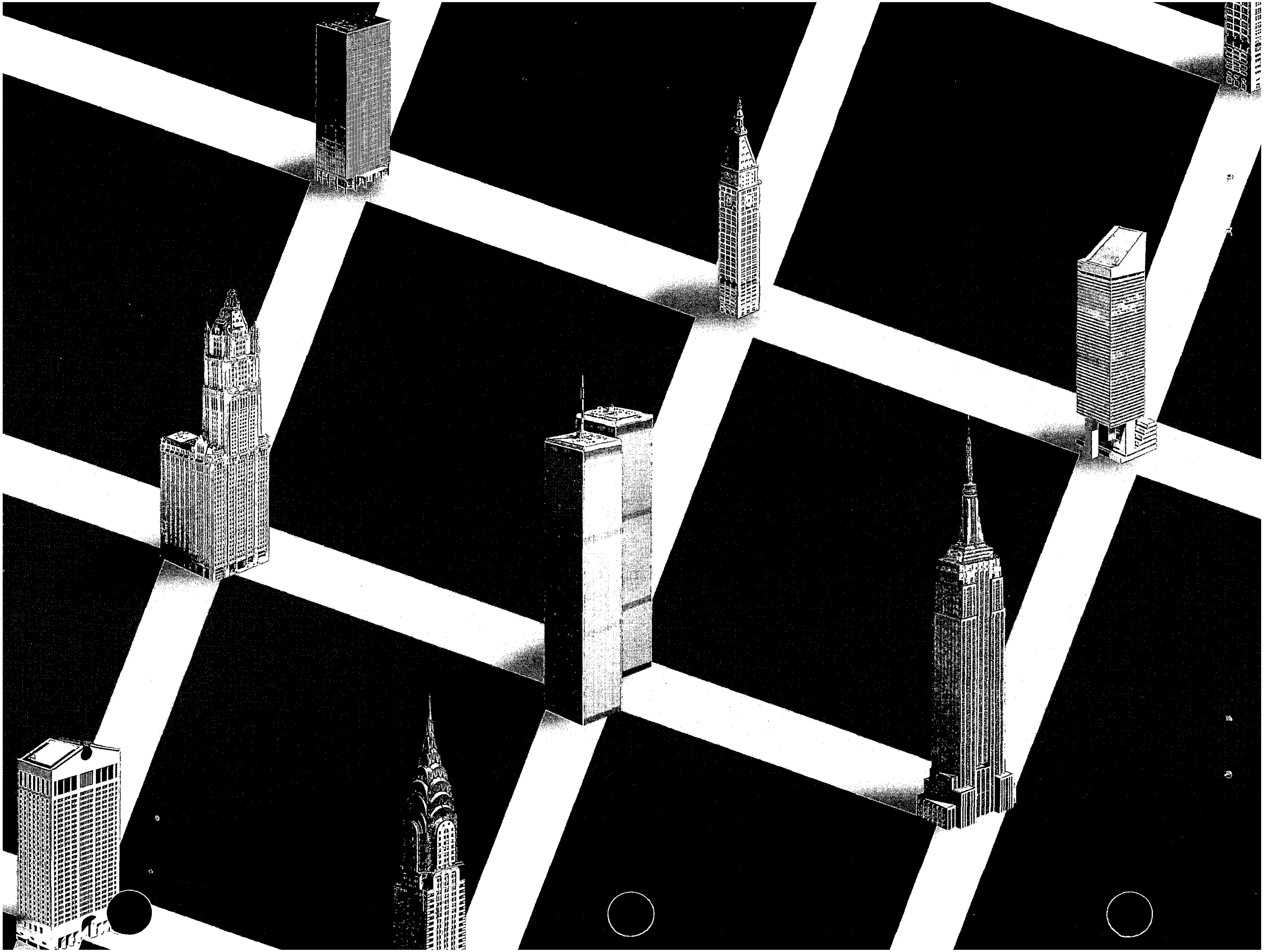
In July, our electric system set a new record for peak load. The new peak – 11,013 megawatts, reached between 3 p.m. and 4 p.m. on July 15, 1997 – exceeded by 208 the previous summer peak load of 10,805 megawatts set on August 2, 1995. (A megawatt is one million watts – enough power to light 10,000 100-watt light bulbs.)

In August, Con Edison of New York became one of the first utilities in the country to provide an Internet bill payment option enabling customers to access account information and make payments around the clock at our World Wide Web site at www.coned.com. Customers with access to the Internet can now pay their bills with the click of a mouse. The service is available to all of our three million customers.

The closing months of 1997 brought more noteworthy achievements in environmental excellence. The New York State Department of Environmental Conservation described our redoubled effort to improve the quality of power plant stack emissions as "an aggressive program that can serve as a model for the utility industry." Our engineers, working with Florida-based ASTTest Services, Inc., developed a new device capable of detecting oil leaks as small as one-half gallon per hour from a one-million-gallon tank. At a ceremony at our Learning Center, we honored employees who, through teamwork and individual efforts, have demonstrated outstanding commitment to the environment, health and safety.

In November, Con Edison representatives traveled to China to promote cooperation between the company and another electric utility serving a densely populated service area. In signing a "memorandum of understanding," Con Edison and the Beijing Power Supply Bureau declared a "commitment to their lasting friendship" and their shared "determination to further the safe, reliable, effective and efficient development, operation and maintenance of electric utility enterprises for the benefit and prosperity of those we each serve."

CON EDISON OF NEW YORK IS ONE OF THE FIRST UTILITIES IN THE COUNTRY WITH AN INTERNET OPTION THAT LETS CUSTOMERS PAY BILLS WITH THE CLICK OF A COMPUTER MOUSE.



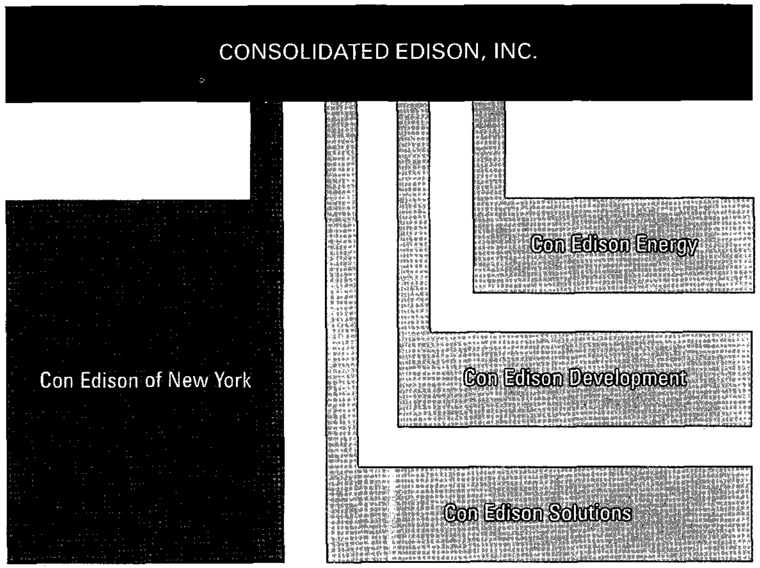
A CORPORATE FAMILY SNAPSHOT

Our new holding company, Consolidated Edison, Inc., includes:

- a utility company that will continue to operate much as Con Edison has in the past, providing electricity, natural gas and steam in New York City and Westchester County under a regulated rate structure; and
- three unregulated companies that will market energy products and services, invest in energy development projects around the world, and market specialized power generation services to wholesale electric customers.

From time to time, we may add other subsidiaries as well.

In the section of this report that follows, you will find each of these new subsidiaries described in detail – its background, its mission and its plans to contribute to Con Edison's consolidated bottom line.



Regulated Subsidiary

Unregulated Subsidiaries

MANAGEMENT CHANGES

On March 1, J. Michael Evans, executive vice president at Con Edison of New York since 1991, will become its president and chief operating officer.

Two Directors will retire this spring after many years of service – Donald Ross and Arthur Hauspurg. Don served our company with distinction for more than two decades as a Board member. Arthur, my immediate predecessor as chairman and chief executive officer, leaves a legacy of leadership and wise counsel that has contributed greatly to the company's current excellent position and bright future prospects.

OUR GREATEST COMPETITIVE STRENGTH

Throughout this letter, I've noted many of the strengths that make our company well-positioned for competition. Without a doubt, the greatest of these is the Con Edison name. Generations of loyal, talented employees have worked hard to build that name into a source of excellence and pride, and to fortify its integrity.

Our reputation and our name precede us into a brave new world, and we bring with us the skills that built them. For many years now, we have supplied energy – with unmatched reliability – to the biggest, most densely populated, most demanding metropolis in the most powerful nation on earth. This will stand us in good stead as we seek to strengthen our core business and apply our expertise in new areas.

On behalf of our new Con Edison family of companies, I extend well-deserved thanks to our employees, our customers and especially to our shareholders. Your investment in Con Edison has been the cornerstone of our success.

Eugene R. McGrath

Eugene R. McGrath
Chairman, President and Chief Executive Officer

February 24, 1998

RATE REDUCTION OUTLOOK

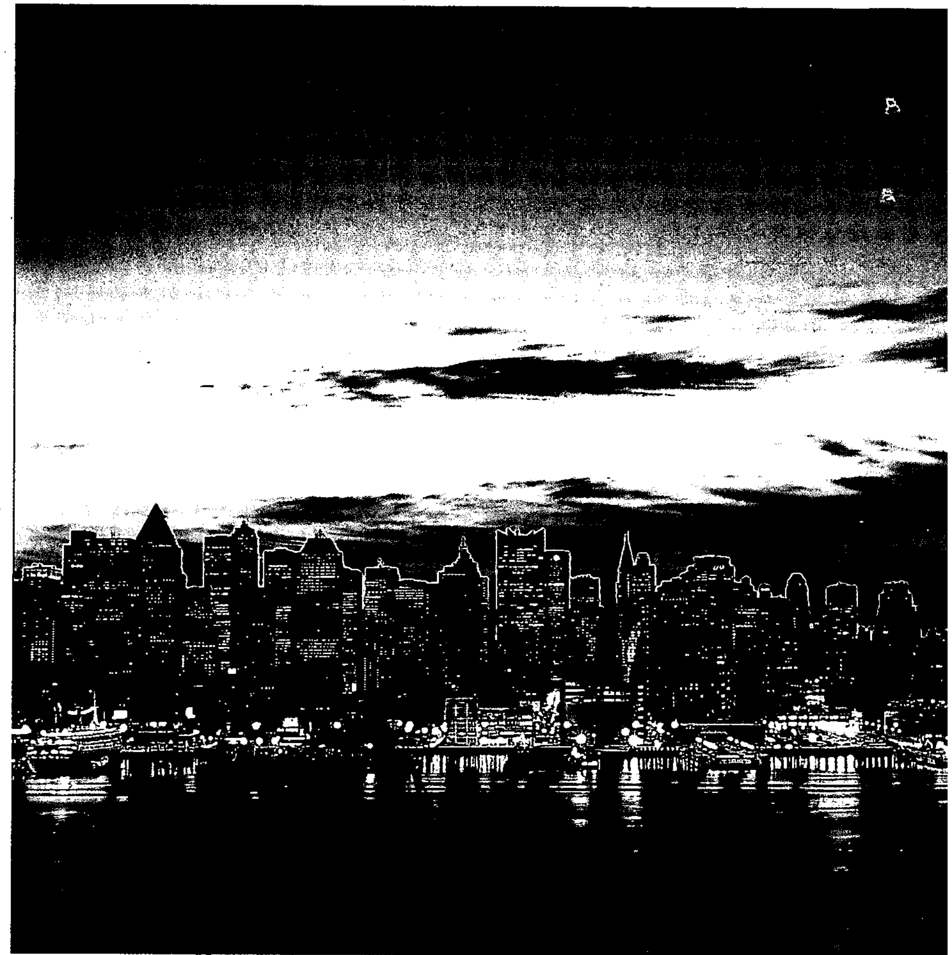
What's in store for electric rates as retail competition comes about in our area? The plan we worked out with the PSC calls for five years of electric rate reductions, totaling more than $1 billion. More than $800 million is earmarked for residential and small business customers. Their rates, and those of large commercial customers, will be 10 percent lower by 2001. (The benefits of these rate reductions will flow to all consumers, whether or not they elect another supplier.) As an incentive for job growth, large industrial customers received a 25-percent reduction as of January 1, 1998.

The current round of rate reductions continues the series of actions we've taken over many years to keep rates down. Central to this effort has been our aggressive program of cost reductions throughout the company. We've been steadily downsizing our construction program, retiring our older, less-efficient power plants and running some other plants seasonally. We've also been increasing our productivity by upgrading our energy systems to state-of-the-art technologies and by implementing programs to help our employees develop their skills. We encourage employees to be flexible about moving around the organization and doing different jobs. We also encourage them to use our Learning Center in Long Island City, Queens to diversify their skills and to continually increase their knowledge of current practices and technologies. Over the past decade, we've reduced our workforce by more than 25 percent through attrition while steadily increasing our output of electricity, gas and steam.

OUR GAS BUSINESS

We are a $1-billion natural gas company, with one million customers and pioneering experience in wholesale trading. Our gas business has been growing steadily, in both new and traditional markets. Over the past five years, gas operating revenues have grown 50 percent, sales (including transportation) volumes have grown 23 percent and gas operating income has grown 62 percent. In 1997, we added 106 more New York City Housing Authority buildings to our gas system, bringing the total to 456. Total gas sales volumes were 11 percent higher than the previous year.

In the gas business, competition for retail customers began several years ago. In planning for electric competition, we've applied knowledge gained in working with gas marketers and serving gas distribution customers.



With New York's economic resurgence, new buildings have arisen beside landmark structures, bringing new customers for our energy systems.

TIME-TESTED STRENGTHS AND NEW FLEXIBILITY

The solid strengths Con Edison has developed over many years have positioned us as a leader in the energy business. We have long maintained a strong balance sheet, a solid credit rating and steady earnings. Our capital costs have been relatively low. Our equity ratio is among the highest in the industry.

We're known around the world for our innovative customer service and our well-trained, "can-do" workforce. For decades, we have provided our customers with the most reliable electric service in the nation. Our expertise in designing, running and computerizing urban energy systems is unparalleled. We have years of experience in power quality and load management, as well as in bulk power dispatch and trading.

Now, a new corporate structure gives us much-needed flexibility – not only to grow our core business, but also to build on our strengths by pursuing promising new energy-related opportunities in competitive markets, including some far beyond the borders of our traditional service area.

CON EDISON HAS ONE OF THE STRONGEST FINANCIAL POSITIONS IN THE INDUSTRY. WE HAVE A SOLID CREDIT RATING, A HIGH EQUITY RATIO AND STEADY EARNINGS.

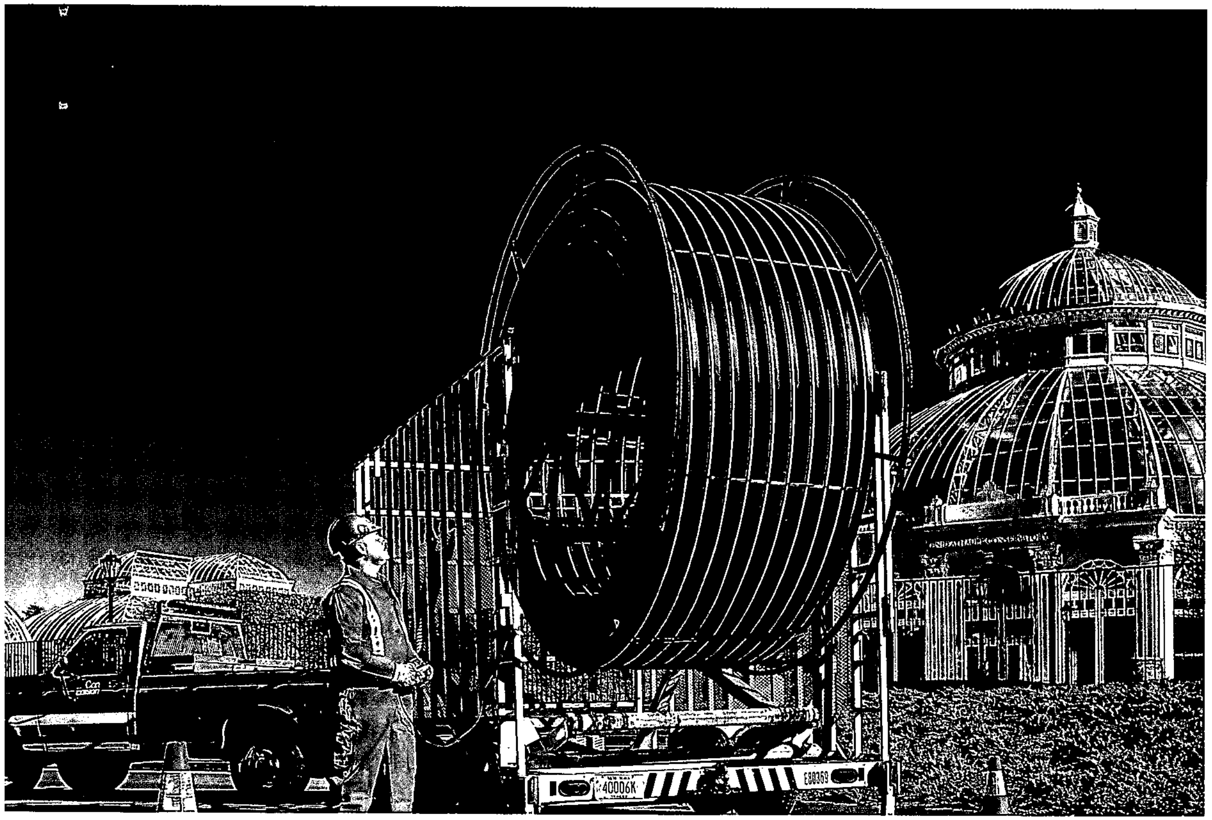
OUR STRENGTH – IN NUMBERS

Con Edison common stock closed 1997 at a year-end high of $41 per share – almost 41 percent above 1996's year-end price of $29-1/8.

In the competitive future, Con Edison and utilities all across the country will have investment risk profiles different from what they have had in the past. To prepare for this, we're prudently realigning our capital structure. We've announced our intention to buy back up to $1 billion of common equity, which will result in a more appropriate and cost-efficient capital structure. To foster electric supply competition, we'll sell at least half of our electric generating capacity located in New York City. Early in 1998 we'll submit a generation divestiture plan to the PSC. We'll put the first power plant up for sale within three months of PSC approval, expected late in 1998. Sale of the generating plants is expected to lower the overall risk of our core business.

Con Edison has one of the strongest financial positions in the industry. The equity ratio of our utility is almost 57 percent; the industry average is 45 percent. Even after we complete our proposed stock repurchase program, we will have one of the highest equity ratios among electric utilities. Our utility bonds are among the most highly rated in the industry by Moody's (A1) and Standard & Poor's (A+). Our utility company no longer has any first mortgage bonds outstanding, and for the period from 2009 through 2019 none of our long-term utility debt or preferred stock will mature. The utility business will continue to be the greatest contributor to earnings for Consolidated Edison, Inc. for years to come.

It's worth noting that our percentage of electric asset base devoted to generation is only 22 percent. The industry average is 55 percent. This is significant because it lowers our comparative risk in the new competitive marketplace. In other words, nearly eight out of every ten dollars we've invested in our $11 billion of net utility plant have gone into transmission and distribution assets. These are assets that our regulated utility will continue to operate and maintain and that a regulatory rate structure will continue to support. On average, our peers across the industry have fewer than five of every ten utility investment dollars in transmission and distribution assets.



Formerly, installing 1,400 feet of gas pipe would have required laboriously splicing 35 40-foot lengths end-to-end. Here, a flexible pipe developed by our research engineers lets us lay that entire length at a Bronx Botanical Garden installation by slowly unrolling a single coil of pipe. This saves many hours of time for the company and the customer.

In December, we set a new monthly record for gas "throughput" – the volume of natural gas carried through our system. Our Gas Control engineers recorded 25,989,480 dekatherms of gas transported and delivered through our system in December – a two percent increase over the previous record, set five months earlier.

As 1998 began, the New York City Council praised our employees for exemplary service. At a City Hall ceremony on January 23, the Council honored four of our gas mechanics and their supervisor for actions they took earlier in the month, under exceptionally challenging conditions, to shut off gas from a ruptured main that was feeding flames in the wake of a water main break on lower Fifth Avenue.

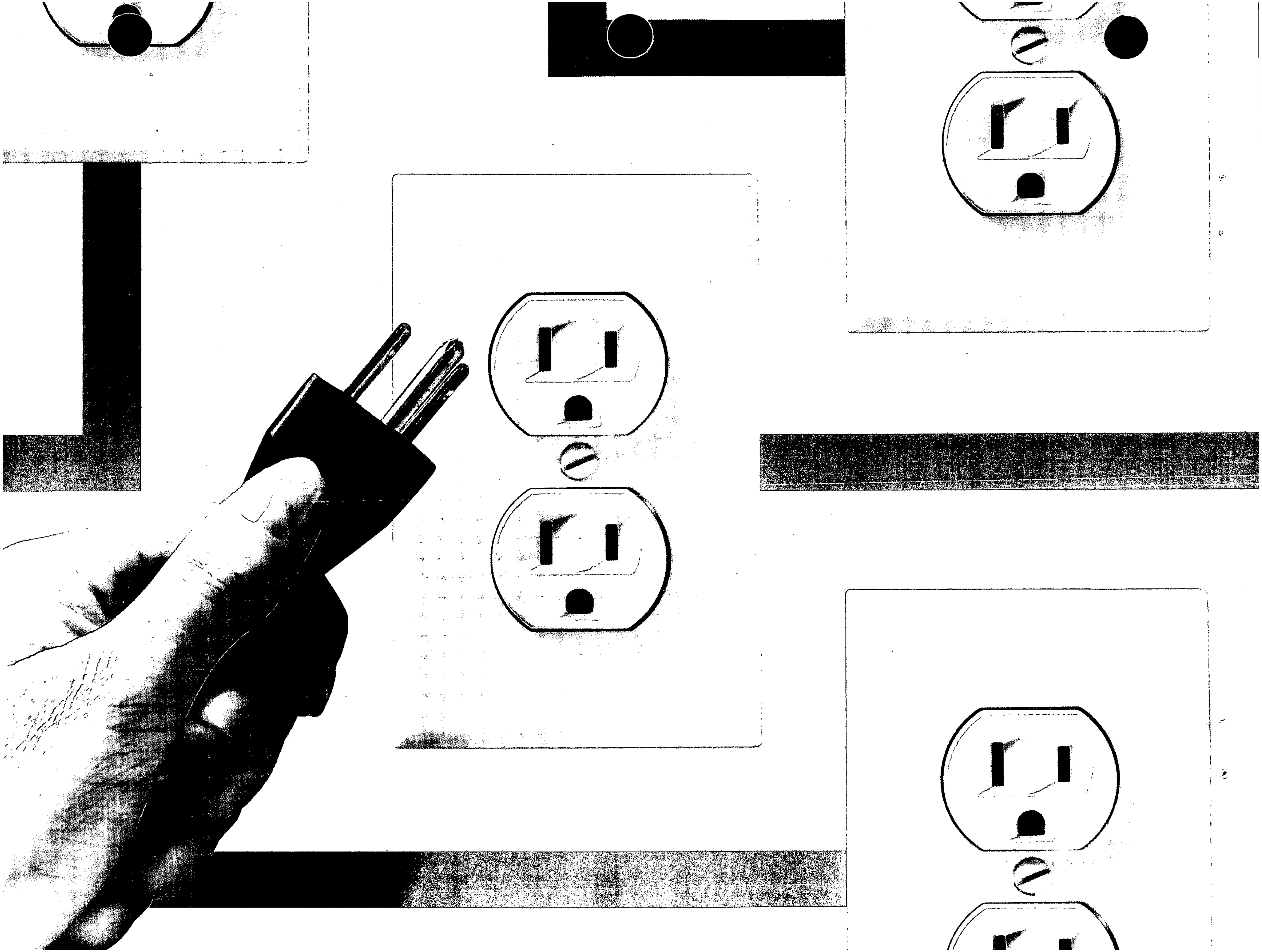
Lastly, in mid-January, when a severe ice storm ravaged upstate New York, New England and Canada and caused power outages for millions of customers, we dispatched 175 employees to the cities of Watertown and Plattsburgh, New York. Our crews worked tirelessly, removing downed trees, limbs and poles, putting up new poles and installing primary, secondary and service wires. On a Watertown radio station's talk show, a caller hailed our crews as "blue angels," and the nickname caught on with the media.

THE DAWN OF COMPETITION

The next several years will bring major changes to the electric business. Until now, Con Edison has both supplied and delivered electricity at prices regulated by the PSC. Under competition, this will change. Many energy services companies (ESCOs, for short) also will be able to supply electricity – at market-based prices – and to offer other energy-related products and services. As they have with natural gas for the past year, our retail customers will be able to choose their electricity suppliers from among these ESCOs, through our Retail Choice program.

But one thing will not change: our core business. No matter which ESCO a customer chooses to *supply* electricity or gas, Con Edison of New York – our experienced, highly reliable, regulated utility – will continue to *deliver* it over our transmission and distribution systems. We will also continue to respond to system emergencies.

Through its new affiliates, Consolidated Edison, Inc. will also explore other opportunities in competitive energy markets. To learn more about these new subsidiaries, please read on.



CON EDISON SOLUTIONS: A FRAMEWORK FOR CUSTOMER CHOICE

Con Edison Solutions is an ESCO that supplies competitively-priced, reliable electricity, natural gas and other energy commodities to commercial, governmental and residential customers. It also provides energy consulting and energy information services, manages the installation of energy management systems and supplies project financing.

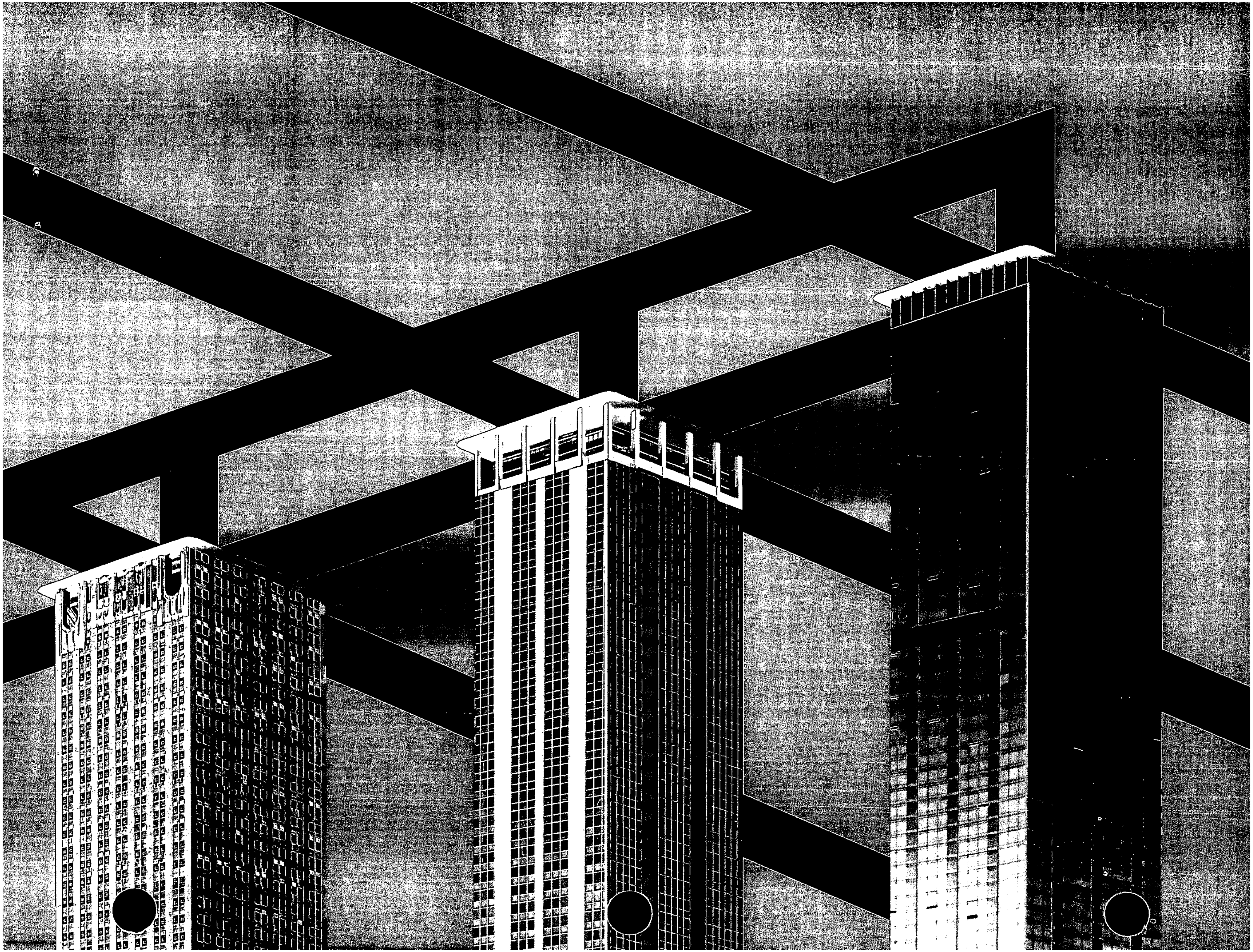
Headquartered in White Plains, New York, Con Edison Solutions also has offices in Houston, Texas and Reading, Pennsylvania.

Among its many contracts with customers, Con Edison Solutions was recently awarded an exclusive two-year contract to provide gas to GNYHA (Greater New York Hospital Association) Ventures and the New York Energy Buyers Forum. This cooperative agreement represents 175 not-for-profit hospitals and long-term-care facilities in the tri-state area and such major New York City energy users as colleges, state and city agencies, real estate agencies and banks, among others. The company has also entered into an agreement with Remote Source Lighting International, Inc. to jointly develop, market and distribute fiber optic lighting and signage products and technologies.

Even the hardiest animals at the Bronx Zoo Wildlife Conservation Park require the delicate climatic control that reliable energy makes possible. Con Edison Solutions recently contracted to supply natural gas to the Elephant House, three other Zoo areas and 24 other New York City facilities. Here, John Boyd (left), Con Edison Solutions president, discusses the project with the Wildlife Conservation Society's Richard Lattis. Con Edison Solutions expects to be a leader in the retail electric market as well.

As retail competition expands both inside and outside the New York area, Con Edison Solutions is well-positioned to be a leader in the competitive electric and gas markets. In the electric market, the company is one of a number of ESCOs registered with the PSC, preparing for the start of Retail Choice in New York City and Westchester County on June 1, 1998. Expanding its regional presence, Con Edison Solutions has also become a member of the power pools that transmit electricity from Maine to Washington, D.C.

The men and women of Con Edison Solutions are using their expertise to buy and sell energy for wholesale and retail energy customers. They also have an in-depth knowledge of generation sources, electric transmission systems, interstate pipeline capacity and the natural gas futures markets. This broad base of knowledge helps deliver "value-added" solutions to meet customers' energy needs.



OUR NEW CORPORATE FAMILY

CON EDISON DEVELOPMENT: INVESTING IN ENERGY INFRASTRUCTURE

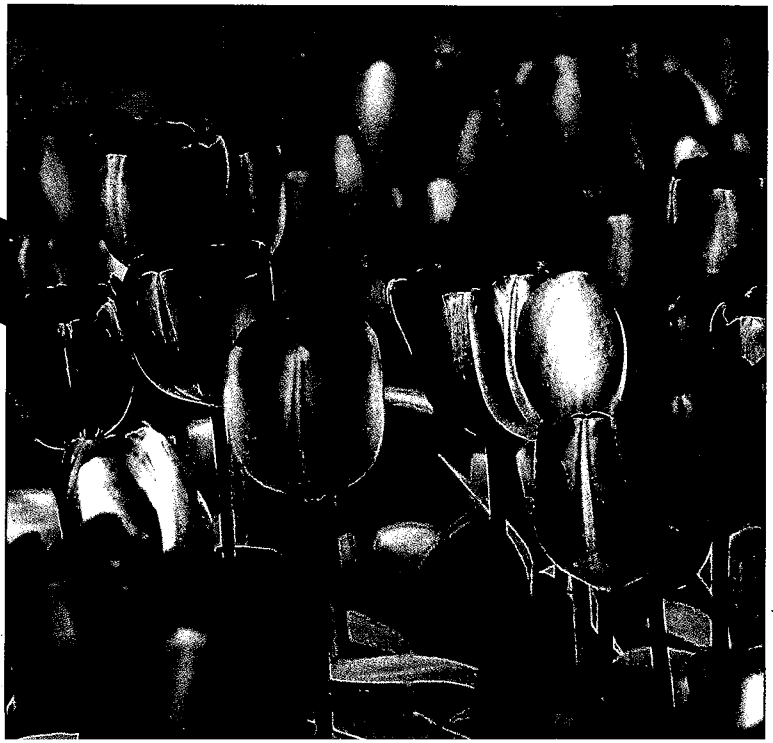
Based in Manhattan's Financial District, Con Edison Development aims to become a leading investor in energy infrastructure projects, including independent power, transmission and distribution systems. The company is poised to benefit from growth in the global market for energy systems and from the trends toward privatization and restructuring that are shaping regulated energy industries in other nations.

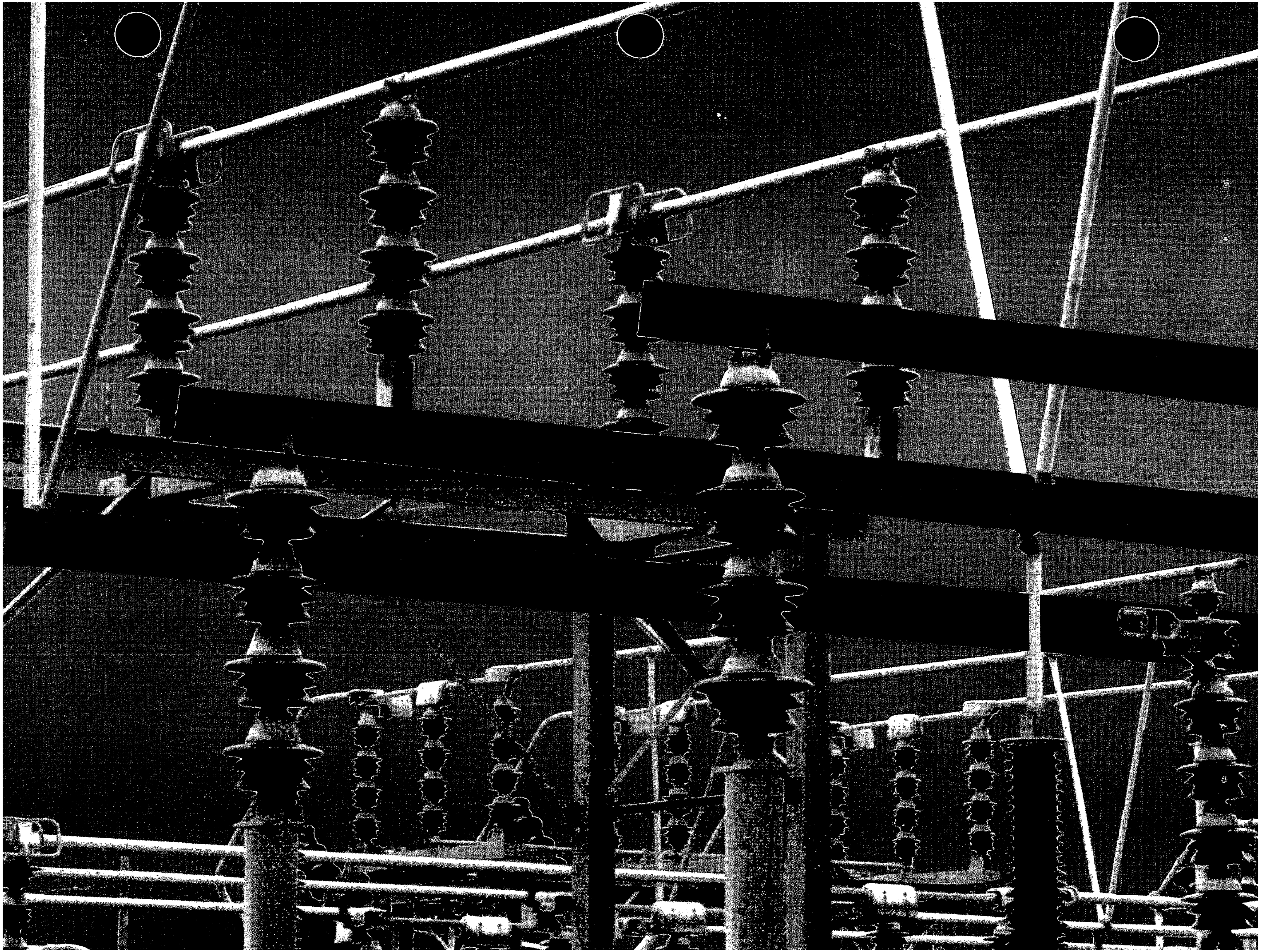
Initially, Con Edison Development is focusing on small- to medium-sized independent power and cogeneration projects. In December 1997 Con Edison Development provided capital to a state-of-the-art power plant near Rotterdam in The Netherlands. This plant, recently constructed, uses a unique combined-cycle process to capture the carbon dioxide contained in the plant's exhaust gas. The carbon dioxide is then sold to local greenhouses, where it is used to promote the growth of plants, including Holland's famous tulips. This and other design elements make the plant one of the most innovative and environmentally-friendly electric generation facilities in the world.

The company has also invested in a 40-megawatt power plant in Guatemala. The plant, which could grow to 100 megawatts, is designed to provide electricity to local and U.S.-owned major power customers, such as cement manufacturing and banana processing facilities. In addition, the plant will market electricity to industrial and commercial customers in populous parts of Guatemala and to that nation's new spot electricity market. Con Edison Development will own about 44 percent of the plant.

Con Edison Development also plans to market infrastructure and utility reliability systems to large urban areas worldwide. In 1997, Con Edison Development won a World Bank consulting contract with a partner to develop a long-term transmission and distribution plan for Jiangsu, one of the largest provinces in China.

One of the energy infrastructure projects to which Con Edison Development provided capital is a power plant in The Netherlands. The plant's operators capture the carbon dioxide in exhaust gas and pipe it to tulip growers as a nutrient. This unique process makes the plant one of the most environmentally-friendly electric generating facilities in the world.





OUR NEW CORPORATE FAMILY

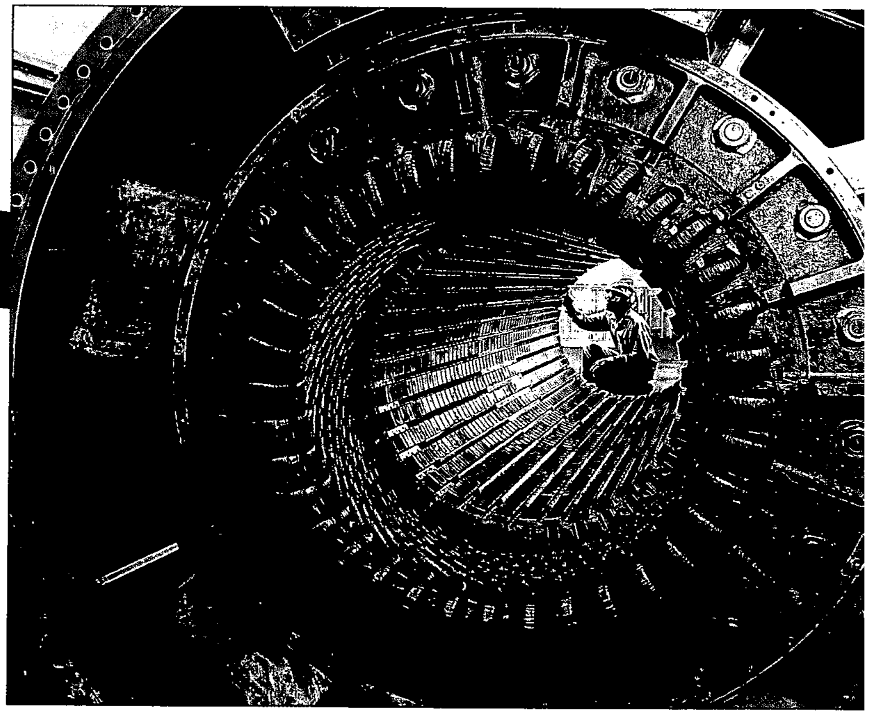
CON EDISON ENERGY: MANAGING WHOLESALE ELECTRICITY

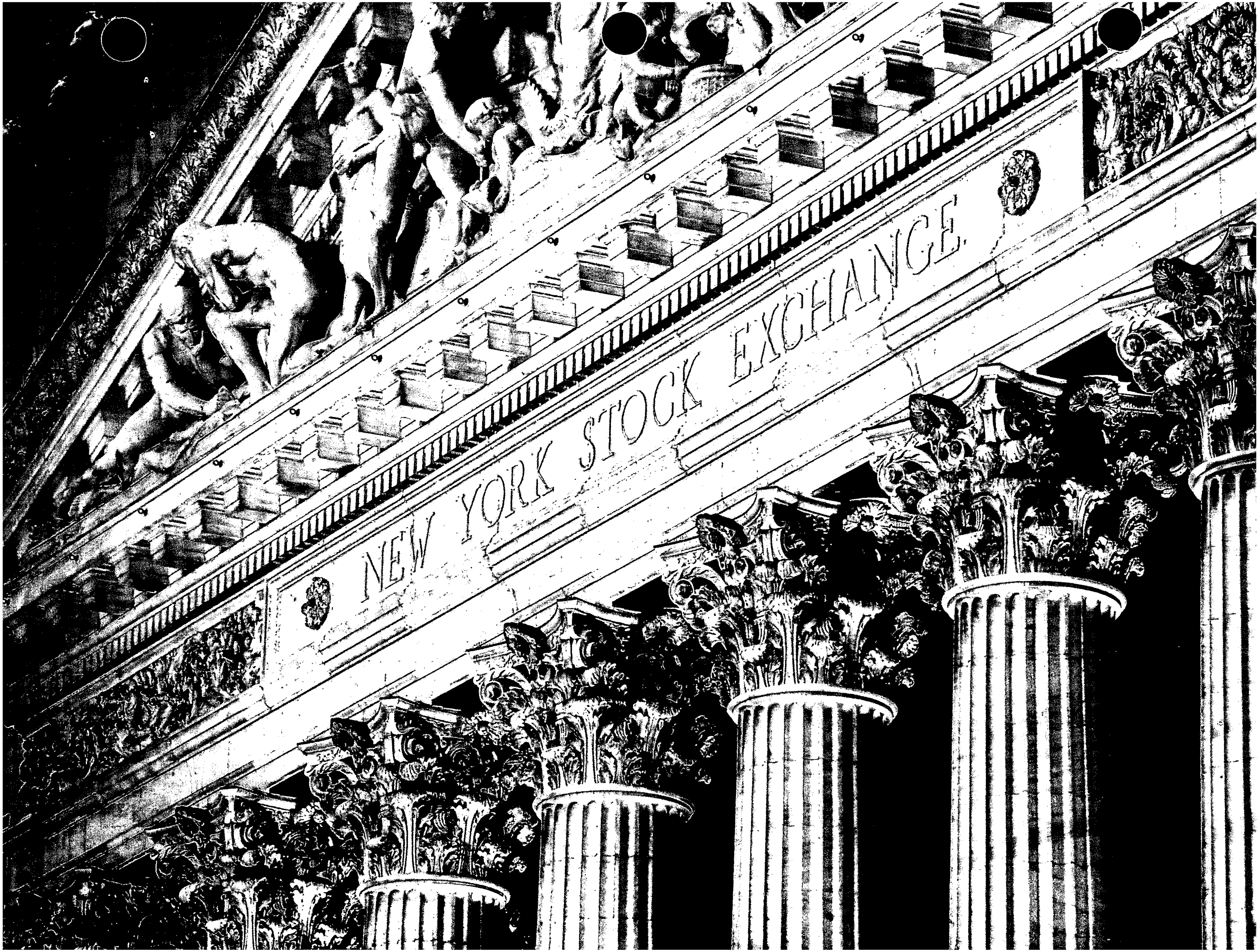
Our newest subsidiary, Con Edison Energy, will market specialized energy, capacity and risk management services to wholesale electric customers in the Northeast. The company will help wholesale customers lower costs and manage the risks associated with electric demand and price volatility.

Its customers are expected to include ESCOs that supply energy to retail customers, unregulated generation companies, distribution companies that require energy supply, wholesale traders and municipal and cooperative power companies. Such customers will require electric energy services that were previously included in the transmission and distribution services provided by vertically-integrated utilities. For example, new ESCOs will be required to forecast on a daily and seasonal basis their customers' total expected electrical load. If they fail to do this accurately, or if extreme weather conditions result in unexpected demand by their customers, the price penalty could be very high. Con Edison Energy will help these companies avoid such imbalances.

Con Edison Energy could purchase, build or lease generating units with a variety of fuel and design characteristics. A likely focus will be units that burn gas or oil and can be dispatched on a daily basis to meet constantly changing needs. Con Edison Energy's initial product offerings will include electric demand forecasting and procurement, wholesale energy and transmission scheduling and backup protection for unscheduled outages of power plants. Additional energy services will be offered as the subsidiary company expands.

Our newest subsidiary will focus on our oldest technology. Electric generators such as this one have powered New York City since 1882, when Thomas Edison's first power station supplied electricity to a square-mile area near Wall Street.




NEW YORK STOCK EXCHANGE.

FINANCIAL SECTION Contents

In January 1998 Con Edison officials rang the closing bell at the New York Stock Exchange to commemorate our new holding company structure. With shares traded since 1823, Con Edison remains the oldest continuously-listed company on the Exchange.

SELECTED FINANCIAL DATA (Millions of Dollars)

Year Ended December 31	1997	1996	1995	1994	1993
Operating revenues	**$ 7,121.3**	$ 6,959.7	$ 6,536.9	$ 6,373.1	$ 6,265.4
Purchased power	**1,349.4**	1,272.9	1,107.2	787.5	812.6
Fuel	**596.8**	573.3	504.1	567.8	605.2
Gas purchased for resale	**479.2**	418.3	259.8	341.2	289.7
Operating income	**1,045.4**	1,013.6	1,041.4	1,036.2	951.1
Net income for common stock	**694.5**	688.2	688.3	698.7	622.9
Total assets	**14,722.5**	14,057.2	13,949.9	13,728.4	13,257.4
Long-term debt	**4,188.9**	4,238.6	3,917.2	4,030.5	3,643.9
Preferred stock subject to mandatory redemption	**84.6**	84.6	100.0	100.0	100.0
Common shareholders' equity	**5,930.1**	5,727.6	5,522.7	5,313.0	5,068.5
Basic and diluted earnings per common share	**$ 2.95**	$ 2.93	$ 2.93	$ 2.98	$ 2.66
Cash dividends per common share	**$ 2.10**	$ 2.08	$ 2.04	$ 2.00	$ 1.94
Average common shares outstanding (millions)	**235.1**	235.0	234.9	234.8	234.0

SELECTED QUARTERLY INFORMATION (Millions of Dollars)

1997	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	**$ 1,886.2**	**$ 1,504.0**	**$ 2,011.0**	**$ 1,720.1**
Operating income	**247.5**	**130.0**	**437.9**	**230.0**
Net income	**166.6**	**47.6**	**355.0**	**143.6**
Net income for common stock	**162.0**	**43.0**	**350.4**	**139.1**
Basic and diluted earnings per common share	**$ .69**	**$ .18**	**$ 1.49**	**$ .59**

1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 1,867.4	$ 1,539.7	$ 1,920.3	$ 1,632.3
Operating income	252.7	152.3	409.4	199.2
Net income	174.5	71.4	328.0	120.2
Net income for common stock	182.5	66.8	323.4	115.5
Basic and diluted earnings per common share	$ .78	$ .28	$ 1.38	$ .49

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

MARKET PRICE RANGE IN CONSOLIDATED REPORTING SYSTEM AND DIVIDENDS PAID ON COMMON STOCK

	1997			1996		
	High	Low	Dividends Paid	High	Low	Dividends Paid
1st Quarter	**$ 32-1/8**	**$ 28-1/2**	**$ .525**	$ 34-3/4	$ 30-7/8	$ .52
2nd Quarter	**30-3/4**	**27**	**.525**	32-3/8	27-3/8	.52
3rd Quarter	**34-9/16**	**29-5/16**	**.525**	29-5/8	25-7/8	.52
4th Quarter	**41-1/2**	**32-1/4**	**.525**	30-5/8	27-1/2	.52

As of January 31, 1998 there were 134,168 holders of record of common stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Edison, Inc. (CEI) was established as the holding company for Consolidated Edison Company of New York, Inc. (Con Edison) on January 1, 1998. The following discussion and analysis relates to the accompanying consolidated financial statements and the notes thereto and should be read in conjunction with the financial statements and notes. The financial statements include the accounts of Con Edison and all wholly-owned subsidiaries and, therefore, also represent the consolidated financial statements of CEI.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES OF LIQUIDITY

Cash and temporary cash investments were $183.5 million at December 31, 1997 compared with $106.9 million at December 31, 1996. These balances reflect, among other things, the timing and amounts of external financing. In addition, at December 31, 1997 Con Edison had set aside $328.9 million for the retirement of three long-term debt issues.

CEI expects to finance its operations, capital requirements and the payment of dividends to its shareholders primarily from dividends and other distributions it receives from Con Edison, and may also from time to time use external borrowings. For information about restrictions on the payment of dividends by Con Edison, see Note B to the financial statements.

Con Edison expects to finance its operations and capital requirements from internally-generated funds and external debt financings, and may also from time to time make short-term borrowings. Con Edison's cash requirements are subject to substantial fluctuations during the year due to seasonal variations in cash flow and generally peak in January and July of each year when the semi-annual payments of New York City property taxes are due. To increase its financial flexibility, Con Edison initiated a $500 million commercial paper program in January 1998. Moody's Investor Service (Moody's), Standard and Poor's Rating Group (S&P) and Fitch IBCA (Fitch) rated Con Edison's commercial paper P-1, A-1 and F-1, respectively. See Note C to the financial statements.

Con Edison's customer accounts receivable, less allowance for uncollectible accounts, amounted to $581.2 million and $544.0 million at December 31, 1997 and 1996, respectively. The increase at year-end 1997 compared with year-end 1996 is primarily attributable to one less cash collection day in 1997 compared with 1996. In terms of equivalent days of revenue outstanding, these amounts represented 28.2 and 28.6 days, respectively.

Regulatory accounts receivable amounted to a net credit to be refunded to customers of $1.7 million at December 31, 1997 compared with a receivable recoverable from customers at December 31, 1996 of $45.4 million. The decrease at year-end 1997 compared with year-end 1996 is due primarily to the elimination in 1997 of electric and gas regulatory incentive mechanisms. See Note A to the financial statements.

Deferred charges for Enlightened Energy (demand-side management) program costs amounted to $117.8 million and $133.7 million at December 31, 1997 and 1996, respectively. These costs are recoverable from customers under the Settlement Agreement approved by the Public Service Commission (PSC) as discussed below.

Con Edison's net cash flows from operating activities for years 1995 through 1997 were as follows:

(Millions of Dollars)	1997	1996	1995
Net cash flows from operating activities	$ 1,239	$ 1,107	$ 1,276
Less: Dividends on common and preferred stock	512	511	515
Net after dividends	$ 727	$ 596	$ 761

Net cash flows in 1997 were higher than in 1996 due principally to reduced operations and maintenance expenses. Net cash flows in 1996 were lower than in 1995 due principally to lower incentive billings and higher costs for recoverable fuel and gas in storage.

FINANCIAL RATIOS Con Edison's common equity ratio and interest coverage ratio continue to be high compared with the electric utility industry generally, an indication of Con Edison's continued financial strength. Con Edison's common equity ratio was 56.8 percent and 55.7 percent at year-end 1997 and 1996, respectively. Con Edison's interest coverage was 4.09 and 4.18 times for 1997 and 1996, respectively. See "Stock Repurchase," below.

DEBT FINANCINGS Con Edison issued a total of $300 million of five-year floating rate debentures, the interest rate on which is reset quarterly: $150 million in June 1997 and $150 million in December 1996. In July 1995 Con Edison issued $100 million of 10-year 6-5/8% debentures.

Con Edison's senior unsecured debt securities (debentures and tax-exempt debt) are rated A1, A+ and AA- by Moody's, S&P and Fitch, respectively. Con Edison's subordinated debentures (QUICS) are rated A2 by Moody's, A by S&P and A+ by Fitch.

REFUNDINGS The PSC has authorized Con Edison to issue securities for the refunding of its outstanding debt and preferred stock from time to time prior to the year 2003. Refundings may be effected by means of any one or a combination of redemption calls, tender offers, exchange offers, negotiated transactions or open market purchases.

In February 1998 Con Edison issued $180 million of 10-year 6-1/4% debentures and $105 million of 30-year 7.10% debentures, to refund in March 1998 its 7-1/8% tax-exempt debt issued through the New York State Energy Research and Development Authority (NYSERDA), 7-3/8% debentures and 8.05% debentures. In December 1997 Con Edison issued $330 million of 10-year 6.45% debentures to refund in January 1998 three series of tax-exempt debt issued through NYSERDA.

In March 1996 Con Edison refunded $317 million of certain series of its preferred stock with the proceeds from the issuance of $275 million of 35-year 7-3/4% subordinated deferrable interest debentures (interest payments on which are tax deductible, unlike preferred stock dividends) and $25 million of cash balances. In May 1996 Con Edison issued $100 million of 30-year 7-3/4% debentures, the proceeds of which were used to redeem, in advance of maturity, its 9-3/8% debentures. In August 1995 Con Edison issued $128.3 million of 25-year 6.10% tax-exempt debt through NYSERDA, the proceeds of which were used to redeem the outstanding 9% tax-exempt debt.

Con Edison used cash balances to redeem its outstanding 9.70% debentures in December 1995 and its outstanding convertible preference stock in December 1997.

STOCK REPURCHASE To realign its capital structure with its evolving business risk, CEI announced its intent to repurchase up to $1 billion of its common shares, subject to PSC approval and market conditions. The repurchase is expected to be funded by Con Edison from internally-generated funds, debt financings and, depending on the timing, the net proceeds of generating plant sales. The PSC is expected to act on the stock repurchase in March 1998.

CAPITAL REQUIREMENTS

The following table compares Con Edison's capital requirements for the years 1995 through 1997 and estimated amounts for 1998 and 1999:

(Millions of Dollars)	1999	1998	1997	1996	1995
Construction expenditures	$ 611	$ 622	$ 654	$ 675	$ 693
Nuclear decommissioning trust	21	21	21	21	19
Nuclear fuel	35	22	15	49	13
Subtotal	667	665	690	745	725
Retirement of long-term debt and preferred stock (a)	225	200	106	184	11
Total	$ 892	$ 865	$ 796	$ 929	$ 736

(a) Does not include stock repurchases or debt refundings. See "Refundings" and "Stock Repurchase," above. For details of securities maturing after 1999, see Note B to the financial statements.

CEI expects to invest $300 million in 1998 and 1999 in its subsidiaries other than Con Edison, including Consolidated Edison Solutions, Inc., formerly Promark Energy, Inc., and Consolidated Edison Development, Inc., formerly Gramercy Development, Inc.

ELECTRIC CAPACITY RESOURCES

Electric peak load in Con Edison's service area, adjusted for historical design weather conditions, grew by 250 megawatts (MW) (2.3 percent) in 1997. This growth reflects primarily the robust local economy. Con Edison's current resource plans indicate that its service area could require additional generation resources within the next five years. However, Con Edison does not anticipate adding long-term capacity resources to its electric system. In a competitive electric market, unregulated entities, possibly including a subsidiary of CEI, are expected to provide needed capacity resources as dictated by market conditions.

COMPETITION AND INDUSTRY RESTRUCTURING

In recent years federal and New York State initiatives have promoted the development of competition in the sale of electricity and gas. In general these initiatives "unbundle," or separate, the integrated supply and delivery services that electric and gas utilities have traditionally provided, and enable customers to purchase electricity and gas directly from suppliers other than their local utility. Under these initiatives Con Edison will continue to transport and deliver energy to customers in its service area, including energy from other suppliers, over its electric and gas systems. The rates for such delivery services are expected to remain regulated on a cost-of-service basis. The electric and gas transportation and delivery systems, along with Con Edison's steam system, which will also remain rate-regulated, comprised more than 70 percent of Con Edison's net utility plant at December 31, 1997. These initiatives have also fostered new unregulated energy supply and services businesses in which the subsidiaries of CEI other than Con Edison may participate. These new businesses will be subject to competition and different investment risks than those involved in Con Edison's utility business.

In April 1996 the Federal Energy Regulatory Commission (FERC) issued its Order 888 requiring electric utilities to file non-discriminatory open access transmission tariffs that would be available to wholesale sellers and buyers of electric energy and allowing utilities to recover related legitimate and verifiable stranded costs subject to FERC's jurisdiction. Con Edison's open access tariff took effect in July 1996. The company has billed approximately $450,000 under the tariff, subject to refund pending the outcome of a September 1997 hearing on the tariff before FERC. FERC is expected to act on the tariff in 1998. In addition, Con Edison and Con Edison Solutions have been authorized by FERC to make wholesale sales of electricity at market-based rates.

In January 1997 Con Edison, along with the other New York electric utilities, submitted a filing to FERC for approval of a restructuring of the wholesale electric market in New York State, including the establishment of an independent system operator (ISO) that would control and operate most electric transmission facilities in New York as an integrated system, a New York State Reliability Council, which would promulgate reliability rules, and a "power exchange" that would establish visible spot market prices for wholesale energy. In December 1997 Con Edison and the other New York utilities supplemented this filing with additional details regarding the proposed new market structure and a new ISO governance structure based upon an unaffiliated ISO board of directors.

In May 1996 the PSC issued an order in its Competitive Opportunities proceeding endorsing a fundamental restructuring of the electric utility industry in New York State, based on competition in the generation and energy services sectors of the industry. In September 1997 the PSC approved a settlement agreement between Con Edison, the PSC staff and certain other parties (the Settlement Agreement). See "PSC Settlement Agreement," below.

All of Con Edison's gas customers, either individually or by aggregating their demand with other customers, became eligible in 1996 to purchase gas directly from suppliers other than Con Edison.

PSC SETTLEMENT AGREEMENT

The Settlement Agreement in the Competitive Opportunities proceeding provides for a transition to a competitive electric market through the development of a "retail access" plan, a rate plan for the period ending March 31, 2002 (the Transition), a reasonable opportunity for recovery of "strandable costs" and the divestiture by Con Edison to unaffiliated third parties of at least 50 percent of its New York City fossil-fueled electric generating capacity.

RETAIL ACCESS Con Edison will implement an energy and capacity retail access program that will permit its customers to choose alternative energy suppliers. The delivery of electricity to customers will continue to be through Con Edison's transmission and distribution systems. The program will begin in June 1998 with up to 500 MW of customer load. The program will be expanded in increments and Con Edison will target the phase-in of retail access to make it available to all of its customers by the earlier of 18 months after the New York ISO becomes fully operational or December 31, 2001. This schedule is subject to adjustment as circumstances warrant. In general, Con Edison's delivery rates for retail access customers during the Transition will equal the rates applicable to other comparable Con Edison customers, less a rate representing the market value of the energy and capacity.

RATE PLAN In January 1998 Con Edison implemented an annualized rate reduction of $107.5 million pursuant to the rate plan provisions of the Settlement Agreement. Additional rate decreases will be implemented during the Transition. The rate plan reduces the total generation-related revenues that Con Edison would have received over the five-year Transition period had rate levels in effect on March 31, 1997 remained in effect by approximately $1 billion, exclusive of additional revenue reductions from lower gross receipts taxes. Financing savings from any securitization of strandable costs, in excess of the amount of the savings that may be allocated by the PSC for SBC Programs (defined below), and any further reductions in New York State gross receipts taxes, will be utilized for additional rate reductions. In general, base electric rates will not otherwise be changed during the Transition except in the event of changes in costs above anticipated annual levels resulting from legal or regulatory requirements (including a requirement or interpretation resulting in Con Edison's refunding its tax-exempt debt), inflation in excess of a four percent annual rate, property tax increases and environmental costs above pre-determined levels, or in the event Con Edison's rate of return becomes unreasonable for the provision of safe and adequate service.

The Settlement Agreement also provides, among other things, for a non-bypassable system benefits charge to recover, to the extent not otherwise recovered, the costs of required research and development, energy efficiency programs, programs to assist low-income customers and environmental protection programs (collectively, "SBC Programs"). In addition, the Settlement Agreement includes a penalty mechanism (estimated maximum, $26 million per year) for failure to maintain certain service quality and reliability standards.

For any rate year during the Transition, 50 percent of any earnings in excess of a rate of return of 12.9 percent on electric common equity will be retained for shareholders and 50 percent will be applied for customer benefit, with one-half of the amount to be applied to a reduction of rates or as otherwise determined by the PSC and the balance to be deferred and applied to reduce Con Edison's generating plant balances through additional depreciation expense. The rate of return calculation will exclude any incentive earnings and reflect any amounts by which the rate of return for earlier Transition rate years fell below 11.9 percent. This earnings sharing will cease beginning in the year in which Con Edison fulfills its divestiture commitment or in which 15 percent of the service area peak load (excluding the existing load served by the New York Power Authority) is supplied by entities other than by Con Edison.

DIVESTITURE COMMITMENT Con Edison has agreed to divest to unaffiliated third parties at least 50 percent of its New York City fossil-fueled electric generating capacity no later than December 2002, and Con Edison may divest additional generating capacity. It may be determined that divestiture should be advanced or delayed (to maximize sales price or address other developments) or that the 50 percent divestiture commitment is not sufficient to mitigate market power. Con Edison's fossil-fueled electric generating units not divested to unaffiliated third parties will be transferred to an unregulated affiliate of Con Edison by December 2002.

Con Edison will submit a detailed divestiture plan to the PSC in March 1998. Con Edison has agreed to initiate the divestiture process with respect to at least 30 percent of its New York City fossil-fueled generating capacity within 90 days after PSC approval of the divestiture plan unless otherwise justified in the divestiture plan. The PSC could approve the divestiture plan as submitted or modify it to address market power or other concerns.

Con Edison will retain for its shareholders the first $50 million of any net after-tax gains from the divestiture of generating capacity. Any additional net gains or net losses from the divestiture, or from the transfer to an affiliate of Con Edison, of generating capacity during the Transition will be deferred for disposition by the PSC. After the Transition the difference between the remaining book value of generating plant and the net market values defined by divestiture will be reflected in the strandable costs to be recovered following the Transition.

RECOVERY OF PRIOR INVESTMENTS AND COMMITMENTS Potential strandable costs for Con Edison include its fossil-fueled generating plants, Indian Point 2 nuclear generating unit, decommissioning of the Indian Point plant and contracts with non-utility generators (NUGs).

Under the Settlement Agreement, Con Edison will continue to recover its potential electric strandable costs during the Transition in the rates it charges all customers. In addition, Con Edison will provide for $75 million of additional depreciation for its fossil-fueled electric generating units that also supply the steam system. Also, as indicated above, certain "excess" earnings, if achieved, will be applied as an offset to strandable costs.

The Settlement Agreement provides that Con Edison will be given a reasonable opportunity following the Transition to recover remaining electric strandable costs, as adjusted for net gains in excess of $50 million or net losses from divestiture or transfer of Con Edison generating capacity, including a reasonable return on investments, through a non-bypassable charge to customers. For remaining fossil-related strandable costs, the recovery period will be ten years and for the Indian Point 2 nuclear unit, the recovery period will be the remaining operating license term of the unit. With respect to its NUG contracts, Con Edison will be permitted to recover at least 90 percent of the amount by which the actual costs of its purchases under the contracts exceed market value after the Transition. Any potential disallowance after the Transition will be limited to the lower of (i) 10 percent of the above market costs or (ii) $300 million (in 2002 dollars). The potential disallowance will be offset by NUG contract mitigation achieved by Con Edison after April 1, 1997 and 10 percent of the gross proceeds of generating unit sales to third parties. Con Edison will be permitted a reasonable opportunity to recover any costs subject to disallowance that are not offset by these two factors if it makes good faith efforts in implementing provisions of the Settlement Agreement leading to the development of a competitive electric market in its service territory and the development of an ISO.

In October 1997 Con Edison, pursuant to the Settlement Agreement, requested the PSC to defer certain costs related to agreements to terminate contracts with NUGs for 42.5 MW of capacity. Including these agreements, Con Edison has, since 1993, entered into agreements to terminate NUG contracts for approximately 768 MW at a cost of $281 million (exclusive of interest), $200 million of which has already been recovered from customers. Currently, Con Edison purchases capacity under NUG contracts for plants with 2,059 MW of capacity. See Note G to the financial statements.

CORPORATE STRUCTURE The Settlement Agreement establishes guidelines governing transactions among affiliates. Without PSC approval, Con Edison is prohibited from making loans to, or guaranteeing the obligations of, CEI or any of its other subsidiaries, or pledging its assets as security for the indebtedness of CEI or any of its affiliates. (See also Note B to the financial statements.) Con Edison and the other subsidiaries must operate as separate entities, and transfers of assets, services and information between Con Edison and its affiliates are subject to certain restrictions. Con Edison and the other subsidiaries must have separate operating employees, and non-administrative operating officers of Con Edison may not be operating officers of any of the other subsidiaries. Transfers of employees from Con Edison to the other subsidiaries are also restricted.

ACCOUNTING EFFECT As a result of the Settlement Agreement, there have been changes to certain of Con Edison's accounting policies. These changes, however, did not have a material effect on Con Edison's financial position or results of operations. See Note A to the financial statements.

1995 ELECTRIC RATE AGREEMENT

In April 1995 the PSC approved a three-year electric rate agreement effective April 1, 1995. However, the Settlement Agreement supersedes the provisions of the 1995 electric rate agreement that prescribe overall electric revenue levels for the 12 months ending March 31, 1998. The Settlement Agreement also eliminated, effective April 1, 1997, the provisions of the 1995 electric rate agreement for incentives or penalties related to the Enlightened Energy program and customer service performance, the modified Electric Revenue Adjustment Mechanism (ERAM) and earnings sharing.

The principal features of the 1995 electric rate agreement were as follows:

LIMITED CHANGES IN BASE REVENUES There was no increase in base electric revenues for the first rate year (the 12 months ended March 31, 1996) and rates were reduced by approximately $19 million (0.3 percent) for the second rate year (the 12 months ended March 31, 1997).

EARNINGS SHARING The allowed rates of return on common equity in the first two rate years were 11.1 percent and 10.31 percent, respectively, based on an assumed 52 percent common equity ratio. Primarily as a result of increased productivity, Con Edison's actual rates of return for the first two rate years exceeded a threshold level established for sharing earnings with customers. As a result, Con Edison recorded provisions, before federal income tax, for the future benefit of electric customers of $10.2 million for the first rate year (primarily in the fourth quarter of 1995) and $25.7 million for the second rate year ($18.0 million in 1996 and $7.7 million in 1997).

INCENTIVE PROVISIONS Con Edison was permitted to earn additional incentive amounts, not subject to the earnings sharing provisions, by attaining certain objectives for its Enlightened Energy program and for customer service. There were also penalties for failing to achieve minimum objectives, and there was a penalty-only incentive mechanism designed to encourage Con Edison to maintain its high level of service reliability. Con Edison accrued benefits for these incentives of $38.4 million in 1995 (including $17.1 million related to the prior year), $30.3 million in 1996 and $0.5 million in 1997.

PARTIAL PASS-THROUGH FUEL ADJUSTMENT CLAUSE (PPFAC)

The 1995 electric rate agreement also provided for a fuel and purchased power cost-savings incentive, which has been continued under the Settlement Agreement. See Note A to the financial statements. Con Edison's earnings, before federal income tax, under the PPFAC were increased by $19.2 million in 1995 ($6.5 million of which was earned in the first calendar quarter under similar provisions of a 1992 electric rate agreement) and $24.9 million in 1996. For 1997, primarily as a result of unscheduled outages at its Indian Point 2 nuclear unit, Con Edison incurred a net penalty of $1.8 million, before federal income tax, under the PPFAC.

MODIFIED ERAM The 1995 agreement continued, in modified form, the ERAM rate-making concept that was established in the 1992 agreement. See Note A to the financial statements. For 1995 Con Edison set aside $35.3 million to be refunded to customers for revenue overcollections under the ERAM provisions. Con Edison accrued $10.1 million for 1996 and $18.0 million for 1997 for revenue undercollections under the ERAM provisions.

GAS AND STEAM RATE AGREEMENTS

In January 1997 the PSC approved a four-year gas rate settlement agreement with the following major provisions: base rates will, with limited exceptions, remain at September 30, 1996 levels through September 30, 2000; Con Edison will share in net revenue from interruptible gas sales (previously used only to reduce firm customer gas costs) by retaining in each rate year the first $7.0 million of net revenue above 8.5 million dekatherms and 50 percent of additional net revenues; and 86 percent of any increase in property taxes above levels implicit in rates will be recovered by offsetting amounts, if any, that would otherwise be returned to customers. Con Edison will share with customers 50 percent of earnings above a 13 percent rate of return on gas common equity.

In September 1997 the PSC approved a steam rate agreement between Con Edison and the PSC staff. The three-year agreement provides for a $16 million base rate increase, effective October 1, 1997. Base rates for the remainder of the term of the agreement will not be increased or decreased except in certain limited circumstances. In its order approving the steam rate agreement, the PSC modified the agreement to require Con Edison to submit a long-range plan for the steam system in time to be considered contemporaneously with the company's divestiture plan for fossil-fueled generating capacity. See "PSC Settlement Agreement – Divestiture Commitment," above.

In October 1994 the PSC approved three-year rate agreements for gas and steam services. Pursuant to the gas agreement, rates were increased $7.7 million (0.9 percent) for the first rate year and $20.9 million (2.5 percent) for the second rate year. Con Edison accrued $7.4 million and $9.2 million in 1995 and 1996, respectively, for earnings under the incentive provisions of the agreement. The 1997 gas rate agreement superseded the third rate year of the 1994 agreement and discontinued the incentive provisions effective October 1997. Pursuant to the steam agreement, rates were increased $9.9 million (3.0 percent), $4.6 million (1.3 percent) and $12.1 million (3.44 percent), respectively, for the three rate years.

FINANCIAL MARKET RISKS

CEI's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, are interest rate risk and commodity price risk.

The interest rate risk relates primarily to new debt financing needed to fund capital requirements, including maturing debt securities, and to variable rate debt. In general, Con Edison's electric, gas and steam rates are not subject to change for fluctuations in the cost of capital during the respective terms of the current rate agreements. Con Edison manages its interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refundings of debt through optional redemptions and tender offers. In addition, Con Edison, from time to time, enters into derivative financial instruments to hedge interest rate risk. There were no derivative financial instruments outstanding at December 31, 1997.

The commodity price risk relates primarily to Con Edison's use of derivative commodity instruments to hedge its gas in storage. In addition, Con Edison Solutions uses derivatives to hedge its gas purchases. Con Edison does not generally use derivatives to hedge its purchases of electricity, fuel (to produce electricity and steam) and gas, because the related commodity price risks are mitigated by the fuel adjustment provisions of its current rate agreements. At December 31, 1997 neither the fair value of the derivatives outstanding nor potential, near-term derivative losses from reasonably possible near-term changes in market prices were material to the financial position, results of operations or liquidity of CEI or Con Edison. See Note A to the financial statements for additional information about the fuel cost provisions of the rate agreements and gas hedging.

YEAR 2000 EXPOSURE

Many information systems have been designed to function based on years that begin with 19. CEI expects that by the Year 2000 it will have adapted its systems, to the extent it considers necessary, to process years that begin with 20, and does not expect that the costs of doing so will be material. However, the company cannot predict the effect on it of any Year 2000 problems of other entities such as suppliers, customers and service providers.

AIR QUALITY

The Clean Air Act amendments of 1990 impose limits on sulfur dioxide and nitrogen dioxide emissions from electric generating units. Under the "Reasonably Available Control Technology" provisions of the Clean Air Act, New York and ten other member states of the Northeast Ozone Transport Commission have entered into a Memorandum of Understanding that calls for the states to adopt more stringent nitrogen oxide standards. Con Edison does not expect that compliance with the sulfur dioxide and nitrogen oxide standards will have a material adverse effect on its financial condition, results of operations or liquidity.

In July 1997 the United States Environmental Protection Agency adopted new ambient air quality standards for ozone and particulate matter. Con Edison does not expect that compliance with the ozone standard will have a material adverse effect on its financial condition, results of operations or liquidity. If ambient air quality monitoring identifies New York City as a non-attainment area for the particulate matter standard, the New York State Department of Environmental Conservation (DEC) will be required to adopt regulations to achieve compliance with the standard. Depending on the regulations, compliance with the standard may require increased operating costs and capital expenditures.

NUCLEAR GENERATION

INDIAN POINT STATION Con Edison has operated its approximately 1,000 MW Indian Point 2 nuclear generating unit since it was first placed into service in 1973. At December 31, 1997 Indian Point 2 had a net book value of approximately $479 million. See Note A to the financial statements for a discussion of costs of decommissioning Indian Point 2 and the retired Indian Point 1 unit.

RATE RECOVERY The Settlement Agreement provides that, following the Transition, Con Edison will have a reasonable opportunity to recover, through a non-bypassable charge, its investment in Indian Point 2 and the costs of decommissioning its nuclear operations. See "PSC Settlement Agreement – Recovery of Prior Investments and Commitments," above.

The Settlement Agreement does not contemplate the divestiture or transfer of Con Edison's Indian Point 2 nuclear generating unit. The PSC is expected to institute a collaborative process to further consider issues raised by an August 1997 PSC staff report on nuclear generating facilities.

OPERATION Under normal operating conditions, scheduled refueling and maintenance outages, such as the outage completed in July 1997, are generally required for Indian Point 2 after each cycle of approximately 22 months of operation. The unit was out of service from January 25, 1997 to March 15, 1997 and has been out of service since October 15, 1997 for unscheduled maintenance.

FUEL DISPOSAL The United States Department of Energy (DOE) has defaulted on its obligation under a contract with Con Edison pursuant to which DOE was to begin to take title to Con Edison's spent nuclear fuel (SNF) generated at Indian Point 2 as DOE transports the fuel to a federal repository for permanent disposal. In July 1996 the United States Court of Appeals for the District of Columbia held that the DOE has an obligation "reciprocal to the utilities' obligation to pay fees, to start disposing of the spent nuclear fuel no later than January 31, 1998." In January 1997 Con Edison and a number of other utilities petitioned the court for an order directing the DOE to begin acceptance of SNF, authorizing payment into escrow accounts of fees that would otherwise be payable to DOE pursuant to SNF disposal contracts, and instituting enhanced judicial oversight of DOE's performance under the contracts. In November 1997 the court ruled that the petition was premature pending a determination of whether provisions of the contracts would afford an adequate remedy.

Con Edison estimates that it has adequate on-site capacity for interim storage of its spent fuel until 2005. Absent regulatory or technological developments by 2005, Con Edison expects that it will require additional on-site or other spent fuel storage facilities. Such additional facilities would require regulatory approvals. In the event that it is unable to make appropriate arrangements for the storage of its spent fuel, Con Edison would be required to curtail the operation of Indian Point 2.

SUPERFUND AND ASBESTOS CLAIMS AND OTHER CONTINGENCIES

Reference is made to Note F to the financial statements for information concerning potential liabilities of Con Edison arising from the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), from claims relating to alleged exposure to asbestos, and from certain other contingencies to which Con Edison is subject.

IMPACT OF INFLATION

CEI is affected by the decline in the purchasing power of the dollar caused by inflation. Regulation permits Con Edison to recover through depreciation only the historical cost of its plant assets even though in an inflationary economy the cost to replace the assets upon their retirement will substantially exceed historical costs. This is, however, partially offset by the repayment of Con Edison's long-term debt in dollars of lesser value than the dollars originally borrowed.

FORWARD-LOOKING STATEMENTS

This discussion and analysis includes forward-looking statements, which are statements of future expectation and not facts. Words such as "estimates," "expects," "anticipates," "intends," "plans" and similar expressions identify forward-looking statements. Actual results or developments might differ materially from those included in the forward-looking statements because of factors such as competition and industry restructuring, changes in economic conditions, changes in historical weather patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments and other presently unknown or unforeseen factors.

RESULTS OF OPERATIONS

Basic and diluted earnings per share were $2.95 in 1997 and $2.93 in 1996 and 1995. The average numbers of common shares outstanding for 1997, 1996 and 1995 were 235.1 million, 235.0 million and 234.9 million, respectively.

The increase in earnings for the year 1997 was primarily the result of lower operations and maintenance expenses, reflecting ongoing productivity improvements, partially offset by the impact of weather on net revenues and reduced incentive earnings under agreements covering electric rates.

Earnings for 1997, 1996 and 1995 reflect the electric, gas and steam rate increases and decreases and other provisions of the related rate agreements discussed above.

OPERATING REVENUES AND FUEL COSTS

Operating revenues in 1997 and 1996 increased from the prior year by $161.5 million and $422.8 million, respectively. The principal increases and decreases in revenue were:

	Increase (Decrease)	
(Millions of Dollars)	1997 over 1996	1996 over 1995
Electric, gas and steam rate changes	$ (24.7)	$ 0.8
Fuel rider billings*	145.0	319.7
Sales volume changes		
Electric**	45.0	2.9
Gas	(8.1)	124.2
Steam	(28.9)	8.1
Gas weather normalization	17.2	(18.5)
Electric:		
ERAM/Modified ERAM accruals	7.9	45.4
Recoveries (refunds) of prior rate year ERAM accruals	(18.8)	(25.9)
Rate refund provisions	10.5	(8.2)
Off-system sales	(11.6)	(4.8)
Other	28.0	(20.9)
Total	$ 161.5	$ 422.8

* Excludes costs of fuel, purchased power and gas purchased for resale reflected in base rates.

** Includes Con Edison direct customers and delivery service for NYPA and municipal agencies.

The increases in fuel billings in 1997 and 1996 reflect increases in the unit costs of purchased power, fuel used to produce electricity and steam, and gas purchased for resale. Electric fuel costs increased $52.0 million in 1997, primarily because of the increased unit cost of fuel, partially offset by lower generation. Electric purchased power costs increased by $50.4 million in 1997 over the 1996 period due to increased purchases. The increases in electric fuel and purchased power costs in 1997 are also attributable to decreased availability of nuclear generation from Indian Point 2. Electric fuel costs increased $23.3 million in 1996, reflecting a higher unit cost of fuel, partially offset by lower generation. Electric purchased power costs increased by $161.9 million in 1996 over the 1995 period, reflecting a higher unit cost of power purchased under NUG contracts. The increases in electric fuel and purchased power costs in 1996 were mitigated by the greater availability in 1996 of nuclear generation from Indian Point 2.

The cost of gas purchased for resale increased $60.9 million and $158.5 million in 1997 and 1996, respectively, reflecting higher unit costs of purchased gas and higher sendout. The unit cost of gas was 14 percent higher in 1997 and 43 percent higher in 1996. Steam fuel costs decreased $28.4 million in 1997 due to decreased generation of steam by Con Edison, partially offset by the higher unit cost of fuel. Steam purchased power costs increased $26.2 million in 1997 due to increased purchases and higher unit costs. Steam fuel and purchased power costs increased $49.7 million in 1996 due to the higher unit cost of fuel.

Electricity sales volume in Con Edison's service territory increased 1.1 percent in 1997 and 0.8 percent in 1996. Gas sales volume to firm customers decreased 6.2 percent in 1997 and increased 8.9 percent in 1996. Transportation of customer-owned gas (other than for the New York Power Authority), which comprised approximately 5.4 percent of the gas sold or transported for customers in 1997, increased 68.9 percent in 1997 reflecting increased purchases of gas from third party suppliers by Con Edison customers. Steam sales volume decreased 8.6 percent in 1997 and increased 1.9 percent in 1996.

Con Edison's electricity, gas and steam sales vary seasonally in response to weather. Electric peak load occurs in the summer, while gas and steam sales peak in the winter. After adjusting for variations, principally weather and billing days, in each period, electricity sales volume increased 1.8 percent in 1997 and 0.9 percent in 1996. Similarly adjusted, gas sales volume to firm customers decreased 0.8 percent in 1997 and increased 1.9 percent in 1996, and steam sales volume decreased 1.0 percent in 1997 and 0.1 percent in 1996. Weather-adjusted sales represent Con Edison's estimate of the sales that would have been made if historical average weather conditions had prevailed.

OTHER OPERATIONS AND MAINTENANCE EXPENSES

Other operations and maintenance expenses decreased 2.4 percent in 1997 and 1.8 percent in 1996. For 1997 the decrease reflects lower costs for pensions and retiree benefits, a 4.9 percent reduction in the workforce and reductions in the Enlightened Energy program, partially offset by expenses for Indian Point 2 outages. For 1996 the decrease reflects lower production expenses, principally because there was an Indian Point 2 refueling and maintenance outage in 1995, but no outage in 1996. The decrease was offset in part by higher costs for pensions and retiree benefits due to changes in actuarial assumptions.

In 1997 and 1996 Con Edison accrued $3 million and $10 million, respectively, for environmental liabilities related to various Superfund sites. During 1995 Con Edison accrued $10 million for environmental remediation costs relating to Con Edison facilities, pursuant to a 1994 settlement of a DEC civil administrative proceeding against the company, and $5 million for two Superfund sites. See Note F to the financial statements for additional information about the settlement.

TAXES, OTHER THAN FEDERAL INCOME TAX

At $1.2 billion, taxes other than federal income tax remain one of Con Edison's largest operating expenses. The principal components of and variations in operating taxes were:

		Increase (Decrease)	
(Millions of Dollars)	1997 Amount	1997 over 1996	1996 over 1995
Property taxes	$ 590.7	$ 19.1	$ 37.6
State and local taxes on revenues	474.8	0.9	13.6
Payroll taxes	59.3	(1.5)	2.6
Other taxes	56.3	(3.6)	(7.8)
Total	$1,181.1*	$ 14.9	$ 46.0

* Including sales taxes on customers' bills, total taxes, other than federal income taxes, billed to customers in 1997 were $1,500.6 million.

The increase in property taxes in 1997 reflects an increase in tax rates and the increase in 1996 reflects higher assessed valuations.

OTHER INCOME

Other income decreased $3.5 million in 1997 due principally to the start-up and business development expenses of Con Edison Solutions and Con Edison Development, partially offset by increased investment income. Other income decreased $7.5 million in 1996, reflecting primarily lower investment income.

NET INTEREST CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS

Interest on long-term debt increased $10.3 million in 1997 and $5.9 million in 1996 principally as a result of new debt issues. The increase in 1996 relates to the preferred stock refunding discussed above, which substantially reduced Con Edison's preferred stock dividend requirements. Other interest expense decreased $11.6 million in 1996, principally as a result of lower interest costs associated with certain tax settlements and customer overpayments.

FEDERAL INCOME TAX

Federal income tax decreased $16.5 million in 1997 and $1.4 million in 1996, reflecting the changes each year in income before tax and in tax credits. See Note I to the financial statements.

February 24, 1998

REPORT OF THE COMPANY

The accompanying consolidated financial statements have been prepared by Consolidated Edison, Inc. and Consolidated Edison Company of New York, Inc. (collectively, the "Company"). In the Company's opinion such statements have been prepared in conformity with generally accepted accounting principles. The statements reflect judgments and estimates made in the application of such principles.

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

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

The accompanying consolidated financial statements have been audited by Price Waterhouse LLP, the Company's independent accountants, whose report appears below.

February 24, 1998

Price Waterhouse LLP

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Boards of Directors (Trustees) of Consolidated Edison, Inc. and Consolidated Edison Company of New York, Inc.

In our opinion, the accompanying consolidated balance sheet and statement of capitalization, and the related consolidated statements of income, of retained earnings, and of cash flows, present fairly, in all material respects, the financial position of Consolidated Edison, Inc. and its subsidiaries and of Consolidated Edison Company of New York, Inc. and its subsidiaries (collectively, the "Company") at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

1177 Avenue of the Americas
New York, N.Y. 10036

February 24, 1998

CONSOLIDATED BALANCE SHEET CONSOLIDATED EDISON, INC.

ASSETS

At December 31 (Thousands of Dollars)	1997	1996
Utility plant, at original cost (Note A)		
Electric	**$ 11,743,745**	$ 11,588,344
Gas	**1,741,562**	1,642,231
Steam	**576,206**	536,672
General	**1,203,427**	1,152,001
Total	**15,264,940**	14,919,248
Less: Accumulated depreciation	**4,392,377**	4,285,732
Net	**10,872,563**	10,633,516
Construction work in progress	**292,218**	332,333
Nuclear fuel assemblies and components, less accumulated amortization	**102,321**	101,461
Net utility plant	**11,267,102**	11,067,310
Current assets		
Cash and temporary cash investments (Note A)	**183,458**	106,882
Funds held for refunding of debt	**328,874**	-
Accounts receivable – customer, less allowance for uncollectible accounts of $21,600 in 1997 and 1996	**581,163**	544,004
Other receivables	**60,759**	42,056
Regulatory accounts receivable (Note A)	**(1,682)**	45,397
Fuel, at average cost	**53,697**	64,709
Gas in storage, at average cost	**37,209**	44,979
Materials and supplies, at average cost	**191,759**	204,801
Prepayments	**75,516**	64,492
Other current assets	**16,457**	15,167
Total current assets	**1,527,210**	1,132,487
Investments and nonutility property (Note A)	**292,397**	177,224
Deferred charges (Note A)		
Enlightened Energy program costs	**117,807**	133,718
Unamortized debt expense	**126,085**	130,786
Recoverable fuel costs (Note A)	**98,301**	101,462
Power contract termination costs	**80,978**	58,835
Other deferred charges	**239,559**	271,081
Total deferred charges	**662,730**	695,882
Regulatory asset – future federal income taxes (Notes A and I)	**973,079**	984,282
Total	**$ 14,722,518**	$ 14,057,185

CAPITALIZATION AND LIABILITIES

At December 31 (Thousands of Dollars)	1997	1996
Capitalization (see Consolidated Statement of Capitalization)		
Common shareholders' equity	**$ 5,930,079**	$ 5,727,568
Preferred stock subject to mandatory redemption (Note B)	**84,550**	84,550
Other preferred stock (Note B)	**233,468**	238,098
Long-term debt	**4,188,906**	4,238,622
Total capitalization	**10,437,003**	10,288,838
Noncurrent liabilities		
Obligations under capital leases	**39,879**	42,661
Other noncurrent liabilities	**106,137**	80,499
Total noncurrent liabilities	**146,016**	123,160
Current liabilities		
Long-term debt due within one year (Note B)	**529,385**	106,256
Accounts payable	**440,114**	431,115
Customer deposits	**161,731**	159,616
Accrued taxes	**65,736**	27,342
Accrued interest	**85,613**	83,090
Accrued wages	**82,556**	80,225
Other current liabilities	**183,122**	147,968
Total current liabilities	**1,548,257**	1,035,612
Provisions related to future federal income taxes and other deferred credits (Notes A and I)		
Accumulated deferred federal income tax	**2,307,835**	2,289,092
Accumulated deferred investment tax credits	**163,680**	172,510
Other deferred credits	**119,727**	147,973
Total deferred credits	**2,591,242**	2,609,575
Contingencies (Note F)		
Total	**$ 14,722,518**	$ 14,057,185

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

CONSOLIDATED INCOME STATEMENT CONSOLIDATED EDISON, INC.

Year Ended December 31 (Thousands of Dollars)	1997	1996	1995
Operating revenues (Note A)			
Electric	**$ 5,635,575**	$ 5,541,117	$ 5,389,408
Gas	**1,093,880**	1,015,070	813,356
Steam	**391,799**	403,549	334,133
Total operating revenues	**7,121,254**	6,959,736	6,536,897
Operating expenses			
Purchased power	**1,349,421**	1,272,854	1,107,223
Fuel	**596,824**	573,275	504,104
Gas purchased for resale	**479,218**	418,271	259,789
Other operations	**1,108,845**	1,163,159	1,139,732
Maintenance	**474,788**	458,815	512,102
Depreciation and amortization (Note A)	**502,779**	496,412	455,776
Taxes, other than federal income tax	**1,181,081**	1,166,199	1,120,232
Federal income tax (Notes A and I)	**382,910**	397,160	396,560
Total operating expenses	**6,075,866**	5,946,145	5,495,518
Operating income	**1,045,388**	1,013,591	1,041,379
Other income (deductions)			
Investment income (Note A)	**11,554**	8,327	16,966
Allowance for equity funds used during construction (Note A)	**4,448**	3,468	3,763
Other income less miscellaneous deductions	**(18,696)**	(8,749)	(8,149)
Federal income tax (Notes A and I)	**3,190**	970	(1,060)
Total other income	**496**	4,016	11,520
Income before interest charges	**1,045,884**	1,017,607	1,052,899
Interest on long-term debt	**318,158**	307,820	301,917
Other interest	**17,083**	17,331	28,954
Allowance for borrowed funds used during construction (Note A)	**(2,180)**	(1,629)	(1,822)
Net interest charges	**333,061**	323,522	329,049
Net income	**712,823**	694,085	723,850
Preferred stock dividend requirements	**(18,344)**	(19,859)	(35,565)
Gain on refunding of preferred stock (Note B)	**-**	13,943	-
Net income for common stock	**$ 694,479**	$ 688,169	$ 688,285
Basic and diluted earnings per common share	**$ 2.95**	$ 2.93	$ 2.93
Average number of shares outstanding during each year (235,082,063; 234,976,697 and 234,930,301)			

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

[illegible]SOLIDATED STATEMENT OF CASH FLOWS CONSOLIDATED EDISON, INC.

Year Ended December 31 (Thousands of Dollars)	1997	1996	1995
Operating activities			
Net income	$ 712,823	$ 694,085	$ 723,850
Principal non-cash charges (credits) to income			
Depreciation and amortization	502,779	496,412	455,776
Deferred recoverable fuel costs	3,161	(42,008)	(61,937)
Federal income tax deferred	22,620	40,600	69,020
Common equity component of allowance for funds used during construction	(4,321)	(3,274)	(3,546)
Other non-cash charges	17,268	9,602	14,382
Changes in assets and liabilities			
Accounts receivable – customer, less allowance for uncollectibles	(37,159)	(46,789)	(56,719)
Regulatory accounts receivable	47,079	(51,878)	32,827
Materials and supplies, including fuel and gas in storage	31,824	(26,505)	43,341
Prepayments, other receivables and other current assets	(31,017)	5,117	4,566
Enlightened Energy program costs	15,911	10,564	25,919
Power contract termination costs	11,551	30,827	55,387
Accounts payable	8,999	10,263	46,383
Other – net	(62,978)	(19,679)	(72,785)
Net cash flows from operating activities	1,238,540	1,107,337	1,276,464
Investing activities including construction			
Construction expenditures	(654,221)	(675,233)	(692,803)
Nuclear fuel expenditures	(14,579)	(48,705)	(12,840)
Contributions to nuclear decommissioning trust	(21,301)	(21,301)	(18,893)
Common equity component of allowance for funds used during construction	4,321	3,274	3,546
Net cash flows from investing activities including construction	(685,780)	(741,965)	(720,990)
Financing activities including dividends			
Issuance of long-term debt	480,000	525,000	228,285
Retirement of long-term debt	(106,256)	(183,524)	(10,889)
Advance refunding of preferred stock and long-term debt	-	(412,311)	(155,699)
Issuance and refunding costs	(8,930)	(18,480)	(5,269)
Funds held for refunding of debt	(328,874)	-	-
Common stock dividends	(493,711)	(488,756)	(479,262)
Preferred stock dividends	(18,413)	(22,711)	(35,569)
Net cash flows from financing activities including dividends	(476,184)	(600,782)	(458,403)
Net increase (decrease) in cash and temporary cash investments	76,576	(235,410)	97,071
Cash and temporary cash investments at January 1	106,882	342,292	245,221
Cash and temporary cash investments at December 31	$ 183,458	$ 106,882	$ 342,292
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Interest	$ 310,310	$ 309,279	$ 309,953
Income taxes	335,631	346,755	344,754

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

CONSOLIDATED STATEMENT OF CAPITALIZATION CONSOLIDATED EDISON, INC.

At December 31 (Thousands of Dollars)	Shares outstanding December 31, 1997	Shares outstanding December 31, 1996	1997	1996
Common shareholders' equity (Note B)				
Common stock, $ .10 par value, authorized 500,000,000 shares	235,489,650	234,993,596	$ 1,482,351	$ 1,478,536
Retained earnings			4,484,703	4,283,935
Capital stock expense			(36,975)	(34,903)
Total common shareholders' equity			5,930,079	5,727,568
Preferred stock (Note B)				
Subject to mandatory redemption				
Cumulative Preferred, $100 par value,				
7.20% Series I	475,000	475,000	47,500	47,500
6-1/8% Series J	370,500	370,500	37,050	37,050
Total subject to mandatory redemption			84,550	84,550
Other preferred stock				
$5 Cumulative Preferred, without par value, authorized 1,915,319 shares	1,915,319	1,915,319	175,000	175,000
Cumulative Preferred, $100 par value, authorized 6,000,000 shares*				
5-3/4% Series A	70,612	70,612	7,061	7,061
5-1/4% Series B	138,438	138,438	13,844	13,844
4.65% Series C	153,296	153,296	15,330	15,330
4.65% Series D	222,330	222,330	22,233	22,233
Cumulative Preference, $100 par value, authorized 2,250,000 shares				
6% Convertible Series B	-	46,305	-	4,630
Total other preferred stock			233,468	238,098
Total preferred stock			$ 318,018	$ 322,648

* Represents total authorized shares of cumulative preferred stock, $100 par value, including preferred stock subject to mandatory redemption.

At December 31 (Thousands of Dollars)			1997	1996
Long-term debt (Note B)				
Maturity	**Interest Rate**	**Series**		
Debentures:				
1997	5.30 %	1993 E	$ -	$ 100,000
1998	6-1/4	1993 A	**100,000**	100,000
1998	5.70	1993 F	**100,000**	100,000
1999	6-1/2	1992 D	**75,000**	75,000
1999	*	1994 B	**150,000**	150,000
2000	7-3/8	1992 A	**150,000**	150,000
2000	7.60	1992 C	**125,000**	125,000
2001	6-1/2	1993 B	**150,000**	150,000
2001	*	1996 B	**150,000**	150,000
2002	6-5/8	1993 C	**150,000**	150,000
2002	*	1997 A	**150,000**	-
2003	6-3/8	1993 D	**150,000**	150,000
2004	7-5/8	1992 B	**150,000**	150,000
2005	7-3/8	1992 E	**75,000**	75,000
2005	6-5/8	1995 A	**100,000**	100,000
2007	6.45	1997 B	**330,000**	-
2023	7-1/2	1993 G	**380,000**	380,000
2026	7-3/4	1996 A	**100,000**	100,000
2027	8.05	1992 F	**100,000**	100,000
2029	7-1/8	1994 A	**150,000**	150,000
Total debentures			**2,835,000**	2,455,000
Tax-exempt debt – notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds:				
2020	6.10 %	1995 A	**128,285**	128,285
2020	5-1/4	1993 B	**127,715**	127,715
2021	7-1/2	1986 A	**150,000**	150,000
2022	7-1/8	1987 A	**100,855**	100,855
2022	9-1/4	1987 B	**29,385**	29,385
2022	5-3/8	1993 C	**19,760**	19,760
2024	7-3/4	1989 A	**150,000**	150,000
2024	7-3/8	1989 B	**100,000**	100,000
2024	7-1/4	1989 C	**150,000**	150,000
2025	7-1/2	1990 A	**150,000**	150,000
2026	7-1/2	1991 A	**128,150**	128,150
2027	6-3/4	1992 A	**100,000**	100,000
2027	6-3/8	1992 B	**100,000**	100,000
2028	6	1993 A	**101,000**	101,000
2029	7-1/8	1994 A	**100,000**	100,000
Total tax-exempt debt			**1,635,150**	1,635,150
Subordinated deferrable interest debentures:				
2031	7-3/4 %	1996 A	**275,000**	275,000
Other long-term debt			**1,722**	8,848
Unamortized debt discount			**(28,581)**	(29,120)
Total			**4,718,291**	4,344,878
Less: Long-term debt due within one year			**529,385**	106,256
Total long-term debt			**4,188,906**	4,238,622
Total capitalization			**$ 10,437,003**	$ 10,288,838

* Rate reset quarterly. At December 31, 1997 the rates for Series 1994 B, Series 1996 B and Series 1997 A were 5.96484%, 6.0375% and 5.9975%, respectively.
The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS CONSOLIDATED EDISON, INC.

Year Ended December 31 (Thousands of Dollars)	1997	1996	1995
Balance, January 1	$ 4,283,935	$ 4,097,035	$ 3,888,010
Net income for the year	712,823	694,085	723,850
Total	4,996,758	4,791,120	4,611,860
Dividends declared on capital stock			
Cumulative Preferred, at required annual rates	18,146	18,145	35,259
Cumulative Preference, 6% Convertible Series B	198	284	304
Common, $2.10, $2.08 and $2.04 per share	493,711	488,756	479,262
Total dividends declared	512,055	507,185	514,825
Balance, December 31	$ 4,484,703	$ 4,283,935	$ 4,097,035

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE RESTRUCTURING

On January 1, 1998 Consolidated Edison Company of New York, Inc. (Con Edison), the regulated utility, became a subsidiary of its new parent holding company, Consolidated Edison, Inc. (CEI), when the outstanding shares of common stock, $2.50 par value, of Con Edison were exchanged on a share-for-share basis for shares of common stock, $.10 par value, of CEI. Con Edison's debt securities and preferred stock remained securities of Con Edison.

OPERATIONS

CEI, through its subsidiaries, provides a wide range of energy-related products and services to its customers. The principal subsidiaries, in addition to Con Edison, are Con Edison Solutions and Con Edison Development. Con Edison supplies electric service in all of New York City (except part of Queens) and most of Westchester County, a service area with a population of more than eight million. It also supplies gas in Manhattan, The Bronx and parts of Queens and Westchester, and steam in part of Manhattan. Con Edison Solutions is a full-service energy company offering wholesale and retail electricity and natural gas sales, as well as energy-related products and services, primarily in the Northeast. Con Edison Development invests in energy infrastructure projects and markets technical services worldwide.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION The accompanying consolidated financial statements include the accounts of Con Edison and its wholly-owned subsidiaries and, therefore, also represent the consolidated financial statements of CEI and its wholly-owned subsidiaries. Intercompany transactions have been eliminated.

PSC SETTLEMENT AGREEMENT The New York State Public Service Commission (PSC), by order issued and effective May 20, 1996 in its Competitive Opportunities proceeding, endorsed a fundamental restructuring of the electric utility industry in New York State, based on competition in the generation and energy services sectors of the industry. The PSC, by order issued and effective September 23, 1997, approved a settlement agreement between Con Edison, the PSC staff and certain other parties (the Settlement Agreement).

The Settlement Agreement provides for a transition to a competitive electric market through the development of a "retail access" plan, a rate plan for the period ending March 31, 2002 (the Transition), a reasonable opportunity for recovery of "strandable costs" and the divestiture by Con Edison to unaffiliated third parties of at least 50 percent of its New York City fossil-fueled electric generating capacity.

The "retail access" plan will eventually permit all of Con Edison's electric customers to buy electricity from other suppliers. The delivery of electricity to customers will continue to be through Con Edison's transmission and distribution systems. Con Edison's electric fossil-fueled generating capacity not divested to third parties will be transferred by December 31, 2002 to an unregulated subsidiary of CEI. Con Edison's contracts with non-utility generators (NUGs), absent renegotiation of these contracts, will remain contractual obligations of Con Edison, which could resell electricity provided under the contracts in the competitive energy supply market. The Settlement Agreement does not contemplate the divestiture or transfer of Con Edison's Indian Point 2 nuclear generating unit. In August 1997 the PSC solicited comments as to the future treatment of nuclear generating facilities in New York.

Con Edison's potential electric "strandable costs" are those prior utility investments and commitments that may not be recoverable in a competitive energy supply market, including the unrecovered cost of Con Edison's electric generating plants, the future cost of decommissioning the Indian Point nuclear generating station and charges under contracts with NUGs. During the Transition Con Edison will continue to recover its potential electric strandable costs in the rates it charges all customers, including those customers purchasing electricity from others. Following the Transition Con Edison will be given a reasonable opportunity to recover, through a non-bypassable charge to customers, remaining strandable costs, including a reasonable return on investments. For remaining fossil-related strandable costs, the recovery period will be 10 years. For remaining nuclear-related strandable costs, the recovery period will be the then-remaining life of Con Edison's Indian Point 2 nuclear unit (the operating license for which extends to 2013). With respect to its NUG contracts, Con Edison will be permitted to recover at least 90 percent of the amount, if any, by which the actual costs of its purchases under the contracts exceed market value after the Transition. Any potential NUG contract disallowance after the Transition will be limited to the lower of (i) 10 percent of the above-market costs or (ii) $300 million (net present value in 2002). The potential disallowance will be offset by the amount of NUG contract mitigation achieved by Con Edison after April 1, 1997 and 10 percent of the gross proceeds of generating unit sales to third parties. Con Edison will be permitted a reasonable opportunity to recover any costs subject to disallowance that are not offset by these two factors if it makes good faith efforts in implementing provisions of the Settlement Agreement leading to the development of a competitive electric market in its service territory and the development of an independent system operator (which is expected to administer the wholesale electric market in New York State).

ACCOUNTING POLICIES The accounting policies of CEI and its subsidiaries conform to generally accepted accounting principles. For regulated public utilities, generally accepted accounting principles include Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, the accounting requirements and rate-making practices of the Federal Energy Regulatory Commission (FERC) and the PSC.

In September 1997 Con Edison applied the standards in SFAS No. 101, "Regulated Enterprises – Accounting for the Discontinuation of Application of the Financial Accounting Standards Board (FASB) Statement No. 71," to the non-nuclear electric supply portion of its business that is being deregulated as a result of the Settlement Agreement (the Deregulated Business). The Deregulated Business includes all of Con Edison's fossil electric generating assets, which had a net book value of approximately $1.4 billion at December 31, 1997, including approximately $196 million relating to Con Edison's share of the Bowline Point and Roseton stations (which are located outside New York City and operated by other utilities). The application of SFAS No. 101 to the Deregulated Business had no material adverse effect on Con Edison's financial position or results of operations.

SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," requires certain assets to be reviewed for impairment if the carrying amount of the assets may not be recoverable, requires that assets to be disposed of be carried at the lower of net book value or fair value, and amends SFAS No. 71 to require that regulatory assets be charged to earnings if such assets are no longer considered probable of recovery. Con Edison has not recognized an impairment of its fossil generating assets because the estimated cash flows from the operation and/or sale of the assets, together with the cash flows from the strandable cost recovery provisions of the Settlement Agreement, will not be less than the net carrying amount of the generating assets.

Certain deferred charges (regulatory assets) principally relating to future federal income taxes and certain deferred credits (regulatory liabilities) have resulted from transactions relating or allocated to the Deregulated Business. At December 31, 1997 regulatory assets net of regulatory liabilities amounted to approximately $1.4 billion, of which approximately $300 million is attributable to the Deregulated Business. Con Edison has not written-off against earnings any net regulatory assets because recovery of the assets is probable under the Settlement Agreement.

SFAS No. 5, "Accounting for Contingencies," requires accrual of a loss if it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Con Edison has not accrued a loss for its contracts with NUGs because it is not probable that the charges by NUGs under the contracts will exceed the cash flows from the sale by Con Edison of the electricity provided by the NUGs, together with the cash flows provided pursuant to the Settlement Agreement.

UTILITY PLANT AND DEPRECIATION The capitalized cost of additions to utility plant includes indirect costs such as engineering, supervision, payroll taxes, pensions, other benefits and an allowance for funds used during construction (AFDC). The original cost of property, together with removal cost, less salvage, is charged to accumulated depreciation as property is retired.

The cost of repairs and maintenance is charged to expense, and the cost of betterments is capitalized.

Rates used for AFDC include the cost of borrowed funds and a reasonable rate on Con Edison's own funds when so used, determined in accordance with PSC and FERC regulations. The AFDC rate was 9.1 percent in 1997, 9.0 percent in 1996 and 9.1 percent in 1995. The rate was compounded semiannually, and the amounts applicable to borrowed funds were treated as a reduction of interest charges.

The annual charge for depreciation is computed on the straight-line method for financial statement purposes using rates based on average lives and net salvage factors, with the exception of the Indian Point 2 nuclear unit, Con Edison's share of the Roseton generating station, certain leaseholds and certain general equipment, which are depreciated on a remaining life amortization method. Depreciation rates averaged approximately 3.4 percent in 1997 and 1996 and 3.3 percent in 1995. In 1996 an additional provision for depreciation of $13.9 million was accrued in connection with a preferred stock refunding. See Note B.

Con Edison is a joint owner of two 1,200-megawatt (MW) electric generating stations: (1) Bowline Point, operated by Orange and Rockland Utilities, Inc., with Con Edison owning a two-thirds interest, and (2) Roseton, operated by Central Hudson Gas & Electric Corp., with Con Edison owning a 40 percent interest. Central Hudson has the option to acquire Con Edison's interest in the Roseton station in 2004. Con Edison's share of the investment in these stations at original cost and as included in its balance sheet at December 31, 1997 and 1996 was:

(Thousands of Dollars)	1997	1996
Bowline Point: Plant in service	**$ 206,128**	$ 204,484
Construction work in progress	**1,796**	2,788
Roseton: Plant in service	**146,066**	146,623
Construction work in progress	**652**	846

Con Edison's share of accumulated depreciation for the Roseton station at December 31, 1997 and 1996 was $75.3 million and $70.3 million, respectively. A separate depreciation account is not maintained for Con Edison's share of the Bowline Point station. Con Edison's share of operating expenses for these stations is included in its income statement. Both Orange and Rockland and Central Hudson have agreed to divest generation as part of their Competitive Opportunities settlements with the PSC.

NUCLEAR DECOMMISSIONING Depreciation charges include a provision for decommissioning both the Indian Point 2 and the retired Indian Point 1 nuclear units. Decommissioning costs are being accrued ratably over the Indian Point 2 license period, which extends to the year 2013. Con Edison has been accruing for the costs of decommissioning within the internal accumulated depreciation reserve since 1975. In 1989 the PSC permitted Con Edison to establish an external trust fund for the costs of decommissioning the nuclear portions of the plants, pursuant to Nuclear Regulatory Commission (NRC) regulations. Accordingly, beginning in 1989, Con Edison has made contributions to such a trust. The external trust fund is discussed below under "Investments" in this Note A.

Accumulated decommissioning provisions at December 31, 1997 and 1996, which include earnings on funds externally invested, were as follows:

	Amounts Included in Accumulated Depreciation	
(Millions of Dollars)	1997	1996
Nuclear	**$ 211.7**	$ 164.7
Non-Nuclear	**58.2**	57.0
Total	**$ 269.9**	$ 221.7

In 1994 a site-specific decommissioning study was prepared for both the Indian Point 2 and the retired Indian Point 1 nuclear units. Based upon this study, the estimated decommissioning cost in 1993 dollars is approximately $657 million, of which $252 million is for extended on-site storage of spent nuclear fuel. Using a 3.25 percent annual escalation factor, the estimated cost in 2016, the assumed midpoint for decommissioning expenditures, is approximately $1,372 million. Under a 1995 electric rate agreement, effective April 1995, the PSC approved an annual decommissioning expense allowance for the nuclear and non-nuclear portions of the plants of $21.3 million and $1.8 million, respectively, to fund the future estimated costs of decommissioning. The annual expense allowance assumes a 6 percent after-tax annual return on fund assets.

The FASB is currently reviewing the utility industry's accounting treatment of nuclear and certain other plant decommissioning costs. In an exposure draft issued in February 1996, the FASB concluded that decommissioning costs should be accounted for as a liability at present value, with a corresponding asset in utility plant, rather than as a component of depreciation. Discussions of issues addressed in the exposure draft are ongoing.

NUCLEAR FUEL Nuclear fuel assemblies and components are amortized to operating expenses based on the quantity of heat produced in the generation of electricity. Fuel costs also include provisions for payments to the U.S. Department of Energy (DOE) for future off-site storage of the spent fuel and for a portion of the costs to decontaminate and decommission the DOE facilities used to enrich uranium purchased by Con Edison. Such payments amounted to $7.4 million in 1997. Nuclear fuel costs are recovered in revenues through base rates or through the fuel adjustment clause.

LEASES In accordance with SFAS No. 71, those leases that meet the criteria for capitalization are capitalized for accounting purposes. For rate-making purposes, all leases have been treated as operating leases.

REVENUES Revenues for electric, gas and steam service are recognized on a monthly billing cycle basis. Pursuant to the 1992 and 1995 electric rate agreements, actual electric net revenues (operating revenues less fuel and purchased power costs and revenue taxes) were adjusted by accrual to target levels established under the agreements in accordance with an electric revenue adjustment mechanism (ERAM). Revenues were also increased (or decreased) each month to reflect rewards (or penalties) earned under incentive mechanisms for the Enlightened Energy (demand-side management) program and for customer service activities. The agreements provided that the net regulatory asset (or liability) thus accrued in each rate year would be reflected in customers' bills in the following rate year. Effective April 1, 1997 the Settlement Agreement eliminated the ERAM and the Enlightened Energy and electric customer service incentives. The Settlement Agreement includes a penalty mechanism (estimated maximum, $26 million per year) for failure to maintain certain customer service standards.

The 1994 gas rate agreement provided for revenues to be increased (or decreased) each month to reflect rewards (or penalties) earned under incentive mechanisms related to gas customer service and system improvement targets. The 1997 gas rate agreement discontinued the incentive mechanisms effective October 1, 1997, after which Con Edison is subject to a penalty (maximum, $1.7 million per year) if it fails to maintain targeted levels of customer service.

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

Effective April 1992 a partial pass-through electric fuel adjustment clause (PPFAC) was implemented with monthly targets for electric fuel and purchased power costs. Con Edison retains for stockholders 30 percent of any savings in actual costs below the target amount, but must bear 30 percent of any excess of actual costs over the target. For each rate year there is a $35 million cap on the maximum incentive or penalty, with a limit (within the $35 million) of $10 million for costs associated with generation at Con Edison's Indian Point 2 nuclear unit.

REGULATORY ACCOUNTS RECEIVABLE Regulatory accounts receivable at December 31, 1997 amounted to a credit due customers of $1.7 million, reflecting an accrual for the PPFAC. The amounts accrued under the PPFAC are billed or credited to customers on a monthly basis through the electric fuel adjustment clause. Effective April 1, 1997 the Settlement Agreement eliminated the modified ERAM and the Enlightened Energy and electric customer service incentives; at that time, the regulatory accounts receivable recorded for the modified ERAM and these incentives were, along with certain other debit and credit balances in Con Edison's financial statements, eliminated. The elimination of these balances had no material adverse effect on Con Edison's financial position or results of operations.

ENLIGHTENED ENERGY PROGRAM COSTS In accordance with PSC directives, Con Edison deferred the costs of its Enlightened Energy program for future recovery from ratepayers. Such deferrals amounted to $117.8 million at December 31, 1997 and $133.7 million at December 31, 1996. In accordance with the 1992 and 1995 electric rate agreements, deferred charges for the Enlightened Energy program are generally recoverable over a five-year period.

TEMPORARY CASH INVESTMENTS Temporary cash investments are short-term, highly liquid investments which generally have maturities of three months or less. They are stated at cost which approximates market. CEI and Con Edison consider temporary cash investments to be cash equivalents.

INVESTMENTS For 1997 investments consisted primarily of the nuclear decommissioning trust fund ($211.7 million at December 31, 1997) and investments of Con Edison Solutions and Con Edison Development ($66.0 million at December 31, 1997). For 1996 investments consisted primarily of the nuclear decommissioning trust fund ($164.7 million at December 31, 1996). The nuclear decommissioning trust fund is stated at market; investments of Con Edison Solutions and Con Edison Development are stated at cost. Earnings on the nuclear decommissioning trust fund are not recognized in income but are included in the accumulated depreciation reserve. See Nuclear Decommissioning in this Note A.

GAS HEDGING Con Edison purchases put options and sells futures contracts under its gas hedging program in order to protect its gas inventory against adverse market price fluctuations. Con Edison defers the related hedging gains and losses until the underlying gas commodity is withdrawn from storage and then adjusts the cost of its gas in storage accordingly.

All hedging gains or losses are credited or charged to customers through Con Edison's gas fuel adjustment clause. Con Edison Solutions uses futures contracts to hedge natural gas transactions in order to minimize the risk of unfavorable market price fluctuations. Gains or losses on these futures contracts are deferred until gas is purchased, at which time gas expense is adjusted accordingly. At December 31, 1997 deferred gains or losses on open positions were not material.

Neither CEI nor any of its consolidated subsidiaries, including Con Edison, enters into derivative transactions that do not meet the criteria for hedges and that do not qualify for deferred accounting treatment. If for any reason a derivative transaction were no longer classified as a hedge, inventory or gas expense, as appropriate, would be adjusted for unrealized gains and losses relating to the transaction.

FEDERAL INCOME TAX In accordance with SFAS No. 109, "Accounting for Income Taxes," Con Edison has recorded an accumulated deferred federal income tax liability for substantially all temporary differences between the book and tax bases of assets and liabilities at current tax rates. In accordance with rate agreements, Con Edison has recovered amounts from customers for a portion of the tax expense it will pay in the future as a result of the reversal or "turn-around" of these temporary differences. As to the remaining temporary differences, in accordance with SFAS No. 71, Con Edison has established a regulatory asset for the net revenue requirements to be recovered from customers for the related future tax expense. In 1993 the PSC issued an Interim Policy Statement proposing accounting procedures consistent with SFAS No. 109 and providing assurances that these future increases in taxes will be recoverable in rates. The final policy statement is not expected to differ materially from the interim policy statement. See Note I.

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

Con Edison and its subsidiaries file, and CEI expects that it and its subsidiaries will file, a consolidated federal income tax return. Income taxes are allocated to each company based on its taxable income.

RESEARCH AND DEVELOPMENT COSTS Research and development costs relating to specific construction projects are capitalized. All other such costs are charged to operating expenses as incurred. Research and development costs in 1997, 1996 and 1995, amounting to $25.9 million, $32.3 million and $45.0 million, respectively, were charged to operating expenses. No research and development costs were capitalized in these years.

NEW FINANCIAL ACCOUNTING STANDARDS The FASB has issued the following two standards effective for fiscal years beginning after December 15, 1997: SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The application of these standards will not have a material effect on CEI's financial position or results of operations or materially change its current disclosure practices.

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

ESTIMATES The accompanying consolidated financial statements reflect judgments and estimates made in the application of the above accounting policies.

NOTE B CAPITALIZATION

COMMON STOCK AND PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION In December 1997 Con Edison redeemed its Series B preference stock. Each share of Series B preference stock was convertible into 13 shares of common stock at a conversion price of $7.69 per share. During 1997, 1996 and 1995, 38,158 shares, 2,869 shares and 3,928 shares of Series B preference stock were converted into 496,054 shares, 37,297 shares and 51,064 shares of common stock, respectively.

The prices at which Con Edison has the option to redeem its preferred stock other than Series I and Series J (in each case, plus accrued dividends) are as follows:

$5 Cumulative Preferred Stock	$ 105.00
Cumulative Preferred Stock:	
Series A	$ 102.00
Series B	102.00
Series C	101.00
Series D	101.00

PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION
Con Edison is required to redeem 25,000 of the Series I shares on May 1 of each year in the five-year period commencing with the year 2002 and to redeem the remaining Series I shares on May 1, 2007. Con Edison is required to redeem the Series J shares on August 1, 2002. In each case the redemption price is $100 per share plus accrued and unpaid dividends to the redemption date. In addition, Con Edison may redeem Series I shares at a redemption price of $103.60 per share, plus accrued dividends, if redeemed prior to May 1, 1998 (and thereafter at prices declining annually to $100 per share, plus accrued dividends, after April 30, 2002). Neither Series I nor Series J shares may be called for redemption while dividends are in arrears on outstanding shares of $5 cumulative preferred stock or cumulative preferred stock.

PREFERRED STOCK REFUNDING In March 1996 Con Edison canceled approximately $227 million of its preferred stock purchased pursuant to a tender offer and redeemed an additional $90 million of its preferred stock. In accordance with the PSC order approving the issuance of subordinated deferrable interest debentures to refund the preferred stock, Con Edison offset the net gain of $13.9 million by accruing an additional provision for depreciation equal to the net gain.

DIVIDENDS Beginning in 1998, dividends on CEI's common shares will depend primarily on the dividends and other distributions that Con Edison and the other subsidiaries will pay to CEI and the capital requirements of CEI and its subsidiaries. The PSC Settlement Agreement limits the dividends that Con Edison may pay to not more than 100 percent of Con Edison's income available for dividends, calculated on a two-year rolling average basis. Excluded from the calculation of "income available for dividends" are non-cash charges to income resulting from accounting changes or charges to income resulting from significant unanticipated events. The restriction also does not apply to dividends necessary to transfer to CEI proceeds from major transactions, such as asset sales, or to dividends reducing Con Edison's equity ratio to a level appropriate to Con Edison's business risk.

Payment of Con Edison common stock dividends to CEI is subject to certain additional restrictions. No dividends may be paid, or funds set apart for payment, on Con Edison's common stock until all dividends accrued on the $5 cumulative preferred stock and cumulative preferred stock have been paid, or declared and set apart for payment, and unless Con Edison is not in arrears on its mandatory redemption obligation for the Series I and Series J cumulative preferred stock. No dividends may be paid on any of Con Edison's capital stock during any period in which Con Edison has deferred payment of interest on its subordinated deferrable interest debentures.

LONG-TERM DEBT In December 1997 Con Edison issued $330 million of 10-year 6.45% Series 1997 B debentures to refund in January 1998 three series of tax-exempt debt that Con Edison issued through the New York State Energy Research and Development Authority: 7-1/2% Series 1986 A, 9-1/4% Series 1987 B and 7-3/4% Series 1989 A.

Long-term debt maturing in the period 1998-2002 is as follows:

1998	$ 200,000,000
1999	225,000,000
2000	275,000,000
2001	300,000,000
2002	300,000,000

Con Edison's long-term debt is stated at cost which, as of December 31, 1997, approximates fair value. The fair value of the company's long-term debt is estimated based on current rates for debt of the same remaining maturities.

NOTE C SHORT-TERM BORROWING

Con Edison has been authorized by FERC to issue short-term debt of up to $500 million outstanding at any one time. At December 31, 1997 Con Edison had no short-term debt outstanding. In January 1998 Con Edison initiated a $500 million commercial paper program, supported by revolving credit agreements with banks. Bank commitments under the revolving credit agreements may terminate upon a change in control of CEI and borrowings under the agreements are subject to certain conditions, including that Con Edison's ratio (calculated in accordance with the agreements) of debt to total capital not at any time exceed 0.65 to 1. At December 31, 1997 this ratio was 0.43 to 1. Borrowings under the commercial paper program or the revolving credit facilities are expected to be at prevailing market rates.

NOTE D PENSION BENEFITS

Con Edison has pension plans that cover substantially all of its employees and certain employees of other CEI subsidiaries. The plans are designed to comply with the Employee Retirement Income Security Act of 1974 (ERISA). Contributions are made solely by Con Edison and the other subsidiaries based on an actuarial valuation, and are not less than the minimum amount required by ERISA. Con Edison's policy is to fund the actuarially computed net pension cost as such cost accrues subject to statutory maximum (and minimum) limits. Benefits are generally based on a final five-year average pay formula.

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," Con Edison uses the projected unit credit method for determining pension cost. Pension costs for 1997, 1996 and 1995 amounted to $11.8 million, $73.2 million and $11.4 million, respectively, of which $9.3 million for 1997, $57.8 million for 1996 and $8.9 million for 1995 was charged to operating expenses. Pension costs reflect the amortization of a regulatory asset established pursuant to SFAS No. 71 to offset the $33.3 million increase in pension obligations from a special retirement program Con Edison offered in 1993, which provided special termination benefits as described in SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." Pension cost for 1995 also includes an actuarially determined credit of $7.3 million representing a prepayment on one of the plans. This credit reduced pension funding in 1996.

Con Edison recognizes investment gains and losses over five years and amortizes unrecognized actuarial gains and losses over ten years.

The components of net periodic pension cost for 1997, 1996 and 1995 were as follows:

(Millions of Dollars)	1997	1996	1995
Service cost – benefits earned during the period	**$ 111.4**	$ 120.2	$ 98.2
Interest cost on projected benefit obligation	**334.3**	320.1	296.7
Actual return on plan assets	**(878.6)**	(593.6)	(865.8)
Unrecognized investment gain (loss) deferred	**471.3**	217.6	521.6
Net amortization	**(28.8)**	6.7	(41.5)
Net periodic pension cost	**9.6**	71.0	9.2*
Amortization of regulatory asset	**2.2**	2.2	2.2
Total pension cost	**$ 11.8**	$ 73.2	$ 11.4

* Includes a prepayment credit of $7.3 million.

The funded status of the pension plans as of December 31, 1997, 1996 and 1995 was as follows:

(Millions of Dollars)	1997	1996	1995
Actuarial present value of benefit obligation:			
Vested	**$ 3,800.7**	$ 3,525.9	$ 3,319.2
Nonvested	**175.9**	190.5	267.9
Accumulated to date	**3,976.6**	3,716.4	3,587.1
Effect of projected future compensation levels	**964.0**	986.6	1,070.3
Total projected benefit obligation	**4,940.6**	4,703.0	4,657.4
Plan assets at fair value	**5,988.7**	5,269.3	4,775.8
Plan assets less projected benefit obligation	**1,048.1**	566.3	118.4
Unrecognized net gain	**(1,157.4)**	(703.8)	(240.3)
Unrecognized prior service cost*	**90.4**	100.1	85.3
Unrecognized net transition liability at January 1, 1987*	**11.3**	14.3	17.2
Accrued pension cost**	**$ (7.6)**	$ (23.1)	$ (19.4)

* Being amortized over approximately 15 years.

** Accrued liability primarily for special retirement program, reduced in 1997 by a prepayment credit.

To determine the present value of the projected benefit obligation, the discount rates assumed were 7.25 percent for 1997 and 1996 and 7 percent for 1995. A weighted average rate of increase in future compensation levels of 5.8 percent and long-term rate of return on plan assets of 8.5 percent were assumed for all years.

The pension plan assets consist primarily of corporate common stocks and bonds, group annuity contracts and debt of the United States government and its agencies.

NOTE E POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Con Edison has a contributory comprehensive hospital, medical and prescription drug program for all retirees, their dependents and surviving spouses. Con Edison also provides life insurance benefits for approximately 6,400 retired employees. All of Con Edison's employees become eligible for these benefits upon retirement, except that the amount of life insurance is limited and is available only to management employees and to those bargaining unit employees who participated in the optional program prior to retirement. Con Edison has reserved the right to amend or terminate these programs.

Con Edison's policy is to fund in external trusts the actuarially determined annual costs for retiree health and life insurance subject to statutory maximum limits.

Con Edison recognizes investment gains and losses over five years and amortizes unrecognized actuarial gains and losses over ten years.

The cost to Con Edison for retiree health benefits for 1997, 1996 and 1995 amounted to $76.7 million, $89.2 million and $65.5 million, respectively, of which $61.0 million for 1997, $70.5 million for 1996 and $51.6 million for 1995 was charged to operating expenses. The cost of the retiree life insurance plan for 1997, 1996 and 1995 amounted to $20.8 million, $22.8 million and $18.0 million, respectively, of which $16.5 million for 1997, $18.0 million for 1996 and $14.2 million for 1995 was charged to operating expenses.

The components of postretirement benefit (health and life insurance) costs for 1997, 1996 and 1995 were as follows:

(Millions of Dollars)	1997	1996	1995
Service cost – benefits earned during the period	$ 15.7	$ 17.4	$ 10.7
Interest cost on accumulated postretirement benefit obligation	71.0	68.9	61.2
Actual return on plan assets	(100.3)	(51.3)	(60.8)
Unrecognized investment gain (loss) deferred	63.8	23.5	40.4
Amortization of transition obligation and unrecognized net loss	47.3	53.5	32.0
Net periodic postretirement benefit cost	$ 97.5	$ 112.0	$ 83.5

The following table sets forth the program's funded status at December 31, 1997, 1996 and 1995:

(Millions of Dollars)	1997	1996	1995
Accumulated postretirement benefit obligation:			
Retirees	$ 470.6	$ 471.1	$ 447.7
Employees eligible to retire	240.1	248.8	250.7
Employees not eligible to retire	253.4	279.2	305.6
Total projected benefit obligation	964.1	999.1	1,004.0
Plan assets at fair value	574.1	444.2	322.2
Plan assets less accumulated postretirement benefit obligation	(390.0)	(554.9)	(681.8)
Unrecognized net loss	41.3	139.9	240.8
Unrecognized net transition liability at January 1, 1993*	322.6	415.0	441.0
Accrued postretirement benefit cost	$ (26.1)	$ 0	$ 0

* Being amortized over a period of 20 years.

To determine the accumulated postretirement benefit obligation, the discount rates assumed were 7.25 percent for 1997 and 1996 and 7 percent for 1995. The assumed long-term rate of return on plan assets was 8.5 percent for these years. The health care cost trend rate assumed for 1997 was 8.5 percent, for 1998, 8 percent, and then declining one-half percent per year to 5 percent for 2004 and thereafter. If the assumed health care cost trend rate were to be increased by one percentage point each year, the accumulated postretirement benefit obligation would increase by approximately $114.[illegible] million and the service cost and interest component of the net periodic postretirement benefit cost would increase by $12.6 million.

Postretirement plan assets consist of corporate common stocks and bonds, group annuity contracts, debt of the United States government and its agencies and short-term securities.

NOTE F CONTINGENCIES

INDIAN POINT Nuclear generating units similar in design to Con Edison's Indian Point 2 unit have experienced problems that have required steam generator replacement. Inspections of the Indian Point 2 steam generators since 1976 have revealed various problems, some of which appear to have been arrested, but the remaining service life of the steam generators is uncertain. The projected service life of the steam generators is reassessed periodically in the light of the inspections made during scheduled outages of the unit. Based on the latest available data and current NRC criteria, Con Edison estimates that steam generator replacement will not be required before 2001. Con Edison has replacement steam generators, which are stored at the site. Replacement of the steam generators would require estimated additional expenditures of approximately $108 million (1997 dollars, exclusive of replacement power costs) and an outage of approximately four months. However, securing necessary permits and approvals or other factors could require a substantially longer outage if steam generator replacement is required on short notice.

NUCLEAR INSURANCE The insurance policies covering Con Edison's nuclear facilities for property damage, excess property damage, and outage costs permit assessments under certain conditions to cover insurers' losses. As of December 31, 1997, the highest amount that could be assessed for losses during the current policy year under all of the policies was $24 million. While assessments may also be made for losses in certain prior years, Con Edison is not aware of any losses in such years that it believes are likely to result in an assessment.

Under certain circumstances, in the event of nuclear incidents at facilities covered by the federal government's third-party liability indemnification program, Con Edison could be assessed up to $79.3 million per incident, of which not more than $10 million may be assessed in any one year. The per-incident limit is to be adjusted for inflation not later than 1998 and not less than once every five years thereafter.

Con Edison participates in an insurance program covering liabilities for injuries to certain workers in the nuclear power industry. In the event of such injuries, Con Edison is subject to assessment up to an estimated maximum of approximately $3.1 million.

ENVIRONMENTAL MATTERS The normal course of Con Edison's operations necessarily involves activities and substances that expose it to potential liabilities under federal, state and local laws protecting the environment. Such liabilities can be material and in some instances may be imposed without regard to fault, or may be imposed for past acts, even though such past acts may have been lawful at the time they occurred. Sources of such potential liabilities include (but are not limited to) the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), a 1994 settlement with the New York State Department of Environmental Conservation (DEC), asbestos, and electric and magnetic fields (EMF).

SUPERFUND By its terms Superfund imposes joint and several strict liability, regardless of fault, upon generators of hazardous substances for resulting removal and remedial costs and environmental damages. Con Edison has received process or notice concerning possible claims under Superfund or similar state statutes relating to a number of sites at which it is alleged that hazardous substances generated by Con Edison (and, in most instances, a large number of other potentially responsible parties) were deposited. Estimates of the investigative, removal, remedial and environmental damage costs (if any) that Con Edison will be obligated to pay with respect to each of these sites range from extremely preliminary to highly refined. Based on these estimates Con Edison had accrued at December 31, 1997 a liability of approximately $25.4 million. There will be additional costs with respect to these and possibly other sites, the materiality of which is not presently determinable.

DEC SETTLEMENT In 1994 Con Edison agreed to a consent order settling a civil administrative proceeding instituted by the DEC alleging environmental violations by the company. Pursuant to the consent order, Con Edison has conducted an environmental management systems evaluation and an environmental compliance audit. Con Edison also must implement "best management practices" plans for certain facilities and undertake a remediation program at certain sites. At December 31, 1997 Con Edison had an accrued liability of $16.9 million for these sites. Expenditures for environmental-related capital projects in the five years 1998-2002, including expenditures to comply with the consent order, are estimated at $148 million. These estimated expenditures do not reflect divestiture by Con Edison of generating plants pursuant to the Settlement Agreement (see Note A) or otherwise.

ASBESTOS CLAIMS Suits have been brought in New York State and federal courts against Con Edison and many other defendants, wherein several hundred plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of Con Edison. Many of these suits have been disposed of without any payment by Con Edison, or for immaterial amounts. The amounts specified in all the remaining suits total billions of dollars but Con Edison believes that these amounts are greatly exaggerated, as were the claims already disposed of. Based on the information and relevant circumstances known to Con Edison at this time, it is the opinion of Con Edison that these suits will not have a material adverse effect on the company's financial position, results of operations or liquidity.

EMF Electric and magnetic fields are found wherever electricity is used. Con Edison is the defendant in several suits claiming property damage resulting from EMF. The aggregate amount sought in these suits is not material. In the event, however, that a causal relationship between EMF and adverse health effects is established, or independently of any such causal determination, in the event of adverse developments in related legal or public policy doctrines, there could be a material adverse effect on the electric utility industry, including Con Edison.

NOTE G NON-UTILITY GENERATORS (NUGS)

Con Edison has contracts with NUGs for 2,059 MW of electric generating capacity. Payments by Con Edison under the contracts are reflected in rates. Assuming performance by the NUGs, Con Edison is obligated over the terms of these contracts (which extend for various periods, up to 2036) to make capacity and other fixed payments.

For the years 1998 – 2002, capacity and other fixed payments are estimated to be $510 million, $508 million, $478 million, $485 million and $494 million. Such payments gradually increase to approximately $600 million in 2013, and thereafter decline significantly.

For energy delivered under these contracts, Con Edison is obligated to pay variable prices that are estimated to be approximately at market levels.

NOTE H STOCK-BASED COMPENSATION

Under CEI's Stock Option Plan, options may be granted to officers and key employees for up to 10,000,000 shares of CEI's common stock. Generally, options become exercisable three years after the grant date and remain exercisable until ten years from the grant date.

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," CEI has elected to follow Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of CEI's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Disclosure of pro-forma information regarding net income and earnings per share is required by SFAS No. 123. This information has been determined as if CEI had accounted for its employee stock options under the fair value method of that statement. The fair values of 1997 and 1996 options are $2.84 and $2.49 per share, respectively. They were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1997 and 1996, respectively: risk-free interest rates of 6.46 percent and 6.74 percent; expected lives of eight years for 1997 and 1996; expected volatility of 14.08 percent and 16.28 percent; and dividend yields of 6.67 percent and 7.46 percent.

Had CEI used SFAS No. 123, basic and diluted earnings per share for 1997 and 1996 would be unaffected and pro-forma net income for common stock would be $693,680,000 or $799,000 less than the amount reported for 1997, and $687,938,000 or $231,000 less than the amount reported for 1996.

A summary of the status of the Plan as of December 31, 1997 and 1996 and changes during those years is as follows:

	1997		1996	
	Options	Exercise Price	Options	Exercise Price
Outstanding at beginning of year	**697,200**	**$27.875**	0	$ -
Granted	**834,600**	**31.50**	704,200	27.875
Exercised	**0**		0	
Forfeited	**(14,100)**	**29.62**	(7,000)	27.875
Outstanding at end of year	**1,517,700**	**$ 29.85**	697,200	$ 27.875
Options exercisable at end of year	**0**		0	
Fair value of options granted during the year	**$ 2.84**		$ 2.49	

The following summarizes the Plan's stock options outstanding at December 31, 1997 and 1996:

Plan Year	Exercise Price	Options Outstanding at 12/31/97	Remaining Contractual Life
1997	**$ 31.50**	**827,800**	**9 years**
1996	$ 27.875	689,900	8 years

NOTE I FEDERAL INCOME TAX

The net revenue requirements for the future federal income tax component of accumulated deferred federal income taxes (see Note A) at December 31, 1997 and 1996 are shown on the following table:

(Millions of Dollars)	1997	1996
Future federal income tax liability		
Temporary differences between the book and tax bases of assets and liabilities:		
Property related	**$ 5,791.0**	$ 5,595.0
Reserve for injuries and damages	**(57.4)**	(55.7)
Other	**(112.9)**	16.7
Total	**5,620.7**	5,556.0
Future federal income tax computed at statutory rate – 35%	**1,967.2**	1,944.6
Less: Accumulated deferred federal income taxes previously recovered	**1,334.7**	1,304.8
Net future federal income tax expense to be recovered	**632.5**	639.8
Net revenue requirements for above (Regulatory asset – future federal income taxes)*	**973.1**	984.3
Add: Accumulated deferred federal income taxes previously recovered		
Depreciation	**1,188.7**	1,115.5
Unbilled revenues	**(98.3)**	(94.6)
Advance refunding of long-term debt	**30.1**	32.7
Other	**214.2**	251.2
Subtotal	**1,334.7**	1,304.8
Total accumulated deferred federal income tax	**$ 2,307.8**	$ 2,289.1

* Net revenue requirements will be offset by the amortization to federal income tax expense of accumulated deferred investment tax credits, the tax benefits of which Con Edison has already realized. Including the full effect therefrom, the net revenue requirements related to future federal income taxes at December 31, 1997 and 1996 are $809.4 million and $811.8 million, respectively.

NOTE I FEDERAL INCOME TAX, continued

Year Ended December 31 (Thousands of Dollars)	1997	1996	1995
Charged to: Operations	$ 382,910	$ 397,160	$ 396,560
Other income	(3,190)	(970)	1,060
Total federal income tax	379,720	396,190	397,620
Reconciliation of reported net income with taxable income			
Federal income tax – current	357,100	355,590	328,600
Federal income tax – deferred	31,450	49,510	78,330
Investment tax credits deferred	(8,830)	(8,910)	(9,310)
Total federal income tax	379,720	396,190	397,620
Net income	712,823	694,085	723,850
Income before federal income tax	1,092,543	1,090,275	1,121,470
Effective federal income tax rate	34.8%	36.3%	35.5%
Adjustments decreasing (increasing) taxable income			
Tax depreciation in excess of book depreciation:			
Amounts subject to normalization	215,370	201,760	202,230
Other	(64,502)	(99,576)	(85,538)
Deferred recoverable fuel costs	(3,161)	42,008	61,937
Regulatory accounts receivable	(47,079)	51,878	(32,827)
Excess research and development	14,980	(13,025)	(2,969)
Pension and other postretirement benefits	(6,820)	(34,136)	38,102
Power contract termination costs	(40,657)	(38,759)	(56,397)
Other – net	(9,200)	(45,729)	25,356
Total	58,931	64,421	149,894
Taxable income	1,033,612	1,025,854	971,576
Federal income tax – current			
Amount computed at statutory rate – 35%	361,764	359,049	340,052
Tax credits	(4,664)	(3,459)	(11,452)
Total	357,100	355,590	328,600
Charged to: Operations	359,300	357,000	328,200
Other income	(2,200)	(1,410)	400
Total	357,100	355,590	328,600
Federal income tax – deferred			
Charged to: Operations	32,440	49,070	77,670
Other income	(990)	440	660
Total	$ 31,450	$ 49,510	$ 78,330

NOTE J FINANCIAL INFORMATION BY BUSINESS SEGMENTS (a)

(Thousands of Dollars)	Electric 1997	Electric 1996	Electric 1995	Steam 1997	Steam 1996	Steam 1995
Operating revenues*	$ 5,646,916	$ 5,552,247	$ 5,401,524	$ 393,418	$ 405,040	$ 335,694
Operating expenses						
Purchased power	1,319,472	1,269,092	1,107,223	29,949	3,762	-
Fuel	429,324	377,351	354,086	167,500	195,924	150,018
Other operations and maintenance*	1,311,983	1,331,801	1,372,715	82,100	83,837	79,929
Depreciation and amortization	429,407	425,397	393,382	16,239	15,900	13,064
Taxes, other than federal income	989,791	980,309	951,095	53,108	51,361	45,788
Federal income tax	311,878	330,103	339,863	8,442	14,131	12,598
Total operating expenses*	4,791,855	4,714,053	4,518,364	357,338	364,915	301,397
Operating income	855,061	838,194	883,160	36,080	40,125	34,297
Construction expenditures	504,644	515,006	538,454	29,905	38,290	27,559
Net utility plant**	9,251,149	9,150,261	9,027,031	489,091	458,019	399,028
Fuel	51,629	64,231	40,444	2,068	478	62
Other identifiable assets	1,669,957	1,703,906	1,724,005	66,448	42,817	51,969
* Intersegment rentals included in segments' income but eliminated for total:						
Operating revenues	$ 11,341	$ 11,130	$ 12,116	$ 1,619	$ 1,491	$ 1,561
Operating expenses	2,605	2,472	2,513	12,519	12,190	13,102

	Gas 1997	Gas 1996	Gas 1995	Total 1997	Total 1996	Total 1995
Operating revenues*	$ 1,096,057	$ 1,017,124	$ 815,307	$ 7,121,254	$ 6,959,736	$ 6,536,897
Operating expenses						
Purchased power	-	-	-	1,349,421	1,272,854	1,107,223
Fuel	-	-	-	596,824	573,275	504,104
Gas purchased for resale	479,218	418,271	259,789	479,218	418,271	259,789
Other operations and maintenance*	204,687	221,011	214,818	1,583,633	1,621,974	1,651,834
Depreciation and amortization	57,133	55,115	49,330	502,779	496,412	455,776
Taxes, other than federal income	138,182	134,529	123,349	1,181,081	1,166,199	1,120,232
Federal income tax	62,590	52,926	44,099	382,910	397,160	396,560
Total operating expenses*	941,810	881,852	691,385	6,075,866	5,946,145	5,495,518
Operating income	154,247	135,272	123,922	1,045,388	1,013,591	1,041,379
Construction expenditures	119,672	121,937	126,790	654,221	675,233	692,803
Net utility plant**	1,526,862	1,459,030	1,388,344	11,267,102	11,067,310	10,814,403
Fuel and gas in storage	37,209	44,979	26,452	90,906	109,688	66,958
Other identifiable assets	165,977	197,033	177,374	1,902,382	1,943,756	1,953,348
Other corporate assets				1,462,128	936,431	1,115,181
Total assets				$ 14,722,518	$ 14,057,185	$ 13,949,890
* Intersegment rentals included in segments' income but eliminated for total:						
Operating revenues	$ 2,177	$ 2,054	$ 1,951	$ 15,137	$ 14,675	$ 15,628
Operating expenses	13	13	13	15,137	14,675	15,628

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

(a) Con Edison supplies electric service in all of New York City (except part of Queens) and most of Westchester County. It also supplies gas in Manhattan, The Bronx and parts of Queens and Westchester, and steam in part of Manhattan.

	1997	1996	1995	1994	1993
CUSTOMERS – Average for year					
Electric	**3,010,139**	3,001,870	2,994,447	2,980,026	2,964,716
Gas	**1,036,098**	1,035,528	1,034,784	1,031,675	1,028,048
Steam	**1,920**	1,932	1,945	1,964	1,973
SALES VOLUMES					
Electric (thousands of kilowatthours)					
Con Edison customers	**37,527,979**	37,203,954	36,958,368	36,774,164	36,240,999
Delivery service to NYPA and others	**8,793,378**	8,816,873	8,855,790	8,773,155	8,441,624
Service for municipal agencies	**845,895**	617,293	456,728	413,893	361,854
Off-system sales*	**2,499,587**	3,917,354	5,035,472	1,784,773	604,845
Gas (dekatherms)					
Con Edison customers	**116,597,299**	119,086,547	106,197,138	108,572,482	102,586,337
Transportation of customer-owned gas	**25,506,595**	9,978,107	30,361,189	18,369,501	20,891,649
Off-system sales	**13,958,984**	11,293,425	3,376,375	-	-
Steam (thousands of pounds)	**27,422,561**	29,995,762	29,425,780	30,685,155	29,394,335
OPERATING REVENUES (thousands)					
Electric sales to Con Edison customers	**$ 5,281,578**	$ 5,201,864	$ 4,971,871	$ 4,760,935	$ 4,806,555
Delivery service to NYPA and others	**237,969**	237,277	242,471	238,201	224,673
Service for municipal agencies	**46,636**	27,046	13,406	11,187	12,979
Off-system sales	**45,098**	56,697	61,511	49,058	29,232
Other electric revenues	**24,294**	18,233	100,149	81,091	58,226
Total electric	**5,635,575**	5,541,117	5,389,408	5,140,472	5,131,665
Gas sales revenues	**1,038,746**	964,002	788,789	872,354	789,744
Transportation of customer-owned gas	**9,998**	5,323	7,887	6,274	7,513
Off-system sales	**40,986**	39,317	6,810	-	-
Other gas revenues	**4,150**	6,428	9,870	11,479	11,132
Total gas	**1,093,880**	1,015,070	813,356	890,107	808,389
Steam sales revenues	**390,199**	400,021	334,129	340,635	325,188
Other steam revenues	**1,600**	3,528	4	1,872	152
Total steam	**391,799**	403,549	334,133	342,507	325,340
Total operating revenues	**$ 7,121,254**	$ 6,959,736	$ 6,536,897	$ 6,373,086	$ 6,265,394
* Includes thousands of kWh sold to NYPA and included in delivery service to NYPA	**54**	-	2,825	350	2,142
Also includes thousands of kWh generated by Con Edison for others from their fuel and subsequently purchased by Con Edison	**929,483**	1,553,764	2,666,837	30,400	-

STATISTICS, continued

	1997	1996	1995	1994	1993
TAXES, OTHER THAN FEDERAL INCOME (thousands)					
Property taxes	$ 602,561	$ 581,539	$ 563,775	$ 546,327	$ 577,244
Revenue taxes	477,666	475,672	457,400	468,210	470,229
Other	182,041	199,830	193,696	196,880	182,484
Total	$ 1,262,268	$ 1,257,041	$ 1,214,871	$ 1,211,417	$ 1,229,957
Charged to:					
Operating taxes	$ 1,181,081	$ 1,166,199	$ 1,120,232	$ 1,127,691	$ 1,159,283
Operations – principally fuel	36,847	47,636	34,855	38,368	37,502
Construction and other accounts	44,340	43,206	59,784	45,358	33,172
Total	$ 1,262,268	$ 1,257,041	$ 1,214,871	$ 1,211,417	$ 1,229,957
OPERATING INCOME (thousands)					
Electric	$ 855,061	$ 838,194	$ 883,160	$ 881,436	$ 815,954
Gas	154,247	135,272	123,922	117,173	106,609
Steam	36,080	40,125	34,297	37,574	28,501
Total	$ 1,045,388	$ 1,013,591	$ 1,041,379	$ 1,036,183	$ 951,064
SHAREHOLDERS at December 31					
Common	134,993	144,561	152,034	159,632	166,587
Preferred	5,882	10,788	12,664	13,708	14,839
Total	140,875	155,349	164,698	173,340	181,426
SHARES OUTSTANDING at December 31					
Common	235,489,650	234,993,596	234,956,299	234,905,235	234,372,931
Preferred	3,345,495	3,391,800	6,564,493	6,568,421	6,572,597
EMPLOYEES at December 31	15,029	15,801	16,582	17,097	17,586
ACTIVE PAYROLL (thousands)					
Operating	$ 736,958	$ 736,160	$ 731,950	$ 712,519	$ 718,979
Construction and other	262,425	270,956	254,956	254,878	244,102
Total	$ 999,383	$ 1,007,116	$ 986,906	$ 967,397	$ 963,081

ELECTRIC SYSTEM Con Edison Customers Only

Year	Capability at Time of System Peak Period – Kilowatts: Net Generating Capacity	Net Firm Purchases (d)	Total Capacity Resources	Con Edison Customer Peak (a): Date	Kilowatts	Heat Rate (b): Btu per kWh	Residential Sales (c): kWh per Customer	Revenue Cents per kWh
1997	**8,335,000**	**3,372,000**	**11,707,000**	**July 15**	**9,350,000**	**11,004**	**4,225**	**16.6**
1996	8,463,000	2,912,000	11,375,000	July 18	8,158,000	11,124	4,184	16.5
1995	8,589,000	3,309,000	11,898,000	Aug. 2	9,216,000	11,012	4,188	16.1
1994	8,652,000	2,595,000	11,247,000	July 8	8,833,000	10,880	4,136	15.8
1993	9,073,000	1,999,000	11,072,000	July 8	9,059,000	10,893	4,104	16.0

(a) One hour net maximum load distributed to Con Edison customers on day of service area peak.
(b) Reflects increased reliance on power purchases.
(c) Includes municipal agency sales.
(d) Excludes reserve credit from NYPA purchases.

ELECTRIC SYSTEM Con Edison Service Area

Year	Capability at Time of System Peak Period – Kilowatts: Net Generating Capacity (b)	Net Firm Purchases (c)	Total Capacity Resources	Service Area Peak (a): Date	Kilowatts
1997	**10,234,000**	**3,733,000**	**13,967,000**	**July 15**	**11,013,000**
1996	10,362,000	3,273,000	13,635,000	July 18	9,788,000
1995	10,488,500	3,626,300	14,114,800	Aug. 2	10,805,000
1994	9,481,400	3,980,500	13,461,900	July 8	10,384,000
1993	10,882,400	2,283,000	13,165,400	July 8	10,667,000

(a) One hour net maximum load distributed in service area.
(b) Includes the capacity of NYPA's Poletti and Indian Point units, except 1994 which includes only NYPA's Poletti unit.
(c) Excludes reserve credit from NYPA purchases.

1997 ELECTRIC SALES AND REVENUES

	Thousands of Kilowatthours	% Change from 1996	Sales Revenues (Thousands of Dollars)	% Change from 1996
Residential	11,002,745	1.2	$ 1,827,343	2.2
Commercial-industrial	25,911,199	0.7	3,356,788	1.5
Railroads and railways	75,392	60.4	10,066	Large
Public authorities	538,643	(4.6)	59,963	(2.5)
ERAM accrual	-	-	18,008	77.9
ERAM billings	-	-	9,410	(66.7)
Total sales to Con Edison customers	37,527,979	0.9	5,281,578	1.5
Delivery service to NYPA and others	8,793,378	(0.3)	237,969	0.3
Service for municipal agencies	845,895	37.0	46,636	72.4
Total sales in service territory	47,167,252	1.1	$ 5,566,183	1.8
Off-system sales	2,499,587*	(36.2)	$ 45,098	(20.5)

* See footnote on Statistics, page 48.

Residential – Sales directly to residential customers and to religious institutions. **Commercial-industrial** – Sales to all types of general customers, including customers that include residential or commercial tenant-use in the rent and customers that resell energy to commercial and industrial tenants. **Railroads and railways** – Sales to certain electrified railroads. **Public authorities** – Sales to municipal and other governmental authorities. **Delivery service to NYPA and others** – Electricity supplied by New York Power Authority and others and distributed by Con Edison. **Service for municipal agencies** – Electricity supplied by the New York City Public Utility Service and the County of Westchester Public Utility Service Agency and distributed by Con Edison.

1997 GAS SALES AND REVENUES

	Dekatherms	% Change from 1996	Sales Revenues (Thousands of Dollars)	% Change from 1996
Firm sales:				
Residential	53,217,428	(6.0)	$ 597,114	5.5
General	39,468,337	(6.5)	321,255	6.4
Total firm sales	92,685,765	(6.2)	918,369	5.8
Interruptible sales	23,911,534	17.8	120,377	24.9
Total sales to Con Edison customers	116,597,299	(2.1)	1,038,746	7.8
Transportation of customer-owned gas:				
NYPA	17,041,695	Large	1,071	(15.5)
Other	8,464,900	68.9	8,927	Large
Off-system sales	13,958,984	23.6	40,986	4.2
Total sales and transportation	156,062,878	11.2	$ 1,089,730	8.0

Residential – Sales directly to residential customers and to religious institutions, including sales for heating. **General** – Sales to commercial, industrial and governmental customers that use gas for various purposes in their operations. **Interruptible** – Sales to other general-use customers that use gas on an interruptible basis. **Transportation of customer-owned gas** – Gas purchased directly by customers from suppliers and transported by Con Edison for the customers' own use. Also includes gas transported by Con Edison for NYPA for use as boiler fuel at NYPA's Poletti unit. **Off-system sales** – Sales of gas outside Con Edison's gas franchise service area.

1997 STEAM SALES AND REVENUES

	Thousands of Pounds	% Change from 1996	Sales Revenues (Thousands of Dollars)	% Change from 1996
General	714,716	(12.3)	$ 15,121	(3.6)
Annual power	18,826,245	(9.5)	266,499	(3.6)
Apartment house	7,881,600	(5.8)	108,579	0.7
Total	27,422,561	(8.6)	$ 390,199	(2.5)

General – Sales to relatively small-use customers. **Annual power** – Sales for power, or power and heat use. **Apartment house** – Sales to apartment houses and hotels.

MANAGEMENT CONSOLIDATED EDISON, INC.

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Eugene R. McGrath

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Joan S. Freilich*

SENIOR VICE PRESIDENT AND GENERAL COUNSEL
Peter J. O'Shea, Jr.

SECRETARY
Archie M. Bankston

VICE PRESIDENT AND CONTROLLER
Hyman Schoenblum

VICE PRESIDENT AND TREASURER
Robert P. Stelben

MANAGEMENT CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Eugene R. McGrath

PRESIDENT AND CHIEF OPERATING OFFICER
J. Michael Evans*

EXECUTIVE VICE PRESIDENTS
Joan S. Freilich (and Chief Financial Officer)*
Charles F. Soutar, Central Services

SENIOR VICE PRESIDENTS
Stephen B. Bram, Central Operations
Kevin Burke, Corporate Planning*
Mary Jane McCartney, Gas
Peter J. O'Shea, Jr. (and General Counsel)
Horace S. Webb, Public Affairs

GENERAL AUDITOR
James P. O'Brien

SECRETARY
Archie M. Bankston

VICE PRESIDENT AND CONTROLLER
Hyman Schoenblum

VICE PRESIDENT AND TREASURER
Robert P. Stelben

VICE PRESIDENTS
Robert A. Bell, Research and Development
Marilyn Caselli, Staten Island Customer Service
V. Richard Conforti, Transportation and Stores
Richard P. Cowie, Employee Relations
Robert F. Crane, Gas Supply
Vincent J. D'Amelio, Bronx and Westchester Customer Service
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Jacob Feinstein, System and Transmission Operations
David F. Gedris, Fossil Power
Garrett W. Groscup, Customer Operations
William A. Harkins, Energy Management
Paul H. Kinkel, Nuclear Power
M. Peter Lanahan, Jr., Environment, Health and Safety
Richard J. Morgan, Steam Operations
John A. Nutant, Manhattan Customer Service
Stephen E. Quinn, Maintenance and Construction
Louis L. Rana, System and Transmission Operations*
Edwin W. Scott (and Deputy General Counsel)
Wanda M. Skalba, Information Resources
Minto L. Soares, Substation Operations
Alfred R. Wassler, Purchasing

* Effective March 1, 1998

INVESTOR INFORMATION

ANNUAL STOCKHOLDERS' MEETING

The 1998 Annual Meeting of Stockholders will be held at 1:30 p.m. on Monday, May 18, at: The Theater at Madison Square Garden, Seventh Avenue between 31st and 33rd Streets, New York, N.Y.

Proxies will be requested from stockholders when the notice of meeting and proxy statement are mailed on or about April 6, 1998.

STOCK LISTING

The Common Stock is listed on the New York Stock Exchange. The Common Stock ticker symbol is "ED." The press listing is "ConEdison" or "ConEd." The $5 Cumulative Preferred Stock and the Cumulative Preferred Stock, 4.65% Series C are also listed on the New York Stock Exchange.

TRANSFER AGENT

Con Edison Investor Services
4 Irving Place, Room 215-S
New York, N.Y. 10003
Mail address: Cooper Station
P.O. Box 149
New York, N.Y. 10276-0149
Toll-free telephone: **(800) 522-5522**

REGISTRAR

ChaseMellon Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, N.J. 07660

DIVIDEND REINVESTMENT

Stockholders of record of the Company's Common Stock are eligible to participate in the Company's Automatic Dividend Reinvestment and Cash Payment Plan. For more information and a copy of the Plan prospectus, please call Con Edison Investor Services at **(800) 522-5522**.

DUPLICATE MAILINGS AND MULTIPLE ACCOUNTS

Stockholders with more than one account or stockholders who share the same address may receive more than one annual report and other mailings. To eliminate duplicate mailings, please call us at **(800) 522-5522** or write to Con Edison Investor Services, Cooper Station, P.O. Box 149, New York, N.Y. 10276-0149, enclosing labels from the mailings or label information where possible. Separate dividend checks and proxy materials will continue to be sent for each account on our records.

ADDITIONAL INFORMATION

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

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

Archie M. Bankston
Secretary
Con Edison
4 Irving Place
New York, N.Y. 10003

For up-to-date stock account information 24 hours a day, shareholders may call an automated toll-free number, **(800) 522-5522**. At the same phone number, callers may speak with an Investor Services representative Monday through Friday, 8:30 a.m. to 4 p.m.

For additional financial, operational and customer service information, visit the Con Edison web site at **www.coned.com**. Address email messages to invest@coned.com. Send fax messages to (212) 673-8616. Address correspondence to Con Edison, Cooper Station, P.O. Box 149, New York, N.Y. 10276-0149.

HOW TO REACH US

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