

Non-firm transportation of customer-owned gas to NYPA and electric generating plants decreased 34.8 percent in 2003 as compared with 2002 due to higher gas prices. In 2003, because of the relative prices of gas and fuel oil, electric generating plants in the company's gas service area utilized oil rather than gas for a significant portion of their generation. The decline in gas usage had minimal impact on earnings due to the application of a fixed demand charge for local transportation.

Con Edison of New York's purchased gas cost increased \$244 million in 2003 compared with 2002, due to higher unit costs and increased sales volumes for firm sales customers.

Con Edison of New York's gas operating income decreased \$10 million in 2003 compared with 2002, reflecting primarily an increase in other operations and maintenance expense (\$4 million – due primarily to a reduced net credit for pensions and other postretirement benefits), depreciation (\$4 million), state and local taxes on revenues (\$5 million) and income tax (\$4 million). The increases in expenses were offset in part by higher net revenues (operating revenues less gas purchased for resale - \$7 million).

Steam

Con Edison of New York's steam operating revenues increased \$133 million and steam operating income decreased \$1 million in 2003 compared with 2002. The higher revenues reflect higher sales volumes due to the cold winter weather in 2003 as compared with the mild weather in 2002. The increase also includes higher fuel and purchased power costs (\$124 million) in 2003 compared with 2002. The decrease in steam operating income reflects primarily higher income taxes (\$10 million – due to higher taxable income and a lower level of removal costs in 2003) and operations and maintenance expense (\$3 million – due to a reduced net credit for pensions and other postretirement benefits) offset in part by an increase in net revenues (operating revenues less fuel and purchased power costs) of \$9 million and lower state and local taxes on steam revenues (\$4 million).

Con Edison of New York's steam sales and deliveries in 2003 compared with 2002 were:

Description	Millions of Pounds Twelve Months Ended		Variation	Percent Variation
	December 31, 2003	December 31, 2002		
General	729	600	129	21.5%
Apartment house	7,845	7,022	823	11.7
Annual power	17,674	16,897	777	4.6
Total Sales	26,248	24,519	1,729	7.1%

Steam sales volumes increased 7.1 percent in 2003 compared with 2002, reflecting the impact of the cold weather in the 2003 winter period compared with the mild weather in the 2002 winter period. After adjusting for variations, principally weather and billing days in each period and the August 2003 regional power outage, steam sales increased 0.9 percent.

Taxes Other Than Income Taxes

At \$1 billion, taxes other than income taxes remain one of Con Edison of New York's largest operating expenses.

The principal components of, and variations in, taxes, other than income taxes were:

(Millions of Dollars)	2003	Increase/ 2002 (Decrease)	
Property taxes	\$ 651	\$ 630	\$21
State and local taxes			
related to revenue receipts	321	327	(6)
Payroll taxes	50	55	(5)
Other taxes	18	28	(10)
Total	\$1,040(a)	\$1,040(a)	\$ -

(a) Including sales tax on customers' bills, total taxes other than income taxes billed to customers in 2003 and 2002 were \$1,393 and \$1,352 million, respectively.

Effective January 2003, New York City increased Con Edison of New York's annual property taxes by \$94 million. Under the company's rate agreements, the company is deferring most of the property tax increase as a regulatory asset to be recovered from customers.

Other Income

Other income (deductions) decreased \$19 million in 2003 compared with 2002, reflecting \$27 million of interest income on a federal income tax refund claim recorded in 2002, partially offset by an increase in income tax expense in 2003 as a result of the recognition in 2002 of income tax benefits relating to the September 2001 sale of the company's nuclear generating unit.

Net Interest Charges

Net interest charges decreased \$16 million in 2003 compared with 2002 due primarily to the interest expense associated with a net federal income tax deficiency related to a prior period audit (\$19 million) recorded in 2002.