

CONSOLIDATED EDISON, INC.
ANNUAL MEETING OF STOCKHOLDERS
May 21, 2001

**Opening Remarks of Eugene McGrath, Chairman, President
and Chief Executive Officer of Consolidated Edison, Inc.:**



Now, I'll report on the state of our company. I'll be joined by Joan Freilich and Kevin Burke.

Let's take stock of Con Edison today. We're one of the nation's largest utility holding companies. Our revenues are close to \$9.5 billion. We have \$16 billion in assets, and our balance sheet is one of the strongest in the industry. Con Edison of New York's electric service is 10 times more reliable than the average for New York State, and 15 times better than the national average.

We provide electricity to nearly half the population of New York State. We have a strong and growing gas business, and we operate the largest steam system in the world.

The Con Edison companies comprise two regulated utilities and four unregulated businesses. Con Edison of New York serves the five boroughs of New York City as well as Westchester County.

Orange & Rockland Utilities' service area covers more than 1,300 square miles in southeastern New York State and adjacent parts of New Jersey and Pennsylvania.

Our unregulated companies are competing in energy and telecommunications markets.

I'll focus first on our core business -- delivering energy. As a result of deregulation, our business landscape has been changing.

In the past, generating power, transmitting it throughout the service area, and distributing it to our customers was an integrated process. Today, the generation of electric power is a much smaller piece of Con Edison's regulated business, and competitive markets are developing for both wholesale and retail sales of electric energy.

Our approach in this period of transition is to capitalize on the opportunities for growth that these developments offer. Our strategy is to expand our core business, leveraging our experience to do what we do best -- delivering energy to our customers.

And our competitive new businesses position the company for strong gains in new market segments.

As opportunities emerge in the new utility marketplace, we weigh the options that complement our core strategy. We take a hard look at short-term consequences and long-term potential. When the opportunity is right, we act.

Growing our business by growing our service area is paying off. In 1999, we acquired Orange & Rockland Utilities, and 2000 was the first full year of combined operations. This acquisition brought more than 275,000 new electric customers and more than 117,000 new gas customers to your company.

After the purchase, we achieved substantial cost savings as well. We combined support functions and consolidated operations. Earnings from Orange & Rockland were \$39.1 million in 2000, contributing \$0.18 a share to your company's overall performance. The acquisition of O&R promises to deliver lasting benefits in the years to come.

We had also planned to acquire Northeast Utilities. However, as the merger process unfolded, it became evident that Northeast had not met important financial and business conditions for the merger, and the transaction wasn't consummated. At every step in the process, we acted to protect your interests.

We'll continue to explore all possibilities for growth, both in our regulated core business, and in our competitive ventures.

Now, Kevin Burke will discuss your company's regulated electric, gas and steam operations. Joan Freilich will review the company's financial performance, and then I'll return to tell you more about our unregulated businesses, and how the energy picture looks for New York this summer.

Remarks of Kevin Burke, President and Chief Operating Officer of Consolidated Edison Company of New York, Inc.:

Thank you, Gene.

Con Edison of New York serves more than three million electric customers, and electricity accounts for 80 percent of our revenue. We have the most complex energy transmission and delivery system in the country, and as Gene noted, the most reliable. Our transmission and distribution infrastructure has more than 88,000 miles of underground cable. In fact, it's the largest underground system in the world.



For Con Edison of New York, business customers account for about two thirds of our electric sales.

Our business customers include office buildings, stores, apartment complexes, universities, hospitals, financial institutions on Wall Street, and media companies. For many of these customers, we provide electric, gas, and steam services to meet all their energy needs.

Computers and other high-tech innovations have increased our commercial customers' reliance on electricity, and you can see that reflected in the new office buildings going up around Times Square and elsewhere in our service area. In the 1960's, typical offices had power needs of about 5 to 6 watts per square foot. Today, a new high-tech office building needs 8 to 12 watts per square foot. Some telecommunications centers have requested service in excess of 100 watts per square foot.

Because New York City is the hub of a global economy that thrives on communication and information, we have a different demand profile than most other utilities. New York is a 24-hour-a-day town. Meeting that energy challenge is where we excel.

It is critical for Con Edison of New York to deliver the highest level of reliability, and we don't disappoint. We serve Westchester and New York City with 99.998 percent reliability.

New York continues to prosper. The most recent census confirms real population growth. This means added residents and jobs, along with more housing units and office space -- all of which are using more electricity than ever before. Likewise, our Orange & Rockland customer base is showing steady growth with a consistent increase in demand for energy.

Our natural gas business also grew during 2000. Through 6,800 miles of gas mains and service, we supply gas to more than one million customers.

Our steam business serves more than 1,800 customers, and we supply some of the most famous addresses in New York, including the United Nations, the Empire State Building, the World Trade Center, and the New York Stock Exchange.

We are in the final stages of securing New York State approval to modernize and increase the capacity of our East River Generating Station. The upgrade will help assure the long-term reliability of our steam system and stabilize costs to customers.

The new equipment will also supply an additional 200 megawatts of electricity to meet the expanding energy needs of New York City. Once the new installation is complete, East River Station emissions will be eight percent lower than they are today, even with the increased output.

To ensure reliable service, Con Edison operates state-of-the-art command centers for its electric, gas, and steam systems. At these centers, computers continuously analyze system data to present an up-to-the-second picture of the operating status of our distribution infrastructure.

Our technical specialists can remotely monitor substations, primary feeders and distribution transformers located throughout our service area, checking for potential difficulties in the system and taking action before problems occur.

Our well-planned program of upgrades, ongoing capital investments, and high-tech capabilities is enabling us to maintain and expand the most complex and reliable energy delivery systems in the world.

We've also intensified our outreach to customers, helping them to better manage their energy usage as the marketplace changes.

We continually update our customers on their options in a deregulated environment. We provide information about the Energy Services Companies, commonly referred to as ESCOs, that offer competitive sources of energy supply.

We have a number of programs to help our customers use energy wisely. We offer a time-of-day billing option to capture savings from off-peak usage. We provide residential and small commercial customers the option of Level Billing, to help them better manage expenses. We offer non-residential customers many methods of managing their energy consumption, particularly during times of high demand.

In summary, we are meeting the challenges of delivering growing amounts of energy to the most dynamic metropolitan area of the world, while continuing to provide our customers with superior service.

Now, Joan Freilich will discuss our financial picture.

Thank you – Joan?

Remarks of Joan Freilich, Executive Vice President and Chief Financial Officer of Consolidated Edison, Inc.:



Thank you, Kevin. Good morning, everyone.

I'm pleased to report that 2000 was a solid year financially for Con Edison. We increased our annual dividend in 2000 from \$2.14 to \$2.18 a share, and raised it once more in January of this year to an annualized \$2.20 a share. This is the twenty-seventh consecutive year we've increased the dividend, a record matched by very few in the utility industry. It demonstrates our confidence in Con Edison's future.

Our common stock price rose 11.6 percent during the year 2000. Total return to shareholders, including dividends, was 19.1 percent -- a solid return in a year of capital-market turbulence.

Our earnings per share from ongoing operations amounted to \$3.24, an increase of \$0.10 over 1999. Reported earnings were \$2.75 a share, after non-recurring charges.

Kevin has told you about the growth in our business, reflecting the health of the local economy. Electric energy sales have been particularly strong, increasing more than three percent annually for each of the past two years, after adjustment to normal weather conditions. That's the highest rate of growth we've seen in 10 years.

During the year 2000, New York City's employment base rose by almost 100,000 private-sector jobs, outpacing the rate of job expansion in the rest of the country.

Job levels are especially important to Con Edison, because energy sales are closely correlated with employment. It's easy to see why - almost all businesses today are using more computers, fax machines, and other electronic equipment than they were even a short time ago.

We've expanded our long-term capital program to provide funds for strengthening our energy delivery system, in order to meet these growing needs, while maintaining the highest levels of reliability. Over the next five years, we'll invest more than \$2.4 billion in the electric transmission and distribution system of Con Edison and an additional \$300 million in Orange and Rockland's system.

Our increased sales and expanded infrastructure investment will be a source of growth for future earnings.

In these times of rapid industry expansion and change, you can be confident of your company's core financial strength. Our balance sheet remains very strong. Our senior debt continues to be rated A+ by the major bond rating agencies.

Our long-term financial picture is also strengthened by our multi-year regulatory agreements with the New York Public Service Commission.

Most recently, we reached an agreement that will extend Con Edison of New York's electric rate plan until 2005. This agreement will contribute to our future financial stability by maintaining our ability to recover the actual cost of electricity that we purchase on behalf of our full-service customers. At the same time, the agreement benefits all of our customers by reducing their charges for energy delivery.

In line with our strategy of focusing on our energy delivery business and getting the most value from our assets, we entered into two major sales contracts last year.

In November, we agreed to sell the Indian Point 2 nuclear station to the Entergy Corporation, for \$602 million. We expect the sale to close during the summer. Our customers will continue to benefit from the plant, since under the contract, we'll purchase all of its electric output through 2004, at favorable rates.

Also in November, we entered into a contract to sell a number of Con Edison properties along First Avenue in Manhattan, between 35th and 41st Streets. These properties are no longer needed for our core business. The sales price is approximately \$600 million.

Both sales are subject to approval of various regulatory agencies, including the Public Service Commission.

Together, the sales will yield more than \$1.2 billion. When these proceeds are added to our already healthy balance sheet, we'll clearly have the financial flexibility both to provide for our

increased capital program and to pursue other strategic initiatives that are of benefit to our shareholders.

In short, at a time of rapid change in our industry, your company remains financially strong, with the flexibility to address both the challenges and the opportunities of the future.

Thank you for your attention.

Gene?

Closing Remarks of Eugene McGrath:

Thank you, Joan and Kevin.

Sustaining the economic progress in our region depends more than ever on reliable transmission and delivery of energy. Con Edison is positioned to meet this challenge.

As you know, issues of energy demand and supply have been front-page news in recent months across the country, and you may be wondering whether the growth in our service area might lead to the kinds of power shortages that have affected California.

The situation in New York is very different from the west coast.

In New York, we're implementing deregulation in a measured way. We're educating customers and working with elected officials and regulators as we move toward fully competitive energy markets.

In New York, our customers pay the market price of energy. This is a major difference from California. Customers know the price, and can then act and plan accordingly to control their energy usage.

While the power supply in New York City is tight, it is adequate and not nearly as tight as out west, even with our region's continuing strong growth. Supply is also adequate in the other parts of our service area.

A very important element in maintaining the reliability of

New York's energy supply is a required reserve margin.

It works like this: Anyone serving customers in New York, whether a utility or a competitive retail supplier, must buy enough generating capacity in advance to serve the expected usage, plus 18 percent more, as a reserve margin. This requirement ensures that in the event of the unexpected -- plant breakdowns, for example, or an unusually intense heat wave -- there will be enough generating capacity to meet our customers' needs.

For the longer term, our region must build new power plants, and we are supporting the related efforts that are underway. Conservation and load management are more important than ever, but new power-plant construction is key to an adequate power supply for the area.

This summer, to meet our customers' energy needs we'll rely on a combination of long-term and short-term contracts with independent power producers, purchases on the spot market, and our remaining generation.

There are two components to utility bills: the charge for energy and the charge for delivery. We are in a transition period, moving toward fully competitive energy markets. The wholesale power market is managed by the New York State Independent System Operator and regulated by the Federal Energy Regulatory Commission. We are working hard with all involved organizations to ensure the new market works well, and to correct any problems that may emerge. Since last summer we've reduced our part of the bill -- transmission and delivery costs -- by some 16 percent.

We're confident the participants in this process understand that Con Edison's financial well-being is a key factor in supporting New York's role as the hub of a global economy.

Now, I'll talk about our four competitive businesses.

Con Edison Solutions provides retail energy products and services throughout our service area and neighboring states.

Con Edison Development and Con Edison Energy provide capacity, energy, and risk-management services to wholesale customers throughout the northeast.

Con Edison Development acquires and develops generating assets to support the wholesale marketing efforts of Con Edison Energy.

Projects to date include development of power plants to provide more than 1,700 megawatts of generating capacity. All of these generating facilities are strategically positioned to profit from the high-load areas of the New England and Mid-Atlantic power pools.

Con Edison Communications offers fiber-optic infrastructure for broadband services used by communications providers, businesses, government and Internet service providers.

Con Edison Communications is building a fiber-optic infrastructure that will enable providers of communication and Internet services to span the distance between their own networks and their ultimate customers.

When this network is completed, in 2005, it will run within a block and a half of most buildings in mid-town and lower Manhattan. There is tremendous demand for this so-called "last mile connectivity" in New York City.

Overall, Con Edison's competitive businesses generated more than \$800 million in revenues during 2000 -- more than double the previous year -- and contributed \$0.04 per share to earnings.

We expect our investments in these new competitive businesses to yield increasing returns in the coming years. In combination with gains in our core businesses, this positions Con Edison for strong, profitable growth going forward.

Overall, we believe that our combination of a strong balance sheet, premier assets, steady cash flow, and a proven track record is attracting investors seeking both growth and stability in a turbulent market. What's more, we're making good progress toward our goal of operating according to the highest environmental, health and safety standards.

The Coast Guard presented Con Edison with its Award For Excellence In Marine and Environmental Protection. It's the most prestigious environmental honor the Coast Guard can bestow, and it reflects our success in implementing environmental safeguards to protect New York's shorelines and waters.

Con Edison's competitive position is enhanced by our skilled and committed workforce. They're dedicated to providing the highest levels of customer service.

Beyond professional excellence, our employees, both veterans and newcomers, reflect the highly diverse populations and cultures that we serve. In the year 2000, *Fortune Magazine*, *Working Woman*, and *Hispanic* magazine all featured Con Edison in their rosters of major companies that are great places to work.

Con Edison has an outstanding record of achievement dating back more than 175 years. As we move forward, you can count on us to grow our core business, realize profitable growth opportunities in competitive markets, and effectively leverage our substantial financial strength. We'll keep working hard to build shareholder value and fulfill our shareholders' expectations.

Speaking for myself, Kevin, Joan, and more than 14,000 men and women of Con Edison, thank you for your attention, and thank you for your continuing support and encouragement.