Orange and Rockland Utilities, Inc.
First Quarter 2007 Financial Statements and Notes

Financial Statements (Unaudited)

Orange and Rockland Utilities, Inc.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 2007	December 31, 2006
	(Millions of Dollars)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	$ 922	$ 903
Gas	388	385
General	127	125
Total	1,437	1,413
Less: Accumulated depreciation	414	409
Net	1,023	1,004
Construction work in progress	28	39
NET UTILITY PLANT	1,051	1,043
CURRENT ASSETS		
Cash and temporary cash investments	6	21
Restricted cash	1	2
Accounts receivable - customers, less allowance for uncollectible accounts of $2 in 2007 and 2006	60	48
Accrued unbilled revenue	32	36
Other receivables, less allowance for uncollectible accounts of $1 in 2007 and 2006	41	43
Accounts receivable from affiliated companies	12	5
Gas in storage, at average cost	24	57
Materials and supplies, at average cost	7	7
Prepayments	11	10
Fair value of derivative assets	10	2
Deferred derivative losses	7	24
Recoverable energy costs	23	22
Other current assets	1	-
TOTAL CURRENT ASSETS	235	277
INVESTMENTS	12	11
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Regulatory assets	398	412
Other deferred charges and noncurrent assets	31	25
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	429	437
TOTAL ASSETS	$ 1,727	$ 1,768

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 2007	December 31, 2006
	(Millions of Dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholder's equity (See Statement of Common Shareholder's Equity)	$ 374	$ 360
Long-term debt	435	436
TOTAL CAPITALIZATION	809	796
NONCURRENT LIABILITIES		
Provision for injuries and damages	6	6
Pensions and retiree benefits	299	299
Superfund and other environmental costs	49	49
Hedges on variable rate long-term debt	12	12
Uncertain income taxes	11	-
TOTAL NONCURRENT LIABILITIES	377	366
CURRENT LIABILITIES		
Long-term debt due within one year	2	22
Notes payable	5	34
Accounts payable	69	77
Accounts payable to affiliated companies	61	68
Customer deposits	14	14
Accrued taxes	17	5
Accrued interest	13	10
Deferred derivative gains	9	1
Deferred income taxes - recoverable energy costs	10	9
Other current liabilities	15	30
TOTAL CURRENT LIABILITIES	215	270
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	189	199
Regulatory liabilities	123	120
Other deferred credits	14	17
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	326	336
TOTAL CAPITALIZATION AND LIABILITIES	$ 1,727	$ 1,768

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Orange and Rockland Utilities, Inc.
CONSOLIDATED INCOME STATEMENT
(Unaudited)

	For the Three Months Ended March 31, 2007	2006
	(Millions of Dollars)	
OPERATING REVENUES		
Electric	$ 144	$ 126
Gas	113	106
TOTAL OPERATING REVENUES	257	232
OPERATING EXPENSES		
Purchased power	83	67
Gas purchased for resale	71	74
Other operations and maintenance	46	44
Depreciation and amortization	9	9
Taxes, other than income taxes	10	13
Income taxes	12	7
TOTAL OPERATING EXPENSES	231	214
OPERATING INCOME	26	18
OTHER INCOME (DEDUCTIONS)		
Investment and other income	-	1
INTEREST EXPENSE		
Interest on long-term debt	6	5
Other interest	1	2
NET INTEREST EXPENSE	7	7
NET INCOME	$ 19	$ 12

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended March 31, 2007	2006
	(Millions of Dollars)	
NET INCOME	$ 19	$ 12
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Pension plan liability adjustments, net of $1 taxes in 2007	2	(1)
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of $(1) taxes in 2006	1	(1)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	3	(2)
COMPREHENSIVE INCOME	$ 22	$ 10

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S EQUITY

(Unaudited)

(Millions of Dollars/Except Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE AS OF DECEMBER 31, 2005	1,000	$ -	$ 194	$ 183	$ (8)	$ 369
Net Income				12		12
Common stock dividend to parent				(7)		(7)
Other comprehensive loss					(2)	(2)
BALANCE AS OF MARCH 31, 2006	1,000	$ -	$ 194	$ 188	$ (10)	$ 372
BALANCE AS OF DECEMBER 31, 2006	1,000	$ -	$ 194	$ 200	$ (34)	$ 360
Net Income				19		19
Common stock dividend to parent				(8)		(8)
Other comprehensive income					3	3
BALANCE AS OF MARCH 31, 2007	1,000	$ -	$ 194	$ 211	$ (31)	$ 374

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	For the Three Months Ended March 31, 2007	2006
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$ 19	$ 12
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	9	9
Deferred income taxes	-	(14)
Other non-cash items (net)	5	(1)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers, less allowance for uncollectibles	(12)	(6)
Accounts receivable from affiliated companies	(7)	10
Materials and supplies, including gas in storage	33	33
Prepayments, other receivables and other current assets	5	(8)
Recoverable energy costs	(4)	17
Accounts payable	(8)	(20)
Accounts payable to affiliated companies	12	39
Pensions and retiree benefits	4	14
Accrued taxes	12	(1)
Accrued interest	3	2
Deferred charges and other regulatory assets	7	1
Deferred credits and regulatory liabilities	(3)	6
Other assets	(1)	-
Other liabilities	(15)	(2)
NET CASH FLOWS FROM OPERATING ACTIVITIES	59	91
INVESTING ACTIVITIES		
Utility construction expenditures	(16)	(18)
Decrease in restricted cash	1	-
Cost of removal less salvage	(1)	(1)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(16)	(19)
FINANCING ACTIVITIES		
Net payments of short-term debt	(29)	(50)
Retirement of long-term debt	(21)	(1)
Dividend to parent	(8)	(7)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(58)	(58)
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(15)	14
BALANCE AT BEGINNING OF PERIOD	21	9
BALANCE AT END OF PERIOD	$ 6	$ 23
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 10	$ 5
Income Taxes	$ 2	$ (10)

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

Notes to the Financial Statements (Unaudited)

General

These notes accompany and form an integral part of the unaudited interim financial statements of Orange and Rockland Utilities, Inc., a New York corporation, and its subsidiaries (the Company or O&R). The Company is a regulated utility, the equity of which is owned entirely by Consolidated Edison, Inc. (Con Edison). O&R has two regulated utility subsidiaries: Rockland Electric Company (RECO) and Pike County Light & Power Company (Pike). For the three months ended March 31, 2007 and 2006, operating revenues for RECO and Pike were 16.3 percent and 0.8 percent and 15.5 percent and 1.6 percent, respectively, of O&R's consolidated operating revenues. O&R, along with its regulated utility subsidiaries, provides electric service in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania and gas service in southeastern New York and adjacent areas of eastern Pennsylvania. RECO owns Rockland Electric Company Transition Funding LLC, which was formed in 2004 in connection with the securitization of certain purchased power costs.

The Company is subject to regulation by the Federal Energy Regulatory Commission (FERC), the New York Public Service Commission (PSC), the New Jersey Board of Public Utilities (NJBPU) and the Pennsylvania Public Utility Commission (PPUC) with respect to rates and accounting.

The interim consolidated financial statements of O&R are unaudited but, in the opinion of its management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. O&R's interim consolidated financial statements should be read together with its separate audited financial statements (including the notes thereto) for the year ended December 31, 2006 (2006 Annual Financial Statements). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

Note A – Regulatory Matters

Reference is made to "Rate and Restructuring Agreements" in Note B to the 2006 Annual Financial Statements for information pertaining to the Company's current rate agreements.

Rate and Restructuring Agreements

Electric

In March 2007, the PSC ordered that O&R's rates be made temporary, the effect of which is that amounts collected by O&R for electric service rendered in New York State after March 1, 2007 will be subject to refund pending the conclusion of a proceeding to set new rates. In the Order, the PSC confirmed that no issues had been raised regarding the company's service adequacy or operations. Evidentiary hearings are scheduled to commence in the permanent phase of this proceeding on June 7, 2007. A decision by the PSC in this proceeding is expected in the third quarter of 2007.

In April 2007, the PSC issued an order requiring utilities to develop proposals for a true-up based delivery service decoupling mechanism for consideration in individual utility rate cases. O&R filed its electric revenue decoupling proposal as part of the aforementioned rate proceeding.

In April 2007, the PSC issued an order commencing a proceeding to determine whether it should change its policies concerning utilities entering into long-term contracts.

In March 2007, the NJBPU approved a new three-year electric base rate plan for RECO that went into effect on April 1, 2007. The plan provides for a $6.4 million rate increase during the first year, with no further increase during the final two years. The plan reflects a return on common equity of 9.75 percent and a common equity ratio of 46.5 percent of capitalization.

Approximately 50 customers of Pike have filed complaints with the PPUC regarding the increase in the Pike's default service rates that commenced in January 2006. The PPUC has consolidated these complaints in one administrative proceeding. Pike has moved to dismiss these complaints. Evidentiary hearings were held on November 2006 and January 2007 to consider these complaints. The PPUC is expected to render a decision in the second quarter of 2007. O&R does not expect that the PPUC's decision on these complaints will have a material adverse effect on its financial position, results of operation or liquidity.

In January 2007, Pike filed a petition with the PPUC seeking approval to obtain its default service supply for the period beginning January 2008 through a competitive auction. Evidentiary hearings were held in April 2007 and a PPUC decision is expected in July 2007.

Regulatory Assets and Liabilities

Regulatory assets and liabilities at March 31, 2007 and December 31, 2006 were comprised of the following items:

(Millions of Dollars)	2007	2006
Regulatory assets		
Unrecognized pension and other postretirement costs	$148	$152
Transition bond charges	66	67
Environmental remediation costs	63	63
Pension and other postretirement benefits deferrals	56	59
Future federal income tax	55	54
Other	10	17
Regulatory assets	398	412
Deferred derivative losses - current	7	24
Recoverable energy costs - current	23	22
Total regulatory assets	$428	$458
Regulatory liabilities		
Allowance for cost of removal less salvage	$60	$60
Refundable energy costs	24	27
NYS tax law changes	10	10
Property tax deferral	5	5
Unrealized gains on hedging	7	1
Other	17	17
Regulatory liabilities	123	120
Deferred derivative gains – current	9	1
Total regulatory liabilities	$132	$121

Note B – Short-Term Borrowing and Credit Agreements

Reference is made to Note D to the 2006 Annual Financial Statements.

At March 31, 2007 and 2006, O&R had $4.5 million and $50.8 million of commercial paper outstanding at a weighted average interest rate of 5.5 percent and 4.9 percent, respectively. At March 31, 2007 and 2006, $30.1 million and $0.05 million of letters of credit were outstanding under the agreements, respectively.

Note C – Pension Benefits

Reference is made to Note E to the 2006 Annual Financial Statements.

Net Periodic Benefit Cost

The components of the Company's net periodic benefit costs for the three months ended March 31, 2007 and 2006 were as follows:

(Millions of Dollars)	2007	2006
Service cost – including administrative expenses	$3	$2
Interest cost on projected benefit obligation	8	7
Expected return on plan assets	(7)	(6)
Amortization of net actuarial loss	5	6
NET PERIODIC BENEFIT COST	$9	$9
Cost capitalized	(2)	(2)
Cost deferred	(2)	(3)
Cost charged to operating expenses	$5	$4

In December 2006, O&R adopted Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of Financial Accounting Standards Board (FASB) Statements No. 87, 88, 106 and 132 (R)" (SFAS No. 158). In the first quarter of 2007, in accordance with SFAS No. 158 and based on the final actuarial valuation as of December 31, 2006, O&R adjusted the estimated amounts recorded upon adoption of SFAS No. 158 by increasing its pension liability by $5 million and the related regulatory asset by $4 million and recognizing a charge of $1 million (net of taxes) to Other Comprehensive Income (OCI).

Note D – Other Postretirement Benefits

Reference is made to Note F of the 2006 Annual Financial Statements.

Net Periodic Benefit Cost

The components of the Company's net periodic postretirement benefit costs for the three months ended March 31, 2007 and 2006 were as follows:

(Millions of Dollars)	2007	2006
Service cost	$1	$1
Interest cost on accumulated other postretirement benefit obligation	3	2
Expected return on plan assets	(2)	(1)
Amortization of net actuarial loss	2	2
NET PERIODIC POSTRETIREMENT BENEFIT COST	$4	$4
Cost capitalized	(1)	(1)
Cost deferred	(2)	(1)
Cost charged to operating expenses	$1	$2

In the first quarter of 2007, in accordance with SFAS No. 158 and based on the final actuarial valuation as of December 31, 2006, O&R adjusted the estimated amounts recorded upon adoption of SFAS No. 158 by decreasing its liability for other postretirement benefits by $9 million and the related regulatory asset by $7 million and recognizing a credit of $1 million (net of taxes) to OCI.

Note E – Environmental Matters

Hazardous substances, such as coal tar and asbestos, have been used or generated in the course of operations of O&R and its predecessors and are present at sites and in facilities and equipment they currently or previously owned, including seven sites at which gas was manufactured (the MGP Sites).

MGP Sites

The New York State Department of Environmental Conservation (DEC) requires O&R to develop and implement remediation programs for its MGP Sites. O&R has investigated and detected soil and/or groundwater contamination to varying degrees at its MGP Sites. Remediation has been completed at one MGP site and is currently underway at another MGP site. Additional investigation will be required for three of the remaining MGP sites and remediation required at all of them. At March 31, 2007 and December 31, 2006, O&R had an accrued liability of $49 million for its MGP Sites.

In 2006, O&R estimated that the aggregate undiscounted potential liability for the remediation of the MGP Sites, each of which has been investigated, could range up to $96 million. These estimates were based on assumptions regarding the extent of contamination and the type and extent of remediation that may be required. Actual experience may be materially different.

O&R is permitted under its New York rate agreements to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs. At March 31, 2007 and December 31, 2006, O&R's regulatory asset for recovery of these costs were $63 million. The environmental remediation costs for the three months ended March 31, 2007 and 2006 were approximately $1 million. There were no insurance recoveries during these periods.

In February 2006, a suit was brought against the Company seeking unspecified compensatory and punitive damages with respect to two decedents whose deaths were allegedly caused by exposure to contaminants from an O&R MGP site. The Company is in the process of investigating the allegations.

Asbestos Proceedings

Suits have been brought against O&R and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various O&R premises. The suits that have been resolved, which are many, have been resolved without any payment by O&R, or for amounts that were not, in the aggregate, material to the Company. The amounts specified in all the remaining suits total billions of dollars; however, the Company believes that these amounts are greatly exaggerated, based on the disposition of previous claims.

In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. The Company defers as regulatory assets (for subsequent recovery through rates) costs incurred for asbestos claims by employees and third-party contractors relating to its divested generating plants.

The Company's accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) was $5 million at March 31, 2007 and December 31, 2006.

Note F – Other Material Contingencies

Mirant Litigation

In June 1999, O&R completed the sale of all of its generating assets and Con Edison of New York completed the sale of its two-thirds interest in the Bowline Point generating facility to affiliates (Mirant Affiliates) of Mirant Corporation (Mirant, formerly Southern Energy, Inc.). The total gross proceeds from the sale amounted to $476 million ($343 million attributable to O&R and $133 million attributable to Con Edison of New York). In 2003, Mirant and most of its subsidiaries filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In January 2006, Mirant and most of its subsidiaries, but not the Mirant Affiliates, emerged from bankruptcy.

In May 2006, Mirant, the Mirant Affiliates and another Mirant subsidiary (the Claimants) commenced a proceeding seeking, among other things, to void the sale of the generating assets and recover the amounts paid by the Mirant Affiliates in connection with the sale (which the Claimants allege exceeded the fair value of the assets), together with interest on such amounts. In addition, the Claimants seek damages and a declaration that the Utilities defend and indemnify the Mirant Affiliates in connection with certain environmental, operational and other matters relating to some of the assets, the costs of which could be substantial. The Claimants also object to the allowance of claims totaling approximately $1 million filed by the Utilities in the bankruptcy proceeding.

In May 2007, O&R and Con Edison of New York agreed to resolve their pending legal proceedings with the Claimants on terms that are not expected to have a material adverse effect on the financial position, results of operations or liquidity of O&R or Con Edison of New York. The parties' agreement is subject to court approval.

Also in May 2007, the Mirant Affiliate that owns the Lovett generating facility retired two of its three operating units. It also indicated that it may retire the remaining unit. O&R believes that the recent upgrades to its transmission and distribution system will allow it to meet existing and future demand requirements independent of the status of the Lovett generation facility.

Note G – Income Tax

Uncertain Tax Positions

In January 2007, Con Edison and its subsidiaries adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48). This interpretation clarifies the accounting for uncertain tax positions in accordance with FASB Statement No. 109. Under the interpretation, an enterprise would not be allowed to recognize, in its financial statements, the benefit of a tax position unless that position is more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals and litigation processes, based solely on the technical merits of the position.

The IRS has essentially completed its audits of Con Edison's federal income tax returns, which includes O&R, through 2001 and for tax year 2005. Con Edison's federal income tax returns for 2002 through 2004, which the IRS is reviewing, reflect certain tax positions with which the IRS does not or may not agree, including tax positions with respect to the deduction of certain construction-related costs for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company used the "simplified service cost method" (SSCM) to determine the extent to which construction-related costs could be deducted in 2002 through 2005, and as a result reduced its current tax expense by $29 million. In August 2005, the IRS issued Revenue Ruling 2005-53 with respect to when federal income tax deductions can be taken for certain construction-related costs. The Company expects that it will be required to repay, with interest, a portion of its past SSCM tax benefits and to capitalize and depreciate over a period of years costs it previously deducted under SSCM. Interest on all past SSCM tax benefits for O&R would be approximately $8 million. Repayment of the SSCM tax benefits would not otherwise affect the Company's results of operations because deferred taxes have been previously provided for the related temporary differences between the SSCM deductions taken for federal income tax purposes and the corresponding amounts charged to expense for financial reporting purposes.

Upon adoption of FIN 48, the Company reclassified previously recorded tax liabilities of $11 million, which primarily related to SSCM, to a liability for uncertain tax positions. At March 31, 2007, the liability for uncertain tax positions was $11 million and accrued interest on the liability amounted to $4 million, of which $3 million, the portion related to the Company's New York operations, was deferred as a regulatory asset pending recovery through rates. The Company recognizes interest accrued related to the liability for uncertain tax positions in interest expense and penalties, if any, in operating expenses in the Company's consolidated income statements.

The Company does not expect the total amounts of uncertain tax positions to significantly increase or decrease within the next 12 months.

The adoption of FIN 48 did not have a material impact on the Company's financial position, results of operations or liquidity.

Note H – Stock-Based Compensation

For a description of stock-based compensation, including stock options, restricted stock units (RSUs) and the stock purchase plan, reference is made to Note L to the 2006 Annual Financial Statements.

In accordance with SFAS No. 123(R), "Share-Based Payment," the Company has recognized the cost of stock-based compensation as an expense using a fair value measurement method. The following table summarizes stock-based compensation expense recognized by the Company in the three months ended March 31, 2007 and 2006:

(Thousands of Dollars)	2007	2006
Stock options	$23	$227
Performance-based restricted stock	56	526
Total	$79	$753

Stock Options

A summary of changes in the status of stock options awarded to O&R employees as of March 31, 2007 and 2006 were as follows:

	Shares	Weighted Average Exercise Price
Outstanding at 12/31/05	538,000	$40.788
Granted	77,000	46.880
Exercised	(2,500)	38.182
Forfeited	-	-
Outstanding at 3/31/06	612,500	$41.565
Outstanding at 12/31/06	614,850	$41.946
Granted	-	-
Exercised	(28,650)	38.752
Forfeited	-	-
Outstanding at 3/31/07	586,200	$42.102

The change in the fair value of all outstanding options from their grant dates to March 31, 2007 and 2006 (aggregate intrinsic value) for O&R were $5 million and $1 million, respectively. The aggregate intrinsic value of options exercised by employees of Con Edison's affiliates, including O&R, in the period ended March 31, 2007 and 2006 were $7 million and $1 million, respectively, and the cash received by Con Edison for payment of the exercise price were $40 million and $2 million, respectively. The weighted average remaining contractual life of options outstanding is six years as of March 31, 2007.

The following table summarizes O&R employees' stock options outstanding at March 31, 2007 for each plan year:

Plan Year	Remaining Contractual Life	Options Outstanding	Weighted Average Exercise Price	Options Exercisable
2006	9	124,000	$45.599	-
2005	8	105,000	43.031	-
2004	7	94,500	43.794	47,000
2003	6	85,700	39.835	85,700
2002	5	89,500	42.510	89,500
2001	4	58,500	37.750	58,500
2000	3	29,000	32.500	29,000
Total		586,200	$42.102	309,700

There were no awards granted in 2007. The exercise prices of options awarded in 2006 range from $43.50 and $46.88. The total expense to be recognized in future periods for the unvested stock options outstanding as of March 31, 2007 is $0.2 million for O&R.

Restricted Stock Units

At March 31, 2007 and 2006, there were 35,000 units outstanding for O&R. The weighted average fair value as of the grant date of the outstanding units is $34.783 per unit for O&R.

A summary of changes in the status of the Performance RSUs' Total Shareholder Return (TSR) portion during the three months ended March 31, 2007 and 2006 were as follows:

	Units	Weighted Average Fair Value*
Non-vested at 12/31/05	7,300	$34.37
Granted	4,900	35.64
Vested and Exercised	(3,625)	43.06
Forfeited	-	-
Non-vested at 3/31/06	8,575	$18.58
Non-vested at 12/31/06	8,575	$18.58
Granted	10,250	45.73
Vested and Exercised	-	-
Forfeited	-	-
Non-vested at 3/31/07	18,825	$36.12

* Fair value is determined using the Monte Carlo simulation.

A summary of changes in the status of the Performance RSUs' Executive Incentive Plan (EIP) portion during the three months ended March 31, 2007 and 2006 were as follows:

	Units	Weighted Average Price
Non-vested at 12/31/05	7,300	$43.39
Granted	4,900	46.88
Vested and Exercised	(3,625)	43.06
Forfeited	-	-
Non-vested at 3/31/06	8,575	$48.07
Non-vested at 12/31/06	8,575	$48.07
Granted	10,250	47.53
Vested and Exercised	-	-
Forfeited	-	-
Non-vested at 3/31/07	18,825	$51.06

The total expense to be recognized by O&R in future periods for unvested Performance RSUs outstanding as of March 31, 2007 is $1.2 million.

Stock Purchase Plan

In the three months ended March 31, 2007 and 2006, 149,397 shares and 149,584 shares were purchased under the Con Edison Stock Purchase Plan at a weighted average price of $48.50 and $46.17 per share, respectively.

Note I – Financial Information By Business Segment

Reference is made to Note M to the 2006 Annual Financial Statements.

The financial data for the business segments are as follows:

	For the Three Months Ended March 31,							
	Operating Revenues		Inter-segment Revenues		Depreciation and Amortization		Operating Income	
(Millions of Dollars)	2007	2006	2007	2006	2007	2006	2007	2006
Electric	$144	$126	$ -	$ -	$6	$6	$10	$8
Gas	113	106	-	-	3	3	16	10
Total	$257	$232	$ -	$ -	$9	$9	$26	$ 18

Note J – Derivative Instruments and Hedging Activities

Reference is made to Note N to the 2006 Annual Financial Statements.

Energy Price Hedging

The Company hedges market price fluctuations associated with physical purchases and sales of electricity and natural gas by using derivative instruments including futures, forwards, basis swaps, or options. The fair values of these hedges at March 31, 2007 and December 31, 2006 were as follows:

(Millions of Dollars)	2007	2006
Fair value of net assets	$16	$(19)

Credit Exposure

The Company is exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities. The Company uses credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements and collateral or prepayment arrangements.

The Company had $44 million credit exposure in connection with energy supply and hedging activities, net of collateral and reserves, at March 31, 2007. The Company's net credit exposure consisted of $35 million with investment-grade counterparties and $9 million with commodity exchange brokers.

Cash Flow Hedges

The Company designates a portion of its derivative instruments as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). Under cash flow hedge accounting, to the extent a hedge is determined to be "effective," the unrealized gain or loss on the hedge is recorded in OCI and reclassified to earnings at the time the underlying transaction is completed. A gain or loss relating to any portion of the hedge determined to be "ineffective" is recognized in earnings in the period in which such determination is made.

At March 31, 2007, the cash flow hedges included in accumulated OCI had a maximum term of 12 months and the portion expected to be reclassified to earnings during the next 12 months was $1 million. The actual amounts that will be reclassified to earnings may vary from the expected amounts as a result of changes in market prices. The effect of reclassification from accumulated OCI to earnings will generally be offset by the recognition of the hedged transaction in earnings.

The unrealized net gains and losses relating to the hedge ineffectiveness of these cash flow hedges that were recognized in net earnings for the three months ended March 31, 2007 and 2006 were immaterial to the results of operations of the Company for those periods.

The collateral requirements associated with, and settlement of, derivative transactions are included in net cash flows from operating activities in the Company's consolidated statement of cash flows.

Interest Rate Hedging

The Company uses interest rate swaps to manage interest rate exposure associated with debt. The fair values of these interest rate swaps at March 31, 2007 and December 31, 2006 were as follows:

(Millions of Dollars)	2007	2006
Fair value of interest rate swaps	$(11)	$(12)

Cash Flow Hedges

The Company's interest rate swaps are designated as cash flow hedges under SFAS No. 133. Any gain or loss on the hedges is recorded in OCI and reclassified to interest expense and included in earnings during the periods in which the hedged interest payments occur. See "Interest Rate Hedging" in Note N to the 2006 Annual Financial Statements for the contractual components of the interest rate swaps accounted for as cash flow hedges.

The following table presents selected information related to these cash flow hedges included in accumulated OCI at March 31, 2007:

(Millions of Dollars)	Accumulated Other Comprehensive Income/(Loss) Net of Tax	Portion Expected to be Reclassified to Earnings during the Next 12 Months
Interest Rate Swaps	$(7)	$(1)

The actual amounts that will be reclassified to earnings may vary from the expected amounts presented above as a result of changes in interest rates. For the Company, these costs are generally recovered in rates and the reclassification will have no impact on results of operations.

Note K – Related Party Transactions

Reference is made to Note P to the 2006 Annual Financial Statements.

The Company provides and receives administrative and other services to and from Con Edison and its subsidiaries pursuant to cost allocation procedures developed in accordance with rules approved by the PSC and/or other regulatory authorities, as applicable. The services received include substantial administrative support operations, such as corporate secretarial and associated ministerial duties, accounting, treasury, investor relations, information resources, legal, human resources, fuel supply, and energy management services. The costs of administrative and other services provided by the Company, and received from Con Edison and its other subsidiaries for the three months ended March 31, 2007 and 2006 were as follows:

(Millions of Dollars)	2007	2006
Cost of services provided	$4	$4
Cost of services received	$7	$7

In addition, Con Edison of New York and O&R have joint gas supply arrangements, in connection with which O&R purchased from Con Edison of New York $49 million and $42 million of natural gas for the three months ended March 31, 2007 and 2006, respectively. These amounts are net of the effect of related hedging transactions.

Con Edison of New York also hedges electricity purchases for O&R. Electric hedging transactions executed by Con Edison of New York on behalf of O&R resulted in a charge to purchase power of $1.8 million and $1.4 million for the three months ended March 31, 2007 and 2006, respectively.

As at March 31, 2007 and December 31, 2006, O&R's net payable to Con Edison of New York associated with derivatives for energy price hedging were $18 million and $49 million, respectively. See Note J.

As at March 31, 2007, the Company's payable to Con Edison for income taxes was $9 million. As at December 31, 2006, the Company's receivable from Con Edison for income taxes was immaterial. See Note A to the 2006 Annual Financial Statements.

Pike purchased from Consolidated Edison Energy, Inc., a wholly owned subsidiary of Con Edison, $0.8 million of electricity for the three months ended March 31, 2006, pursuant to energy auctions.

In December 2006, the FERC authorized Con Edison of New York to lend funds to O&R, for periods of not more than 12 months, in amounts not to exceed $200 million outstanding at any time, at prevailing market rates. O&R has not borrowed any funds from Con Edison of New York.

Note L – New Financial Accounting Standards

Reference is made to Note Q to the 2006 Annual Financial Statements.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115." This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The guidance in this Statement becomes effective for fiscal periods beginning after November 15, 2007. The Company is currently evaluating the impact of this Statement on its financial position, results of operations and liquidity.

In September 2006, the FASB issued Emerging Issues Task Force (EITF) Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements." This Issue requires employers to record a liability for future benefits for endorsement split-dollar life insurance arrangements that provide a postretirement benefit to an employee. The guidance in this EITF becomes effective for fiscal periods beginning after December 15, 2007. The Company is currently evaluating the impact of this Issue on its financial position, results of operations and liquidity.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. It applies to other accounting pronouncements that require fair value measurements and, accordingly, does not require any new fair value measurements. The guidance in this Statement becomes effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this Statement on its financial position, results of operations and liquidity.