Orange and Rockland Utilities, Inc.
First Quarter 2009 Financial Statements and Notes

Financial Statements (Unaudited)

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

	March 31, 2009	December 31, 2008
	(Millions of Dollars)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	$ 1,038	$ 1,023
Gas	428	424
General	148	148
Total	1,614	1,595
Less: Accumulated depreciation	449	443
Net	1,165	1,152
Construction work in progress	52	58
NET UTILITY PLANT	1,217	1,210
CURRENT ASSETS		
Cash and temporary cash investments	28	17
Restricted cash	1	1
Accounts receivable - customers, less allowance for uncollectible accounts of $3 in 2009 and 2008	70	63
Accrued unbilled revenue	42	47
Other receivables, less allowance for uncollectible accounts of $2 in 2009 and 2008	30	29
Accounts receivable from affiliated companies	15	25
Gas in storage, at average cost	24	60
Materials and supplies, at average cost	9	9
Prepayments	14	12
Deferred derivative losses	55	42
Recoverable energy costs	33	26
TOTAL CURRENT ASSETS	321	331
INVESTMENTS	8	8
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Regulatory assets	573	576
Other deferred charges and noncurrent assets	36	37
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	609	613
TOTAL ASSETS	$ 2,155	$ 2,162

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

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

	March 31, 2009	December 31, 2008
	(Millions of Dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholder's equity	$ 480	$ 455
Long-term debt	415	416
TOTAL CAPITALIZATION	895	871
NONCURRENT LIABILITIES		
Provision for injuries and damages	7	7
Pensions and retiree benefits	459	453
Superfund and other environmental costs	53	53
Fair value of derivative liabilities	54	40
Uncertain income taxes	9	9
TOTAL NONCURRENT LIABILITIES	582	562
CURRENT LIABILITIES		
Long-term debt due within one year	3	3
Notes payable	93	-
Accounts payable	63	95
Accounts payable to affiliated companies	42	181
Customer deposits	15	15
Accrued taxes	8	-
Accrued interest	14	11
Fair value of derivative liabilities	55	27
Deferred income taxes - recoverable energy costs	13	11
Other current liabilities	21	30
TOTAL CURRENT LIABILITIES	327	373
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	214	216
Regulatory liabilities	134	137
Other deferred credits	3	3
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	351	356
TOTAL CAPITALIZATION AND LIABILITIES	$2,155	$ 2,162

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Orange and Rockland Utilities, Inc.

CONSOLIDATED INCOME STATEMENT

(Unaudited)

	For the Three Months Ended March 31, 2009	2008
	(Millions of Dollars)	
OPERATING REVENUES		
Electric	$ 146	$ 158
Gas	106	105
TOTAL OPERATING REVENUES	252	263
OPERATING EXPENSES		
Purchased power	78	95
Gas purchased for resale	65	65
Other operations and maintenance	58	55
Depreciation and amortization	10	10
Taxes, other than income taxes	12	12
Income taxes	8	7
TOTAL OPERATING EXPENSES	231	244
OPERATING INCOME	21	19
INTEREST EXPENSE		
Interest on long-term debt	7	6
Other interest	2	1
NET INTEREST EXPENSE	9	7
NET INCOME	$ 12	$ 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, 2009	2008
	(Millions of Dollars)	
NET INCOME	$ 12	$ 12
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Pension plan liability adjustments, net of $(1) taxes in 2009	1	-
Unrealized losses on derivatives qualified as cash flow hedges, net of $(1) taxes in 2008	-	(1)
Less: Reclassification adjustment for unrealized losses included in regulatory assets, net of $(5) taxes in 2008	-	(8)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	7
COMPREHENSIVE INCOME	$ 13	$ 19

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 Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2007	1,000	$ -	$ 234	$ 215	$ (33)	$ 416
Net income				12		12
Common stock dividend to parent				(8)		(8)
Other comprehensive income					7	7
BALANCE AS OF MARCH 31, 2008	1,000	$ -	$ 234	$ 219	$ (26)	$ 427
BALANCE AS OF DECEMBER 31, 2008	1,000	$ -	$ 274	$ 228	$ (47)	$ 455
Net income				12		12
Common stock dividend to parent				(8)		(8)
Capital contribution by parent			20			20
Other comprehensive income					1	1
BALANCE AS OF MARCH 31, 2009	1,000	$ -	$ 294	$ 232	$ (46)	$ 480

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, 2009	2008
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$ 12	$ 12
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	10	10
Deferred income taxes	(1)	(3)
Other non-cash items (net)	-	10
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers, less allowance for uncollectibles	(7)	(18)
Accounts receivable from affiliated companies	12	(6)
Materials and supplies, including gas in storage	36	22
Prepayments, other receivables and other current assets	2	5
Recoverable energy costs	(10)	13
Accounts payable	(32)	(25)
Accounts payable to affiliated companies	(14)	(6)
Pensions and retiree benefits	12	6
Accrued taxes	8	12
Accrued interest	3	3
Deferred charges, noncurrent assets and other regulatory assets	(16)	(33)
Deferred credits and other regulatory liabilities	30	41
Other liabilities	(9)	(6)
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	37
INVESTING ACTIVITIES		
Utility construction expenditures	(15)	(11)
Cost of removal less salvage	(1)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(16)	(11)
FINANCING ACTIVITIES		
Net proceeds from short-term debt	93	-
Retirement of long-term debt	(1)	(1)
Capital contribution by parent	20	-
Dividend to parent	(8)	(8)
Retirement of loan from affiliate	(113)	(55)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(9)	(64)
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	11	(38)
BALANCE AT BEGINNING OF PERIOD	17	60
BALANCE AT END OF PERIOD	$ 28	$ 22
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 4	$ 3
Income Taxes	$ 9	$ 1

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 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, 2009 and 2008, operating revenues for RECO and Pike were 20.6 percent and 0.8 percent and 18.8 percent and 0.8 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 (Transition Funding), which was formed in 2004 in connection with the securitization of certain purchased power costs. Certain prior period amounts have been reclassified to conform to the current period presentation.

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.

Note A – Regulatory Matters

Reference is made to Note B to the 2008 Annual Financial Statements.

Regulatory Assets and Liabilities

Regulatory assets and liabilities at March 31, 2009 and December 31, 2008 were comprised of the following items:

(Millions of Dollars)	2009	2008
Regulatory assets		
Unrecognized pension and other post-retirement costs	$261	$267
Environmental remediation costs	62	63
Transition bond charges	58	59
Future federal income tax	59	58
Pension and other post-retirement benefits deferrals	55	55
Deferred derivative losses	40	26
Interest rate swap	14	15
Other	24	33
Regulatory assets	573	576
Deferred derivative losses - current	55	42
Recoverable energy costs - current	33	26
Total regulatory assets	$661	$644
Regulatory liabilities		
Allowance for cost of removal less salvage	$66	$65
Refundable energy costs	54	57
NYS tax law changes	1	1
Other	13	14
Total regulatory liabilities	$134	$137

Note B – Capitalization

Reference is made to Note C to the 2008 Annual Financial Statements.

At March 31, 2009, $49 million of the $55 million of O&R's weekly-rate, tax-exempt debt insured by Financial Guaranty Insurance Company (Series 1994A Debt), and $16 million of the $44 million of O&R's weekly-rate, tax-exempt debt insured by Ambac Assurance Company (Series 1995A Debt), had been tendered by bondholders. The tendered bonds were purchased with funds drawn under letters of credit maintained as liquidity facilities for the tax-exempt debt. O&R reimbursed the bank for the funds used to purchase its tendered bonds, together with interest thereon. In April 2009, the tendered Series 1995A Debt was remarketed and the proceeds from the remarketing were used to pay short-term borrowings that funded the purchased tendered bonds.

Note C – Short-Term Borrowing

Reference is made to Note D to the 2008 Annual Financial Statements.

At March 31, 2009, O&R had $93 million of commercial paper outstanding at a weighted average interest rate of 0.56 percent. At December 31, 2008, O&R had no commercial paper outstanding. At March 31, 2009 and December 31, 2008, $5 million and $10 million of letters of credit, and no borrowings, were outstanding for O&R under the Credit Agreement, respectively. At March 31, 2009, there were no loans outstanding for O&R. Outstanding loans to O&R from Con Edison of New York amounted to $113 million at December 31, 2008. See Note J for information about short-term borrowing between related parties.

Note D – Pension Benefits

Reference is made to Note E to the 2008 Annual Financial Statements.

Net Periodic Benefit Cost

The components of the Company's net periodic benefit costs for the three months ended March 31, 2009 and 2008 were as follows:

(Millions of Dollars)	2009	2008
Service cost – including administrative expenses	$3	$3
Interest cost on projected benefit obligation	8	9
Expected return on plan assets	(8)	(8)
Amortization of net actuarial loss	7	5
Amortization of prior service costs	-	-
NET PERIODIC BENEFIT COST	$10	$9
Cost capitalized	(2)	(2)
Cost expensed/(deferred)	(3)	1
Cost charged to operating expenses	$5	$8

Note E – Other Post-Retirement Benefits

Reference is made to Note F to the 2008 Annual Financial Statements.

Net Periodic Benefit Cost

The components of the Company's net periodic post-retirement benefit costs for three months ended March 31, 2009 and 2008 were as follows:

(Millions of Dollars)	2009	2008
Service cost	$1	$1
Interest cost on accumulated other post-retirement benefit obligation	3	3
Expected return on plan assets	(1)	(2)
Amortization of net actuarial loss	2	2
Amortization of prior service costs	-	-
NET PERIODIC POST-RETIREMENT BENEFIT COST	$5	$4
Cost capitalized	(2)	(2)
Cost expensed/(deferred)	1	-
Cost charged to operating expenses	$4	$2

Note F – 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 and any neighboring areas to which contamination may have migrated. (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 conducted remedial investigations at all seven of its MGP Sites and completed investigation of four of these sites. Supplemental investigations activities are ongoing at three of the former MGP Sites. O&R has completed remediation at one of its sites; has completed the DEC approved remediation program for the land portion of another site; and has received DEC's decision regarding the remedial work to be done at two other sites.. At March 31, 2009 and December 31, 2008, O&R had an accrued liability of $53 million for its MGP Sites.

In 2007, O&R estimated that for its MGP Sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of such contaminants could range up to $115 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, 2009 and December 31, 2008, O&R's regulatory asset for recovery of these costs was $62 million and $63 million, respectively. The environmental remediation costs for the three months ended March 31, 2009 and 2008 were approximately $0.3 million and $0.5 million, respectively. There were no insurance recoveries during these periods.

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, but 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) liabilities incurred for asbestos claims by employees and third-party contractors, all of which, relate to its divested generating plants.

The Company's accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) was $6 million at both March 31, 2009 and December 31, 2008.

Note G – Financial Information by Business Segment

Reference is made to Note K to the 2008 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)	2009	2008	2009	2008	2009	2008	2009	2008
Electric	$146	$158	$-	$-	$7	$7	$7	$5
Gas	106	105	-	-	3	3	14	14
Total	$252	$263	$-	$-	$10	$10	$21	$19

Note H – Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS No. 133). Under SFAS No. 133, derivatives are recognized on the balance sheet at fair value, unless an exception is available under the standard. Certain qualifying derivative contracts have been designated as normal purchases or normal sales contracts. These contracts are not reported at fair value under SFAS No. 133.

Effective January 1, 2009, the Company adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" (SFAS No. 161). SFAS No. 161 amends and expands the disclosure requirements of Statement 133 with the intent to provide users of financial statements with enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The Statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements.

Energy Price Hedging

The Company hedges market price fluctuations associated with physical purchases and sales of electricity by using derivative instruments including futures, forwards, basic swaps, or options. The Company and Con Edison of New York (the Utilities) have joint gas supply arrangements for which Con Edison of New York enters into derivative instruments to hedge market price fluctuations. See Note J.

The fair values of the Company's electric hedges at March 31, 2009 and December 31, 2008 were as follows:

(Millions of Dollars)	2009	2008
Fair value of net derivative assets/ (liabilities) – gross	$(96)[a]	$(63)[a]
Impact of netting of cash collateral	-	-
Fair value of net derivative assets/ (liabilities) - net	$(96)[a]	$(63)[a]

(a) Includes derivative liabilities of $20 million and $13 million with Con Edison's competitive energy businesses at March 31, 2009 and December 31, 2008, respectively. See Note J.

Credit Exposure

The Company is exposed to credit risk related to transactions entered into primarily for the various electricity 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 did not have any credit exposure in connection with electricity supply and hedging activities at March 31, 2009.

Economic Hedges

The Company enters into derivative instruments that do not qualify or are not designated as hedges under SFAS No. 133. However, management believes these instruments represent economic hedges that mitigate exposure to fluctuations in electric prices.

The fair values of the Company's electric derivatives at March 31, 2009 were:

(Millions of Dollars)	Balance Sheet Location	Fair Value of Electric[a] Derivatives
	Asset Derivatives	
Current	Fair value of derivative assets	$119
Long term	Other deferred charges and non-current assets	125
Total assets derivatives		$244
Impact of netting		(244)
Net assets derivatives		$ -
	Liability Derivatives	
Current	Fair value of derivative liabilities	$174
Long term	Fair value of derivative liabilities	166
Total liability derivatives		$340
Impact of netting		(244)
Net liability derivatives		$96

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under SFAS No. 133 and, therefore, are excluded from the table.
(b) Includes derivative liabilities of $20 million with Con Edison's competitive energy businesses. See Note J.

The Company generally recovers all of its prudently incurred, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility commissions. See "Recoverable Energy Costs" in Note A to the 2008 Annual Financial Statements. In accordance with SFAS No. 71, the Company records a regulatory asset or liability to defer recognition of unrealized gains and losses on its electric derivatives. As gains and losses on the Company's electric derivatives are realized in future periods, they will be recognized as purchased power costs in the Company's consolidated income statement.

The following table presents the changes in the fair values of electric derivatives that have been deferred for the three months ended March 31, 2009:

Realized and Unrealized Gains/(Losses) on Electric Derivatives[a]

(Millions of Dollars)	Balance Sheet Location	Deferred for the Three Months Ended March 31, 2009
Pre-tax (losses) deferred in accordance with SFAS No. 71		
Current	Deferred derivative losses	$(14)
Current	Recoverable energy costs	(24)
Long term	Regulatory assets	(14)
Total deferred losses		$(52)

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under SFAS No. 133 and, therefore, are excluded from the table.

As of March 31, 2009, the Company had 11 contracts hedging electric energy or capacity market prices, which were considered to be derivatives under SFAS No. 133 (excluding qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts).

Number of Energy Contracts[a]	MWhs[b]	Number of Capacity Contracts[a]	MWs[b]	Total Number of Contracts[a]
10	3,670,058	1	819	11

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under SFAS No. 133 and, therefore, are excluded from the table.
(b) Volumes are reported net of long and short positions.

The collateral requirements associated with, and settlement of, the Company's electric derivative transactions are included in net cash flows from operating activities in the Company's consolidated statement of cash flows. Most of the Company's electric derivative instrument contracts contain provisions that may require the Company to provide collateral on derivative instruments in net liability positions. The Utilities enter into separate derivative instruments for electric energy or capacity, and Con Edison of New York enters into derivative instruments in connection with the Utilities' joint gas supply arrangements (See Note J). Across the Utilities' energy derivative positions, credit limits for the same counterparties are integrated. The amount of collateral to be provided will depend on the fair value of the derivative instruments and the Utilities' credit ratings.

The aggregate fair value of all of the Company's electric derivative instruments with credit-risk-related contingent features that are in a net liability position, and the amount of collateral posted at March 31, 2009 and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade were:

(Millions of Dollars)	
Aggregate fair value – net liability[(a)]	$76
Collateral posted[(b)]	$34
Current credit ratings[(c)]	A2/A-
Additional Collateral[(b)] (downgrade one level)	$13
Additional Collateral[(b)] (downgrade to below investment grade)	$48

(a) Non-derivative transactions for the purchase and sale of electricity and qualifying derivative instruments, which have been designated as normal purchases or normal sales are excluded from the table.

(b) Across the Utilities' energy derivative positions, credit limits for the same counterparties are integrated. At March 31, 2009, all collateral for these positions was posted by Con Edison of New York, including the collateral posted that is estimated to be allocable to O&R, shown above (which was in the form of letters of credit). The additional collateral amounts shown above are based upon the estimated O&R allocation of the Utilities' collateral requirements. The Utilities measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Utilities have a legally enforceable right of setoff.

(c) Credit ratings assigned by rating agencies are expressions of opinions that are subject to revision or withdrawal at any time by the assigning rating agency.

Interest Rate Swaps

O&R has an interest rate swap related to its Series 1994A Debt. See Note B. O&R pays a fixed-rate of 6.09 percent and receives a LIBOR-based variable rate. The fair value of this interest rate swap at March 31, 2009 was an unrealized loss of $14 million, which has been included in the consolidated balance sheet as a regulatory asset and a fair value of derivative liabilities – noncurrent liabilities. The increase in the fair value of the swap for the three months ended March 31, 2009 was $1 million. In the event O&R's credit rating was downgraded to BBB-/Baa3 or lower, the swap counterparty could elect to terminate the agreement and O&R would be required to settle immediately.

Note I – Fair Value Measurements

Reference is made to Note O to the 2008 Annual Financial Statements.

Notes to the Financial Statements (Unaudited) - Continued

FASB Statement No. 157, "Fair Value Measurements" (SFAS No. 157) defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements.

SFAS No. 157 establishes a three-level hierarchy and defines the levels within the hierarchy as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date.
- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date.
- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date.

Assets and Liabilities measured at fair value on a recurring basis as of March 31, 2009 are summarized below:

(Millions of Dollars)	Level 1	Level 2	Level 3	Total
Derivative assets:				
Energy (1)	$-	$-	$-	$-
Other assets (3)	-	-	7	7
Total	$-	$-	$7	$7
Derivative liabilities:				
Energy (1)	$-	$-	$96(4)	$96(4)
Financial & other (2)	-	-	14	14
Total	$-	$-	$110	$110

(1) A significant portion of the energy derivative contracts categorized in Level 3 is valued using either an industry acceptable model or an internally developed model with observable inputs. The models also include some less readily observable inputs resulting in the classification of the respective contract as Level 3. See Note H.
(2) Includes an interest rate swap. See Note H.
(3) Other assets are comprised of assets such as life insurance contracts within the Supplemental Employee Retirement Plan, held in a rabbi trust.
(4) Includes derivative liabilities of $20 million with Con Edison's competitive energy businesses. See Note J.

Assets and Liabilities measured at fair value on a recurring basis as of December 31, 2008 are summarized below:

(Millions of Dollars)	Level 1	Level 2	Level 3	Total
Derivative assets:				
Energy (1)	$-	$-	$-	$-
Other assets (3)	-	-	8	8
Total	$-	$-	8	$8
Derivative liabilities:				
Energy (1)	$-	$10	$53(4)	$63(4)
Financial & other (2)	-	-	15	15
Total	$-	$10	$68	$78

(1) A significant portion of the energy derivative contracts categorized in Level 3 is valued using either an industry acceptable model or an internally developed model with observable inputs. The models also include some less readily observable inputs resulting in the classification of the respective contract as Level 3. See Note H.
(2) Includes an interest rate swap. See Note H.
(3) Other assets are comprised of assets such as life insurance contracts within the Supplemental Employee Retirement Plan, held in a rabbi trust.
(4) Includes derivative liabilities of $13 million with Con Edison's competitive energy businesses. See Note N to the 2008 Annual Financial Statements.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value as of March 31, 2009 and classified as Level 3 in the fair value hierarchy:

	For the Three Months Ended March 31, 2009					
	Beginning Balance as of January 1, 2009	Total Gains/(Losses) – Realized and Unrealized		Purchases, Issuances, Sales and Settlements	Transfer In/Out of Level 3	Ending Balance as of March 31, 2009
(Millions of Dollars)		Included in Earnings	Included in Regulatory Assets and Liabilities			
Derivatives:						
Energy	$(53)	$(13)	$(43)	$13	$-	$(96)(1)
Financial & other	(15)	-	1	-	-	(14)
Other	8	-	(1)	-	-	7
Total	$(60)	$(13)	$(43)	$13	$-	$(103)

(1) Includes derivative liabilities of $20 million with Con Edison's competitive energy businesses. See Note J.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value as of March 31, 2008 and classified as Level 3 in the fair value hierarchy:

	For the three months Ended March 31, 2008					
	Beginning Balance as of January 1, 2008	Total Gains/(Losses) – Realized and Unrealized		Purchases, Issuances, Sales and Settlements	Transfer In/Out of Level 3	Ending Balance as of March 31, 2008
(Millions of Dollars)		Included in Earnings	Included in Regulatory Assets and Liabilities			
Derivatives:						
Energy	$16	$-	$38	$(1)	$-	$53(1)
Financial & other	(11)	-	(3)	1	-	(13)
Other	12	(1)	-	-	-	11
Total	$17	$(1)	$35	$-	$-	$51

(1) Includes derivative liabilities of $20 million with Con Edison's competitive energy businesses. See Note J.

Realized gains and losses on Level 3 energy derivative assets and liabilities are reported as part of purchased power and gas costs. The Company generally recovers these costs in accordance with rate provisions approved by the applicable state public utilities commissions. See Note A to the 2008 Annual Financial Statements. Unrealized gains and losses for energy derivatives are generally deferred on the consolidated balance sheet in accordance with SFAS No. 71.

Realized and unrealized losses on Level 3 financial and other derivatives and other assets are generally deferred on the consolidated balance sheet in accordance with SFAS No. 71.

Note J - Related Party Transactions

Reference is made to Note N to the 2008 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, 2009 and 2008 were as follows:

(Millions of Dollars)	2009	2008
Cost of services provided	$5	$5
Cost of services received	$9	$8

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 $48 million and $45 million of natural gas for the three months ended March 31, 2009 and 2008, respectively. These amounts are net of the effect of related hedging transactions.

Con Edison of New York also hedges electricity purchases for O&R. There were no electric hedging transactions executed by Con Edison of New York on behalf of O&R for the three months ended March 31, 2009. Electric hedging transactions executed by Con Edison of New York on behalf of O&R resulted in a charge to purchased power of $46 thousand for the three months ended March 31, 2008.

At March 31, 2009 and December 31, 2008, O&R's net payable to Con Edison of New York associated with derivatives for energy price hedging was $0.6 million and $15 million, respectively. See Note H.

At March 31, 2009 and December 31, 2008, the Company's receivable from Con Edison for income taxes was $6 million and $24 million, respectively. See Note A to the 2008 Annual Financial Statements.

FERC has authorized Con Edison of New York through 2010 to lend funds to O&R from time to time, for periods of not more than 12 months, in amounts not to exceed $200 million outstanding at any time, at prevailing market rates. At March 31, 2009, there were no loans outstanding for O&R. Con Edison of New York's outstanding loans to O&R amounted to $113 million at December 31, 2008.

Note K – New Financial Accounting Standards

Reference is made to Note P to the 2008 Annual Financial Statements.

In April 2009, the FASB issued FSP FAS 157-4 "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That are Not Orderly." This FSP provides additional guidance on how fair value measurements might be determined in an inactive market. The FSP provides factors for determining whether a market is active and subsequently whether a transaction is distressed. Additionally, this FSP requires an entity to disclose a change in valuation technique (and the related inputs) resulting from the application of the FSP and to quantify its effects, if practicable. This FSP applies to all fair value measurements when appropriate and is effective for interim and annual periods ending after June 15, 2009; early adoption is permitted for periods ending after March 15, 2009. The application of this FSP is not expected to have a material impact on the Company's financial position, results of operations and liquidity.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." This FSP amends the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of an impairment charge to be recorded in earnings. Under the FSP, an entity must assess the likelihood of selling the security prior to recovering its cost basis to determine whether an other-than-temporary impairment exists. This FSP is effective for interim and annual periods ending after June 15, 2009; early adoption is permitted for periods ending after March 15, 2009. The application of this FSP is not expected to have a material impact on the Company's financial position, results of operations and liquidity.

In April 2009, the FASB issued FSP FAS 107-1 and Accounting Principles Board (APB) 28-1 "Interim Disclosures about Fair Value of Financial Instruments." This FSP applies to all financial instruments within the scope of FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments," and requires entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments, in both interim financial statements as well as annual financial statements. This FSP is effective for interim and annual periods ending after June 15, 2009; early adoption is permitted for periods ending after March 15, 2009. The application of this FSP is not expected to have a material impact on the financial position, results of operations and liquidity of the Company.