1 Q. Please state your name and business address.
2 A. My name is Hector J. Reyes. My business address is 4
3 Irving Place, New York, NY 10003.
4 Q. By whom are you employed and in what capacity?
5 A. I am employed by Consolidated Edison Company of New
6 York, Inc. ("Con Edison" or the "Company") as Director
7 of Benefits and Compensation.
8 Q. How long have you been employed by Con Edison?
9 A. I have been employed by Con Edison for 33 years.
10 Q. Please describe your educational background.
11 A. I graduated from Fordham University with a Bachelor of
12 Science degree in Accounting in 1976. In 1982, I
13 earned a Master of Science degree in Taxation from Pace
14 University.
15 Q. Please describe your work experience.
16 A. I joined Con Edison in 1976 as a Staff Accountant in
17 Corporate Accounting. Between 1979 and 1981, I was
18 promoted to different supervisory positions in
19 Corporate Accounting. In 1983, I was promoted to
20 Assistant Manager, Accounting Research and Procedures.
21 In 1988, I was promoted to the position of Manager,
22 Retirement and Insurance Benefits and in 1989, I was
23 promoted to the position of Manager of Employee

1 Benefits. In September 1999, I was promoted to
2 Director of Benefits and Compensation.
3 Q. Please generally describe your current
4 responsibilities.
5 A. My responsibilities as Director of Benefits and
6 Compensation include the development, implementation,
7 communication, and administration of the Company's
8 employee benefit and compensation programs.
9 Q. Do you belong to any professional societies or
10 organizations?
11 A. Yes. I am a member of the Board of Directors of the
12 New York Business Group on Health ("NYBGH"). NYBGH is
13 a not-for-profit coalition of 150 health plan sponsors
14 and health-related organizations whose mission is to
15 find practical solutions to contemporary health care
16 issues in the New York metropolitan area.
17 Q. Have you previously submitted testimony on behalf of
18 the Company before this Commission?
19 A. Yes. I have either submitted testimony or testified in
20 a number of Con Edison electric, gas and steam cases.
21 Q. What is the purpose of your testimony?
22 A. My testimony: (1) explains the Company's forecast of
23 employee welfare expenses, including projected health
24 insurance costs for the rate year and requests funding

1 for two employee benefit programs -- Occupational
2 Supplement and Work Home Wellness Programs; (2)
3 addresses the Company's measures to mitigate health and
4 welfare costs; (3) discusses changes to mitigate other
5 post employment benefit ("OPEBs") costs; (4) discusses
6 retirement plan changes (5) demonstrates that the
7 Company's benefit program are reasonable; (6)
8 discusses executive base compensation levels; and (7)
9 also addresses compensation for members of the
10 Company's Board of Directors.
11 Q. Please summarize your testimony.
12 A. My testimony explains the forecast of employee welfare
13 expenses based on historical costs and escalation of
14 existing programs after imposing cost-sharing changes
15 on employees and other efforts directed at managing
16 costs through employee wellness. Employee welfare
17 expenses net of capitalization are estimated to
18 increase approximately $20.4 million from the historic
19 year (12 months ended December 31, 2008) to the rate
20 year (12 months ending March 31, 2011). I will discuss
21 certain Occupational Supplement and Work Home Wellness
22 Program changes and measures the Company has taken to
23 mitigate health and welfare costs. I will also
24 demonstrate that the Company's employee benefit

1 programs are at the median level of a peer group of
2 companies. Finally, my testimony will demonstrate
3 that executive base compensation levels and
4 compensation for members of the Company's Board of
5 Directors are a reasonable and necessary business
6 expense.

7 EMPLOYEE WELFARE EXPENSES

8 Q. Was the document entitled "CONSOLIDATED EDISON COMPANY
9 OF NEW YORK, INC., ADMINISTRATIVE AND GENERAL EXPENSES
10 - MAJOR ACCOUNT GROUP 49, EMPLOYEE WELFARE EXPENSES -
11 PSC ACCOUNT 926.2" prepared under your direction and
12 supervision?
13 A. Yes, it was.
14 MARK FOR IDENTIFICATION AS EXHIBIT___(HJR-1)
15 Q. What does this Exhibit show?
16 A. Page 1 of this Exhibit is a summary of the Company's
17 forecast of employee welfare expenses for the rate year
18 ending March 31, 2011. This forecast is based on costs
19 incurred in the historic year, the twelve months ended
20 December 31, 2008. Lines 1 through 19 show costs for
21 the Company's employee benefit programs and lines 20 to
22 24 show health care costs net of employee deductions.
23 Total employee welfare expenses are shown on line 25.
24 Total employee welfare expenses, net of capitalized

1 amounts (line 26), are shown on line 27. Page 2 of the
2 Exhibit is a summary of projected health care costs and
3 employee deductions for twelve months ending March 31,
4 2011.
5 Q. Please describe the methods used for escalating
6 employee benefit costs.
7 A. Three different methods are used to escalate historic
8 year costs to the rate year costs. First, a labor
9 factor of 7.4 percent is used to escalate employee
10 welfare costs that are a function of salaries and
11 wages. For example, the Thrift Saving Plan provides a
12 Company match to management employees for a portion of
13 their contributions; this is escalated using the labor
14 escalation factor. Second, a non-labor factor of 3.1
15 percent is used to escalate employee welfare costs that
16 are unrelated to salaries and wages such as the Tuition
17 Aid Program. The Accounting Panel discusses these labor
18 and non-labor factors. Third, 2.2 percent is used to
19 escalate health care costs. The 2.2 percent is based
20 on the forecast of the GDP deflator.
21 Q. Does the projection include any programs currently not
22 available to employees?
23 A. It was assumed that the programs being offered today
24 will continue to be available to employees over the

1 next several years. During this period, the Company
2 will continue to evaluate the programs and if other,
3 more appropriate substitutes become available, the
4 Company will consider using such programs.

5 HEALTH INSURANCE COSTS

6 Q. Please explain the increase for health insurance shown
7 on line 24, page 1 of Exhibit___(HJR-1).
8 A. Line 24 shows the cost increase associated with health
9 care, long-term disability and benefits administration
10 less employees' payroll deductions. Projected health
11 care costs for the rate year were developed by applying
12 the number of employee contracts as of March 2009 to
13 the forecasted premium rates for the rate year ending
14 March 31, 2011. The forecasted premium rates are based
15 on year 2009 premiums that have been derived from the
16 actual claims experience and projected to increase by
17 the GDP deflator for 2010 and 2011. Historic year
18 costs for the long-term disability plan are escalated
19 using the labor factor. Historic year costs for
20 benefits administration are escalated using the non-
21 labor factor. The common cost factor for electric was
22 applied to total projected health care costs and long-
23 term disability costs to arrive at the rate year
24 forecast.

1 Q. Why is the Company recommending use of the GDP deflator
2 for health care costs when it opposed use of the GDP in
3 prior rate cases?
4 A. In this rate case, in an attempt to mitigate costs and
5 reduce the revenue requirement, the Company is
6 escalating health care costs using the forecasted GDP
7 deflator. In so doing, we reserve asking the
8 Commission to revisit this issue.
9 Q. If the Company had not decided to use the GDP deflator
10 in this case, what percentage would you use to estimate
11 health care costs?
12 A. I would use 8.0 percent for projecting health care
13 costs for 2010 and 2011. This percentage is based upon
14 medical inflation trends as reported by Buck
15 Consultants and projected changes provided by our
16 health care carriers.
17 Q. What would the Company be requesting if it applied an
18 8.0 percent inflation level to it health care costs?
19 A. The Company would have been requesting $105.5 million
20 net of capitalization. Therefore, our requested rate
21 relief is $5.6 million lower than it otherwise would
22 have been.
23
24

1 MEASURES TO MITIGATE COSTS

2 Q. In addition to only asking for the GDP deflator amount
3 to escalate health care costs, what actions has the
4 Company taken to mitigate health and welfare costs?
5 A. The Company has increased the employees' contribution
6 to the health care benefits, reviewed the features of
7 the health and welfare plans, conducted periodic audits
8 of the health and welfare plans, educated employees
9 about the plans, and introduced a number of wellness
10 initiatives. All of these efforts are intended to
11 decrease or mitigate health insurance costs from the
12 levels that they otherwise would have been in future
13 years.

14 EMPLOYEE CONTRIBUTIONS

15 Q. On page 1, line 23, of your exhibit, you indicate that
16 there is an increase of $1.8 million for employee
17 deductions. What does this increase include?
18 A. Projected employee deductions for health care expenses
19 are based on the number of employee contracts as of
20 March 2009 and the 2009 employee contribution rates
21 with the assumption that management contribution rates
22 will increase by 2.2 percent per year. The
23 contributions of employees in Local 1-2 and Local 3 are
24 dictated by the terms of the Collective Bargaining

1 Agreement. Forecasted employee contributions for the
2 long-term disability plans are calculated by applying
3 the labor factor to the historic amounts. The common
4 cost factor for electric is then applied to the total
5 employee deduction amount to arrive at the rate year
6 forecast.

7 Q. Has the Company increased the level of employee
8 contributions in the last several years to offset the
9 increases in health care costs?

10 A. Yes. In 2006, employee contributions were 22.95
11 percent of the health care costs. Employee
12 contributions increased to 23.09 percent of health care
13 costs in 2007, and increased to 26.0 percent in 2008.

14 Q. Has the Company taken any other measures to have the
15 employees share in the costs associated with health
16 care?

17 A. Yes. The Company has increased deductible and co-
18 payments for the hospital, medical, prescription and
19 dental plans.

20 Q. Please describe some of the changes that the Company
21 has made to the deductibles and co-payments.

22 A. The Company has taken a number of steps to increase
23 employee contributions toward their health care costs
24 in the form of increases to annual deductibles and co-

1 payments. For example, in 2006, the annual medical
2 deductible for employees under one of the management
3 plans was $400 per person. This same deductible has
4 increased to $500 per person for 2009. The co-payment
5 for a physician office visit under the same management
6 plan was $18 in 2006; in 2009, the co-payment is $22.
7 For the prescription standard plan, a management
8 employee paid an annual deductible of $50 per family in
9 2006; the deductible in 2009 is $75 per person. As a
10 result, the $50 deductible for a family of three in
11 2006 is now at $225 in 2009.
12 Q. Have similar changes been made for union employees?
13 A. Yes. For Local 1-2 members, the Company and Union have
14 agreed to increase deductibles and co-payments during
15 the term of its Collective Bargaining Agreements. For
16 example, the annual deductible for a non-participating
17 physician was $400 per person/$1,200 per family in
18 2006. The annual deductible in 2009 is $500 per
19 person/$1,500 per family representing a 25.0 percent
20 increase. The office visit co-payment for a
21 participating physician was $18 for each visit in 2006.
22 In 2009, the office visit co-payment is $22 per visit.
23 Under the dental plan, the annual deductible in 2006
24 was $50 per person for a participating dentist. In

1 2009, the annual deductible for a participating dentist
2 is $125 per person representing an increase of 150
3 percent. Similar changes were made for union employees
4 represented by Local 3, IBEW. For example, the annual
5 medical deductible of $375 per person and $1,125 per
6 family in 2006 was increased and is $450 per individual
7 and $1,350 per family for 2009. This represents a 20
8 percent increase in the annual deductible. The annual
9 deductible for the Local 3 dental plan was $50 per
10 person for a participating dentist in 2006 and has been
11 increased to $75 per person for 2009. The rate year
12 forecast reflects plan design changes implemented for
13 management employees and negotiated for Local 1-2
14 members.
15 Q. What savings have been realized by the Company with
16 these increases in co-payments and deductibles?
17 A. The rate year forecast reflects employee welfare plan
18 cost reductions of $3.8 million attributed to these
19 plan design changes.
20 OTHER COST CONTROL MEASURES
21 Q. Are there features of the health plans which will help
22 to mitigate health care costs?
23 A. Yes.
24 Q. Please describe these features.

1 A. To help manage the continued rise in health care costs
2 and mitigate future cost increases, the Company
3 continues to undertake cost containment programs such
4 as Case Management, Value Options, Cancer Resource
5 Services and Optum Nurseline.
6 Q. Please explain these programs.
7 A. When an individual is faced with a serious illness such
8 as major head trauma, severe burns, spinal cord injury,
9 and other illnesses, Case Management services are
10 available to assist the individual and the family
11 members to obtain effective treatment and services.
12 For mental health care, Value Options reviews and
13 manages the mental health treatment plan developed for
14 the patient; through this option, Value Options
15 attempts to be sure that resources are used effectively
16 to treat the patient.
17 Cancer Resource Services is available to United
18 Healthcare participants. This service helps
19 employees/dependents identify where to get care for
20 cancer and provides them with relevant information on
21 cancer centers and clinical topics. It also provides
22 access to a medical director who will discuss the
23 patient's case and connect the physician to the cancer
24 experts at Cancer Resource Services. The Optum

1 NurseLine program is available to United Healthcare
2 participants and offers employees/dependents the
3 opportunity to speak with a registered nurse 24 hours/7
4 days. The nurses are prepared to answer health
5 questions and offer guidance, share self-care
6 techniques, offer tips for staying healthy and
7 recommend web sites for additional information.
8 These programs are designed to assist the
9 employee/dependent in receiving the most appropriate
10 treatment and avoid unnecessary medical procedures and
11 tests, which may mitigate future health care cost
12 increases.
13 Q. What other actions has the Company taken to help
14 control the increase in health care costs?
15 A. As explained further below, the Company is requiring
16 employees and dependents to take greater role in
17 managing their health care expenditures. Employees
18 failing to follow certain procedures in obtaining
19 medical care and services may not be reimbursed for
20 expenses incurred. For example, if an employee or
21 dependent needs durable medical equipment and
22 prosthetic devices, pre-notification to the insurance
23 carrier is required. Treatment plans are required by
24 the claims administrator for physical and occupational

1 therapy, speech therapy, and services performed for
2 diagnosis or treatment of dislocations, subluxations or
3 misalignment of the vertebrae. Emergency room visits
4 will only be covered for an accidental injury or a
5 sudden/serious illness.
6 Q. Has the Company taken any measures to control
7 prescription drug costs?
8 A. Yes. We believe that employees and their families can
9 help the Company mitigate plan costs as well as their
10 out-of-pocket costs at the point of purchase by being a
11 better consumer. To help educate employees and their
12 families to be better consumers, CVS Caremark prepares
13 a report for each employee and dependent which
14 highlights their expenditures and opportunities for
15 savings. This report is sent to the employee and
16 family members twice a year contains information on how
17 the employee and the Company could achieve savings on
18 future prescriptions by using the more efficient and
19 less expensive mail order program or switching from a
20 more expensive brand name drug to a less expensive
21 generic substitute (when available).
22 Q. Was there an increase in prescriptions drugs filled
23 through the mail order program in 2008?

1 A. Yes. The number of prescription drugs filled through
2 mail order increased between 2007 and 2008. In 2009,
3 the CVS and Caremark merger provided a new benefit to
4 our employees, whereby mail order prescriptions could
5 be filled at the local CVS pharmacy at the same cost to
6 our employees and the Company. Through discussions
7 with employees, we were advised that some employees had
8 not utilized the mail order feature of program in the
9 past because of concern that the prescription would be
10 lost in the mail or concern about the prescription
11 package being left in their mail box. This change
12 should encourage our employees to take advantage of the
13 mail order feature now that the prescription can be
14 obtained at the local CVS store. Of course, employees
15 can continue to have prescriptions mailed to their
16 homes.
17 Q. Has there been an increase in the generic dispensing
18 rate for prescription drugs?
19 A. Yes. When comparing calendar year 2007 to 2008, the
20 generic dispensing rate increased by 9.1 percent.
21 Later this year and next year, a number of prescription
22 drugs utilized by our employees/dependents that are
23 within the top 25 drugs dispensed will be available as

1 generic drugs. This should help to maintain or
2 increase the generic dispensing rate.
3 AUDITS
4 Q. What other measures has the Company taken to manage
5 health care costs?
6 A. The Company initiates periodic independent audits of
7 the hospital, medical and prescription drug vendors
8 (Blue Cross Blue Shield, United Healthcare, GHI and CVS
9 Caremark) to check that the programs are being
10 administered according to the plan design and claims
11 are being processed correctly.
12 Q. What were the results of the most recently completed
13 audits?
14 A. After reviewing $96 million in hospital claims
15 processed by Blue Cross Blue Shield for the four year
16 period ending December 31, 2003, the audit revealed an
17 overpayment of $23,000. For the same time period, $60
18 million in medical claims handled by GHI resulted in an
19 overpayment of $110,000. For those claims processed by
20 United Healthcare for the years 2000 to 2003, the audit
21 indicated overpayments of $143,000. The CVS Caremark
22 audit resulted in a discovery of overpayments of $3,000
23 for the years 2000 to 2003.
24 Q. What happens when an overpayment is found?

1 A. The health care vendors will reimburse the Company.
2 Q. Are there any more recent audits of our health plans?
3 A. Yes. Audits are currently being conducted at Blue
4 Cross Blue Shield, United Healthcare, GHI and CVS
5 Caremark.
6 Q. What is the time frame for the audits currently being
7 conducted?
8 A. The current audits are reviewing the claims for GHI for
9 the years 2004, 2005, 2006 and 2007; United Healthcare
10 2007, 2008; CVS Caremark 2006, 2007; and Blue Cross
11 Blue Shield 2004, 2005, 2006, 2007.
12 EMPLOYEE WELLNESS
13 Q. Does the Company currently offer any employee wellness
14 programs?
15 A. Yes. The Company introduced the Active Health Program
16 in 2006 to all employees. This program using the
17 latest technology monitors medical, lab, pharmacy and
18 hospital claims submitted by providers to determine if
19 there is an opportunity for alternative treatments or
20 to identify gaps in medical care. If the Active Health
21 clinical staff identify opportunities for alternative
22 treatments or gaps in medical care, they will notify
23 the health care provider first and then the patient.

1 Q. Can you provide an example of how the Active Health
2 Program works?
3 A. Yes. Active Health would notify the treating physician
4 if the claims data indicates that his or her patient, a
5 young child, has sickle cell disease, but there are no
6 claims for the pneumonia vaccination. The National
7 Institutes of Health, National Heart, Lung and Blood
8 Institute, and the American Academy of Pediatrics
9 recommend the pneumonia vaccine for patients with
10 sickle cell disease after the age of 24 months.
11 Q. Does Active Health conduct a follow-up with the
12 treating physician and patient?
13 A. Yes. Active Health will monitor the claims data to see
14 if there is compliance with their recommendation in the
15 next quarter. If there is non-compliance, Active
16 Health will again contact the treating provider and
17 patient. As always, the final decision on medical care
18 remains with the treating provider and patient.
19 Q. Are there any other wellness initiatives available to
20 employees and dependents?
21 A. Yes. Later in the testimony, I will discuss the
22 programs available under Occupational Supplement and
23 the Work Home Wellness Program. These programs are
24 designed to educate employees and encourage the

1 adoption of healthy lifestyles with the long-term
2 objective of maintaining a healthy workforce which will
3 contribute toward mitigating increases in future health
4 care costs.

5 PROGRAM CHANGES

6 Q. Please explain the program change on line 9, page 1, of
7 your Exhibit labeled "Occupational Supplement."
8 A. Occupational Supplement encompasses various accounts
9 including workers' compensation, severance, pay for
10 injury and lung/hearing. The total cost for these
11 various accounts in the historic year was approximately
12 $2.6 million. The program change under Occupational
13 Supplement is attributed to the lung/hearing account.
14 The programs under this account are intended to provide
15 various screenings to field employees who may be at
16 risk for exposure to asbestos and lead related
17 diseases. The programs provide for preventative
18 testing including: lung cancer screenings; hearing
19 conservation (hearing loss); and lead screenings.
20 Q. What is the Company requesting in terms of rate relief
21 for these programs?
22 A. We are essentially requesting the amount that was
23 expended in the historic year with a slight program
24 change plus escalation.

1 Q. How much is related to the program change requested for
2 the rate year?
3 A. Additional funding of $29,409 is requested for the lung
4 cancer screening program. This will allow for the
5 screening of more employees, who participated in the
6 Smoking Cessation Program and/or have been confirmed as
7 exposed to asbestos.
8 Q. How can you state that you are requesting the same
9 funding plus escalation when the exhibit indicates a
10 program change of $226,159?
11 A. The program change of $226,159 includes two components.
12 The first is the additional funding of $29,409 for the
13 lung cancer screening program discussed above. The
14 second relates to actual 2008 expenditures which were
15 below the rate relief requested due to the reversal of
16 a $196,750 accounting accrual. This accrual was for
17 the asbestos (lung) program and relates to a prior
18 period. There were contractual disputes and
19 negotiations related to this prior period accrual that
20 were ongoing. In 2008, we resolved the outstanding
21 issues without making additional payments and the
22 accrual was reversed in total.
23 Q. Please describe the other programs included in this
24 account.

1 A. The Hearing Conservation Program is designed to
2 conserve and preserve the hearing of employees exposed
3 to hazardous levels of noise in the workplace and to
4 identify and manage hearing loss from a variety of
5 causes. Because hearing loss is often permanent,
6 painless, progressive, but also largely preventable, it
7 is important for employees exposed to industrial
8 occupational noise at a level of 85 db for 8 hours or
9 more daily to have their hearing tested annually. The
10 Lead Screening Program was established as a result of
11 the World Trade Center screening program. During the
12 World Trade Center follow-up exams, it was found that a
13 number of employees had unsafe levels of lead in their
14 blood. As a result, the Company expanded the Lead
15 Screening Program to include additional electric
16 employees. Specifically, the Company will target
17 splicers and general utility workers who work primarily
18 in the electric underground system. This additional
19 testing will also help the Company to meet new
20 Occupational Safety and Health Administration ("OSHA")
21 and New York State and New York City Health Departments
22 compliance testing guidelines.

1 Q. What are the changes associated with Work Home Wellness
2 Program reduction on, line 17 on page 1 of your
3 Exhibit?
4 A. The $36,746 reflects a reduction in the Stress
5 Management Program and administrative savings
6 attributed in part to a reallocation of funds within
7 the various wellness programs offered to employees. In
8 light of the Commission's Order in Case 08-E-0539, the
9 Company has reviewed these programs and is attempting
10 to balance the needs of the employees and revisit the
11 programs that can be reduced. Based on this review, we
12 will reallocate funds earmarked for wellness to smoking
13 cessation, nutrition services, flu vaccine and muscular
14 skeletal. We expect to expand these programs based on
15 current employee participation and demand for services
16 to be offered onsite to field employees. This allows
17 for the programs to reach employees at offsite
18 locations and not just through the Occupational Health
19 clinic. The funds allocated to the Stress Management
20 Program will also be reduced in the rate year.
21 Q. Explain why the Company seeks to expand some of these
22 programs.
23 A. Basically, these programs have been successful and
24 should be expanded for greater success. For example,

1 the Smoking Cessation Program has reduced the number of
2 smokers since its inception in 2006. In 2008 alone,
3 the Smoking Cessation Program identified 611 smokers,
4 and including re-enrollees, the program enrolled 383
5 employees. Of the 148 employees who completed the
6 program and were reached by the end of 2008, 28 percent
7 report that they are smoke-free at six months.
8 Nutrition education services have also been successful
9 in 2008, with 316 initial visits and 135 employees with
10 at least one follow-up visit. Ninety-two percent of
11 employees with an initial visit have been profiled as
12 being overweight, obese, or extremely obese. Fifty-
13 three percent of those employees with at least one
14 follow-up visit show weight loss of up to 150 pounds.
15 Employee wellness achieved through nutrition services
16 also serves to promote safety because employees will be
17 more fit to work within the safety parameters as
18 required by the equipment manufacturers. The 2008 flu
19 vaccination program provided 2,706 flu shots at more
20 than 30 Company locations; almost 20 percent of the
21 employees were vaccinated. Administering flu vaccines
22 can reduce absenteeism due to the flu.
23 Q. Please continue.

1 A. The Muscular Skeletal Program addresses the needs of
2 employees who have experienced a significant amount of
3 sick time as a result of a muscular skeletal condition
4 such as chronic back problems or recent back and/or
5 shoulder injuries. The condition requires a lengthy
6 recuperation period, so the records of 310 employees
7 with more than 160 hours of absenteeism in a one-year
8 time period were reviewed. Of these employees, 74 were
9 referred for follow-up and another 12 employees were
10 treated over a four-week period and have returned to
11 work. We recommend a significant reduction of Stress
12 Management Program dollars; the projected reduction for
13 the forecasted rate year is $78,700 (electric portion).
14 Q. Why was the funding for the Stress Management Program
15 reduced?
16 A. The costs were reduced to reflect a change in the
17 approach of the program. Originally, the program was
18 designed to offer one-on-one counseling to employees.
19 However, the Company was able to take advantage of a
20 web-based program in order to reduce the cost of the
21 program and provide the information more efficiently.
22 Q. What are the components of the web-based program?
23 A. Employees who are part of the pilot population will
24 register for the program on-line and first complete a

1 brief and confidential electronic Health Risk
2 Assessment. Participants will receive a personalized,
3 confidential report based on their responses, which
4 detail steps that can be taken to improve health.
5 Employees who are considered high risk for certain
6 health conditions, and who give their consent, are
7 eligible for telephonic health coaching. Additionally,
8 all employees who complete the initial assessment are
9 encouraged to complete electronic lifestyle improvement
10 programs on a variety of topics including stress
11 management, nutrition and exercise.
12 Q. What are the advantages of a web-based program?
13 A. Since the pilot population is comprised of several
14 different job types, both field and office employees,
15 having a web-based program allows all of the
16 information to be centrally located and permits the
17 employee flexibility to access the information and
18 program offerings from work or home.
19 Q. What evidence do you have that employees will respond
20 to a web-based program?
21 A. Because this is a new program, our direct experience
22 with employees participating in this type of program is
23 limited. However, a recent survey given to Company

1 employees showed they prefer receiving information
2 electronically.
3 Q. Were there any other savings under the Work Home
4 Wellness account?
5 A. Yes. The Company introduced a quarterly health
6 newsletter which was initially mailed to employees'
7 homes. The newsletter is now being delivered
8 electronically resulting in a savings of $65,000.
9 POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
10 Q. Please describe the Company's OPEB programs.
11 A. The Company's OPEB programs are comprised of the
12 Retiree Health Program, which includes major medical,
13 hospitalization, vision and pharmaceutical benefits.
14 The Company also offers a limited retiree term-life
15 insurance program.
16 Q. What is the status of the Company's OPEB plan?
17 A. Starting with the Retiree Health Program, CECONY offers
18 retirees who have 75 points (adding age and service to
19 equal 75) at the time they retire/terminate from
20 employment and their eligible dependents a voluntary
21 contributory Retiree Health Program. The Retiree
22 Health Program offers enrolled retirees different
23 coverage options which include several HMOs, a
24 prescription drug plan and a comprehensive hospital,

1 medical and vision care plan with a network of
2 participating providers. Once a retiree or covered
3 dependent becomes eligible for Medicare, the Retiree
4 Health Program coordinates his or her health care
5 expenses with Medicare. For Medicare eligible
6 retirees, Medicare is the primary payer of hospital and
7 medical claims and the Retiree Health Program is the
8 secondary payer. Under the prescription drug plan,
9 once a retiree and covered dependent become eligible
10 for Medicare Part D, the Retiree Health Program submits
11 the retiree's claim information to Medicare, which will
12 determine if the company is eligible to receive a
13 Federal "Retiree Drug Subsidy" on behalf of the
14 Medicare eligible retiree or covered dependent. The
15 Company also provides certain retired management
16 employees limited retiree term-life insurance equal to
17 $50,000 a year. Certain retired union employees may
18 purchase up to $30,000 of coverage in units of $10,000.
19 Q. Please discuss the steps the Company takes annually to
20 manage or mitigate the overall costs of OPEBs?
21 A. The Company reviews on an annual basis its OPEBs to
22 determine the effectiveness of implementing cost
23 containment programs and other changes to mitigate
24 future cost increases. This review includes a

1 determination of how much the Company will charge the
2 retirees electing to participate in the Retiree Health
3 Program and plan design changes to deductibles and co-
4 payments. Additionally, the Retiree Health Program was
5 amended, as detailed below, to provide for a method to
6 share the total expense associated with the Retiree
7 Health Program with the participating retiree and their
8 covered dependents.

9 Q. How did the Company amend its OPEB plan to reflect this
10 cost sharing method?

11 A. The Retiree Health Program was amended, beginning in
12 calendar year January 1, 2008, to limit Company
13 contributes toward the cost of the Retiree Health
14 Program. The Company's contribution is limited to the
15 2007 plan year's per capita contribution ("2007
16 Contribution Amount") plus an inflation adjustment
17 equal to the change in the Consumer Price Index for All
18 Urban Consumers ("CPI-U"). Changes to the Company's
19 2007 Contribution Amount will be fixed each year by the
20 increase in the CPI-U and not by the increase in health
21 care costs. Each year, if the cost for the Retiree
22 Health Program is expected to be more than the increase
23 in the CPI-U, the cost increase above the change in the
24 CPI-U will be passed on to participating retirees and

1 their covered dependents in the form of a higher
2 monthly contribution.
3 Q. What are the annual savings from this plan amendment?
4 A. This plan amendment was implemented in 2002 and was
5 first recognized for accounting purposes in the
6 calculation of the 2002 retiree health expense. Since
7 that time, the benefits of this amendment have been
8 reflected annually in the accounting cost. As a method
9 to quantify this type of annual savings, if the
10 amendment was first measured in 2008 rather than when
11 it was first recognized for accounting purposes in
12 2002, a conservative estimate of the annual savings
13 from this plan amendment when applied to the 2008 plan
14 results is approximately $20 million of savings.
15 Q. Please explain how this change has impacted the
16 Company's contribution and the retiree's contribution
17 to the Retiree Health Program in 2008 and 2009.
18 A. Beginning on January 1, 2008, the Company's
19 contribution to health care costs increased by only 2.3
20 percent and the retiree's contribution increased
21 approximately 31 percent. This change resulted in an
22 increase to retirees' contribution from 17% in 2007 to
23 approximately 22 percent of the Retiree Health Program
24 costs in 2008. Beginning on January 1, 2009, retiree

1 contributions toward health care costs were increased
2 slightly and are expected to remain at 22 percent of
3 the Retiree Health Program's costs.
4 Q. Will the Company's and retirees' contribution toward
5 Retiree Health Program cost continue to be made in the
6 same manner in future years?
7 A. Yes. The Company expects to follow this method in
8 future years, which limits the Company's annual cost to
9 the 2007 per capita base amount plus the cumulative
10 increases in annual CPI-U.
11 Q. What other steps has the Company taken to address the
12 cost of OPEBs?
13 A. On January 1, 2006, the Company amended the Retiree
14 Health Program to qualify for the Medicare Retiree Drug
15 Subsidy.
16 Q. Please describe the plan amendment.
17 A. The Company takes full advantage of the Retiree Drug
18 Subsidy Program established by the Medicare
19 Prescription Drug, Improvement and Modernization Act of
20 2003 ("Medicare Part D Act"). Under the Medicare Part
21 D Act, employers providing "actuarially equivalent
22 prescription drug coverage" to Medicare eligible
23 retirees, receive a 28 percent tax-free subsidy from
24 the federal government for allowable prescription drug

1 costs incurred by those retirees. The Company's health
2 care actuary has determined that its prescription drug
3 plan provides a benefit that is at least actuarially
4 equivalent to the Medicare prescription drug plan which
5 means that the Company is eligible to receive the tax-
6 free subsidy. The Company has received retiree drug
7 subsidy payments for each year from 2004 through 2008.
8 In addition, the actuarially equivalent to the drug
9 coverage of the Medicare prescription drug plan
10 determination allows the Company to file for the
11 Retiree Drug Subsidy in 2009.
12 Q. What are the cost savings associated with the Retiree
13 Drug Subsidy?
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1 A. The Company has seen the following cost savings from
2 2004 to 2009:
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($ millions)	2004	2005	2006	2007	2008	2009
OPEB before Medicare Rx subsidy	$41.8	$86.6	$85.5	$102.1	$102.6	$110.3
OPEB after Medicare Rx subsidy	$23.5	$62.6	$55.6	$ 70.0	$ 70.2	$ 78.0
Savings from Subsidy	$18.3	$24.0	$29.9	$ 32.1	$ 32.4	$ 32.3

4
5 The Company's health care actuary has determined that
6 the annual savings for 2009 from the Retiree Drug
7 Subsidy results in a reduction to the electric revenue
8 requirement equivalent to $43.5 million, including the
9 associated tax benefits.
10 Q. Has the Company made any other recent amendments to its
11 OPEB plan?
12 A. Yes. On January 1, 2008, the Retiree Health Program
13 was amended to provide same sex domestic partners with
14 retiree health care benefits after the death of the
15 retiree. The surviving same sex domestic partner would
16 pay the full cost of providing this extended coverage.

1 Q. Are there any savings associated with this plan change?
2 A. No. This change is revenue neutral.
3 Q. Are there any other steps the Company has implemented
4 to reduce OPEB costs which have not required plan
5 amendments?
6 A. The Company links some of its Retiree Health Program's
7 deductibles to those set by various Medicare plans.
8 For example, the Company's retiree hospital/medical
9 deductible is 50 percent of the Medicare Part A
10 deductible. The federal government has increased the
11 Medicare Part A deductible each year and the Company
12 has increased its deductibles accordingly.
13 Q. Has the Company implemented any other cost saving
14 steps?
15 A. Yes. In 2009, the Company negotiated additional
16 discounts with its prescription drug plan vendor
17 resulting in savings of $4.9 million.
18 Q. Are there any other Company efforts to contain OPEB
19 costs?
20 A. Yes. The Retiree Health Program includes various cost
21 containment features such as Optum NurseLine which I
22 described earlier in my testimony.

1 Q. Have there been any other initiatives with respect to
2 the Company's OPEB plan which were considered and
3 rejected?
4 A. No. In fact, other than the reductions set forth above,
5 there have been no enhancements to the Retiree Health
6 Program.
7 RETIREMENT PLAN
8 Q. Please provide a description of some of the amendments
9 to The Consolidated Edison Retirement Plan ("Retirement
10 Plan").
11 A. The Consolidated Edison Retirement Plan has a number of
12 amendments that impact Consolidated Edison Company of
13 New York, Inc. (CECONY) employees starting in 2001 to
14 the present. Some of the amendments were required for
15 tax qualification purposes or were a result from
16 collective bargaining agreements with members of Local
17 1-2 or Local 3. Some of the amendments increased the
18 liability and other amendments decreased the liability
19 of the Retirement Plan. For example, CECONY management
20 employees hired on or after January 1, 2001 accrue
21 pension benefits under a cash balance formula. The
22 cash balance formula significantly reduces the
23 Retirement Plan's future liabilities attributed to new
24 hires.

1 Q. Are there any other amendments to the Retirement Plan
2 that reduce the Retirement Plan's future liability?
3 A. Yes. Effective as of June 27, 2004, the pension
4 benefit for married members of Local 1-2 who are first
5 hired after June 27, 2004 will be actuarially reduced
6 for payment in the form of a qualified joint and 50
7 percent survivor benefit.
8 Q. Are there any other amendments reducing the Retirement
9 Plan's future liability?
10 A. Yes. The pension benefit for a union employee
11 represented by Local 3, IBEW, has been significantly
12 modified for new employees hired on or after June 26,
13 2005. First, the pension formula will be based on a
14 final five-year average instead of a final four-year
15 average. Second, to be eligible for an unreduced early
16 retirement benefit, employees in this group must attain
17 age 59, rather than age 55, and 30 years of service.
18 Third, after retiring, employees receiving a pension
19 will no longer receive a cost of living adjustment.
20 Finally, the pension benefit for married employees will
21 be actuarially reduced for payment in the form of a
22 qualified joint and 50 percent survivor benefit.
23 Q. Please explain the most recent amendments to the
24 Retirement Plan.

1 A. The Retirement Plan was amended for union employees
2 represented by Local 1-2 CECONY, effective July 1, 2008
3 and for CECONY Management Employees, effective January
4 1, 2009, to provide a retention incentive for certain
5 long service employees continuing their employment with
6 the Company through the June 30, 2012.
7 Q. How does the retention incentive work?
8 A. Employees on the active payroll who are age 55 and have
9 30 or more years of service with the Company or will
10 turn age 55 with 30 or more years of service during the
11 period July 1, 2008 through June 30, 2012 for union
12 members of Local 1-2 or January 1, 2009 through June
13 30, 2012 for management employees qualify for a special
14 pension accrual. The special pension accrual is equal
15 to 0.5% of final average salary for each year of
16 service above 30 years and applies prospectively. The
17 special pension accrual period sunsets after June 30,
18 2012.
19 Q. Are there any additional changes being proposed for the
20 Retirement Plan in the near future?
21 A. The Collective Bargaining Agreement with Local 3
22 members is set to expire in June 2009. There may be
23 changes to the Retirement Plan as a result of a new
24 agreement.

1 BENEFIT PROGRAM COMPARISON

2 Q. How does the Company's benefit programs compare with
3 the benefit packages of similarly situated companies?
4 A. The Company believes that providing competitive
5 benefits and compensation is essential in attracting
6 and retaining employees. The Company has taken a very
7 conservative approach in targeting its benefits package
8 to the median levels of a peer group of companies.
9 Q. How did you reach the conclusion that the Company's
10 benefits package is at the median level of a peer group
11 of companies?
12 A. I made this conclusion based on the results of a
13 benefits valuation study developed Towers Perrin, a
14 benefits consultant. This study is confidential, but
15 the Company is willing to provide the study provided
16 that an appropriate protective order is issued in this
17 proceeding.
18 Q. Please explain the results of the benefits valuation
19 study conducted by Towers Perrin.
20 A. Towers Perrin determines the value of benefits provided
21 by companies by applying a standard set of actuarial
22 methods and assumptions to a common employee
23 population. This quantitative evaluation of each
24 company's benefit provisions and overall benefit

1 program facilitates a comparison of these benefit
2 values against peer companies.
3 Q. Did Towers Perrin compare Con Edison's benefit program
4 to a peer group of comparable companies?
5 A. Yes, Towers Perrin compared the Company's benefit
6 programs, excluding employee contributions, to
7 similarly situated energy services companies.
8 Q. How does the Company's entire benefit program for
9 management employees compare to the peer group of
10 companies used by Towers Perrin?
11 A. When compared with the benefit programs (excluding
12 employee contributions) for the peer group of companies
13 the Company's benefit programs provided to management
14 employees are reasonable and deemed at the median level
15 of the peer group.
16 EXECUTIVE COMPENSATION PROGRAM
17 Q. What are the elements of the Company's executive
18 compensation program?
19 A. The Company's executive compensation program is
20 comprised of three elements: base salary, annual awards
21 and equity grants.
22 Q. Please describe the Company's compensation philosophy?
23 A. The Company philosophy is to provide base salary,
24 annual awards and equity grants that are competitive

1 with the median levels of executive compensation
2 provided by a peer group of companies. We believe that
3 setting compensation levels at the median of our peer
4 group of companies would allow us to be competitive in
5 the labor market and to fairly compensate, attract and
6 retain employees critical to the success of the
7 Company. The objective of the executive compensation
8 program is to support the Company's business strategy,
9 which includes such objectives as providing customers
10 with quality service, making reasonable return to
11 investors, and providing an environment where employees
12 can continue to improve their contributions to the
13 Company. As such, annual award and equity grants are
14 linked to financial, budget and operations goals
15 important to both customers and investors.
16 Q. Please describe how you establish compensation levels
17 for executives.
18 A. The Management Development and Compensation Committee
19 of the Board of Directors of the Company (the "MDC
20 Committee") establishes, reviews and administers the
21 Company's executive compensation program. The MDC
22 Committee has retained Mercer as an independent
23 compensation consultant, to provide it with
24 information, analyses, and objective advice regarding

1 executive compensation. The MDC Committee has adopted
2 an industry peer group of twenty publicly-traded
3 utility companies of comparable size and scope to the
4 Company for purposes of providing benchmark information
5 on compensation levels provided to executives. This
6 peer group is also used to measure relative total
7 shareholder returns for vesting one half of the
8 performance based restricted stock units grants.
9 Q. Is the cost of the annual awards and equity grants for
10 executives included in this rate request?
11 A. No. The Company is not seeking recovery of these
12 elements of executive compensation in order to reduce
13 the number of issues to be addressed in this proceeding
14 (See Accounting Panel Exhibit AP5, Schedule 1, page 3
15 of 6, line items number 15 and 31, which removes this
16 cost from the rate request). But it is my strong
17 belief that the annual awards and equity grants are
18 legitimate costs of doing business and should be
19 recoverable in full from customers. In addition, the
20 executive compensation provided by the Company is
21 reasonable as supported by an in-depth analysis
22 provided by Mercer.
23 Q. Are you presenting as an exhibit a one-page document
24 entitled "ANALYTICAL FRAMEWORK - PEER GROUP."

1 MARK FOR IDENTIFICATION AS EXHIBIT __ (HJR-2)

2 Q. What does this Exhibit show?

3 A. This material, prepared by Mercer, shows the twenty
4 utility companies used by the MDC Committee in
5 comparing and evaluating the Company's executive
6 compensation program.

7 Q. Are you presenting as an exhibit a three-page document
8 entitled "MARKET ASSESSMENT - TOP EXECUTIVES BASE
9 SALARY ($000)" and "MARKET ASSESSMENT - OTHER
10 EXECUTIVES BASE SALARY ($000)?"

11 A. Yes.

12 MARK FOR IDENTIFICATION AS EXHIBIT __ (HJR-3)

13 Q. What does this Exhibit show?

14 A. This material, also prepared by Mercer, compares the
15 Company's base executive compensation to the base
16 compensation of executives holding equivalent positions
17 at the peer group of companies.

18 Q. How does the Company's executive base compensation
19 compare to the base compensation of executives holding
20 equivalent positions at the peer group of companies?

21 A. Mercer reviewed and benchmarked the Company's executive
22 compensation program comprised of base salary, annual
23 incentive compensation and long-term incentive
24 compensation. When compared with the base compensation

1 compensation. When compared with the base compensation
2 levels reported in proxies for the peer group of
3 companies for the top-five highest paid, base salary is
4 deemed to be competitive with the median levels using
5 both proxy and survey data. For the remaining
6 executives, base compensation was found to be around
7 the median level with some positions above and some
8 below the median range.

9 Q. What is Mercer's conclusion regarding the overall level
10 of the Company's executive compensation program?

11 A. Mercer has concluded that based on publicly available
12 proxy data, base salary, annual awards and equity
13 grants for executives are competitive with the median
14 of the market.

15 DIRECTORS' COMPENSATION

16 Q. Please explain the Directors' compensation package.

17 A. Members of the Board who are not employees of the
18 Company are paid an annual retainer fee, a fee for each
19 meeting attended, and receive an annual grant of 1,500
20 stock units.

21 Q. Do you agree that the annual equity grant is a
22 reasonable component of Directors' compensation?

23 A. Yes, the stock awards for the Board of Directors, which
24 replace a retirement plan, are part of their total

1 compensation conducted by the Board's compensation
2 consultant, Mercer, it was found that total Director
3 compensation is aligned with the median levels of both
4 the 20 company peer group and a general industry ($10 -
5 $15 billion total market capitalization) reference
6 group.
7 Q. Why should the Company be permitted to recover the
8 costs of equity compensation for Directors?
9 A. These equity awards are a basic component of
10 compensation, which is required to be deferred until
11 the Director's termination of service from the Board.
12 I see no reason to deny recovery of this portion of
13 Director's compensation costs simply because it is
14 awarded as shares of stock
15 Q. The Order (pp. 56-57) stated "Because the compensation
16 is in the form of stock, it provides greater benefit to
17 the directors, all other things being equal, if the
18 Company performs well financially, to the benefit of
19 shareholders independent of any benefit to ratepayers."
20 Do you agree?
21 A. No, I do not. First, this statement ignores the fact
22 that Directors will receive a lesser benefit, all else
23 being equal, if the Company does not perform well
24 financially. Second, as explained by Company witness

1 Tai in the context of the Company's Variable Pay Plan,
2 customers benefit directly when the Company performs
3 well financially.
4 Q. Please comment on the Commission's statement (Order,
5 pp. 56-57) that the Company provides no reason why it
6 cannot compensate Directors in some other form that is
7 not aligned with the interests of shareholders.
8 A. The Commission's statement does not address the fact
9 that customer and shareholder interests are aligned in
10 operating a well-managed, financially healthy utility.
11 Nor does this statement explain why customers would be
12 better off if rates reflected cash payments rather than
13 stock awards. The Director role is one of oversight
14 and judgment to protect the interests of shareholders
15 and customers by ensuring that executives are managing
16 the Company in an effective, ethical and legal manner.
17 Fairly compensating Directors is a reasonable and
18 necessary business expense that should be fully
19 reflected in rates. If such compensation is fair and
20 reasonable, the form of payment should not determine
21 whether it is recoverable in rates.
22 Q. Do you plan to update your exhibits?
23 A. Yes. If there are any changes in health and welfare
24 benefits, I will provide an update to the exhibits at

1 the appropriate time during the course of this
2 proceeding.
3 Q. Does this complete your testimony?
4 A. Yes, it does.
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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ADMINISTRATIVE AND GENERAL EXPENSES - MAJOR ACCOUNT GROUP 49
EMPLOYEE WELFARE EXPENSES - PSC ACCOUNT 926.2
ELECTRIC

LINE NO.		12 MONTHS ENDED 12/31/08 ACTUAL	NORMALIZATION	PROGRAM CHANGE	ESCALATION		12 MONTHS ENDING 3/31/11 RATE YEAR	LINE NO.
1.	Thrift Savings Plan	$15,073,845	$0	$0	$1,055,826	[N]	$16,129,671	1.
2.	Group Life Insurance	936,336	0	0	98,648	[O]	1,034,984	2.
3.	Military Duty Allowance	209,950	0	0	15,536	[L]	225,486	3.
4.	Restaurants & Newsstands	94,044	0	0	2,915	[M]	96,959	4.
5.	Stock Purchase Plan	1,975,636	0	0	112,736	[A]	2,088,372	5.
6.	Stock Option Plan	17,724	0	0	549	[M]	18,273	6.
7.	Deferred Income Plan	(9,186,100)	9,186,100	0	0	[P]	0	7.
8.	Tuition Aid	4,801,142	0	0	148,835	[M]	4,949,977	9
9.	Occupational Supplement	2,595,831	0	226,159	146,003	[D]	2,967,993	10.
10.	Company Clubs	22,657	0	0	702	[M]	23,359	11.
11.	Employee Publications & Communications	525,703	0	0	28,358	[C]	554,061	12.
12.	Scholarship for Employees' Children	102,767	0	0	3,186	[M]	105,953	13.
13.	Child Care & Elder Care Consulting Serv.	58,109	0	0	1,801	[F]	59,910	14.
14.	Financial Counseling Service	200,484	0	0	6,215	[J]	206,699	15.
15.	Consulting Services	1,283,672	0	0	39,794	[E]	1,323,466	16.
16.	Occupational Accidental Death	40,420	0	0	1,253	[M]	41,673	17.
17.	Work Home Wellness Program	1,185,785	0	(36,746)	0	[G]	1,149,039	18.
18.	World Trade Center	1,327,510	0	0	13,130	[I]	1,340,640	19.
19.	Sub-Total	21,265,515	9,186,100	189,413	1,675,487		32,316,515	20.
	Health Insurance							
20.	Dental	9,086,203	0	523,576	0		9,609,779	21.
21.	Prescription Drug Plan	18,745,891	0	412,092	0		19,157,983	22.
22.	Hospital & Medical Insurance	95,370,999	0	16,551,832	0		111,922,831	23.
23.	Employee Deductions	(34,110,608)	0	(1,843,314)	0		(35,953,922)	24.
24.	Sub-Total	89,092,485	0	15,644,186	0		104,736,671	25.
25.	Total Employee Welfare Expenses	$110,358,000	$9,186,100	$15,833,599	$1,675,487		$137,053,186	26.
26.	Capitalization	30,833,858	0	6,245,148	34,614		37,113,621	27.
27.	Net of Capitalization	$79,524,142	$9,186,100	$9,588,451	$1,640,873	[Q]	$99,939,565	28.

[A] to [J] Labor escalation 7.4%; non-labor escalation 3.1%; new/expanded programs, if any
[L] Escalation is based on labor factor of 7.4%
[M] Escalation is based on non labor factor of 3.1%
[N] Escalation-labor 7.4%; non labor factor 3.1%; employee contributions/match
[O] premiums & 5 yr avg for dividends
[P] refer to Accounting Panel's testimony
[Q] does not include fringe benefits for of new hires; see testimony of Accounting Panel

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
SUMMARY OF HEALTH INSURANCE COSTS
ELECTRIC CASE
RATE YEAR FORECAST
TWELVE MONTHS ENDING MARCH 31, 2011

DENTAL - MET LIFE & ASO		$9,609,779
PRESCRIPTION DRUG - CAREMARK	18,939,578	
RETIRED KEY OFFICERS' PRESCRIPTION DRUG	218,405	
TOTAL PRESCRIPTION DRUG		19,157,983
HOSPITALIZATION - BLUE CROSS	32,975,459	
MEDICAL - UNITED HEALTHCARE	47,700,954	
MEDICAL - GROUP HEALTH INSURANCE	18,095,060	
RETIRED OFFICERS' MEDICAL - UHC	687,881	
HMO - BLUE CROSS/BLUE CHOICE	1,271,844	
HMO - HIP	1,875,606	
HMO - AETNA/U.S. HEALTHCARE	3,116,272	
HMO - MVP	770,054	
VISION - COMPREHENSIVE VISION	499,313	
MANAGEMENT LONG TERM DISABILITY	2,296,229	
WEEKLY LONG TERM DISABILITY	2,016,008	
FLEXIBLE BENEFITS ADMINISTRATION	209,888	
PRINTING & MAILING OF HEALTH PLANS	13,187	
CASE MGMT. PROGRAMS	82,294	
ACTIVE HEALTH/HDMS	312,782	
TOTAL HOSPITALIZATION & MEDICAL		111,922,831
TOTAL GROSS HEALTH INSURANCE COSTS		140,690,593
EMPLOYEE DEDUCTIONS		(35,953,922)
TOTAL NET HEALTH INSURANCE COSTS		**$104,736,671**

Analytical Framework – Peer Group
The study used the peer group approved by the MD&C Committee

Company Name	Ticker Symbol	2007 Revenue ($M)	2007 Net Income ($M)	2007 Total Assets ($M)	Aug 08 Market Value ($M)	1yr Total Return August 2008	3yr Total Return August 2008
CONSTELLATION ENERGY GRP INC[1]	CEG	$21,193	$835	$21,946	$11,897	-18%	7%
EXELON CORP[2]	EXC	$18,716	$2,736	$45,894	$49,931	10%	15%
DOMINION RESOURCES INC	D	$15,674	$2,555	$39,123	$25,245	6%	8%
SOUTHERN CO	SO	$15,353	$1,782	$45,789	$28,890	11%	8%
FPL GROUP INC	FPL	$15,263	$1,312	$40,123	$24,534	5%	15%
AMERICAN ELECTRIC POWER CO	AEP	$13,380	$1,092	$40,366	$15,704	-9%	6%
PG&E CORP	PCG	$13,237	$1,006	$36,648	$14,819	-4%	7%
EDISON INTERNATIONAL	EIX	$13,113	$1,149	$37,562	$14,961	-11%	3%
FIRSTENERGY CORP	FE	$12,781	$1,309	$32,068	$22,143	22%	16%
DUKE ENERGY CORP	DUK	$12,720	$1,500	$49,704	$22,060	0%	6%
ENTERGY CORP	ETR	$11,484	$1,160	$33,643	$19,807	3%	14%
SEMPRA ENERGY	SRE	$11,438	$1,109	$30,091	$14,270	8%	11%
XCEL ENERGY INC	XEL	$10,034	$577	$23,185	$8,840	4%	7%
CENTERPOINT ENERGY INC	CNP	$9,623	$399	$17,872	$5,428	2%	8%
PEPCO HOLDINGS INC	POM	$9,366	$335	$15,111	$5,115	-5%	8%
PROGRESS ENERGY INC	PGN	$9,153	$504	$26,286	$11,444	1%	6%
DTE ENERGY CO	DTE	$8,506	$971	$23,754	$6,876	-7%	2%
NISOURCE INC	NI	$7,973	$321	$18,005	$4,519	-8%	-8%
AMEREN CORP	AEE	$7,546	$629	$20,728	$8,799	-13%	-4%
PPL CORP	PPL	$6,498	$1,306	$19,972	$16,391	-7%	14%
75th Percentile		$13,851	$1,310	$39,373	$22,081	5%	12%
Median		$12,102	$1,101	$31,080	$14,890	0%	7%
25th Percentile		$9,313	$616	$21,641	$8,830	-8%	6%
CONSOLIDATED EDISON INC	**ED**	**$13,120**	**$940**	**$28,343**	**$11,174**	**-6%**	**1%**

1 MidAmerican Energy Holdings Company is in the process of acquiring Constellation Energy. This been approved by both companies' boards of directors but is subject to shareholder and regulatory approval. If the transaction occurs, the Committee may need to consider alterations to the peer group
2 Exelon recently made an offer to acquire NRG Energy, which would result in Exelon's revenues increasing to approximately $25 billion

Market Assessment – Other Executives Base Salary ($000)

Overall, base salary is positioned at median, with significant individual variation

continued

Position	Current Base Salary	Survey Data					
		25th		50th		75th	
		Data	Ratio	Data	Ratio	Data	Ratio
VP - Facilities	$250	$130	*193%*	$158	*158%*	$177	*141%*
VP - Energy Management	$249	$194	*128%*	$239	*104%*	$307	*81%*
VP - Engineering & Planning	$248	$207	*120%*	$294	*84%*	$355	*70%*
VP - Manhattan	$247	$251	*99%*	$287	*86%*	$350	*71%*
VP - Tax	$241	$215	*112%*	$249	*97%*	$286	*84%*
VP - System & Transmission Operations	$235	$199	*118%*	$251	*94%*	$290	*81%*
VP - Gas Engineering	$234	$154	*152%*	$185	*127%*	$220	*106%*
VP - Brooklyn/Queens	$224	$251	*89%*	$287	*78%*	$350	*64%*
VP - Central Field Services	$221	$174	*127%*	$207	*107%*	$244	*91%*
VP - Staten Island & Electric Services	$219	$229	*96%*	$262	*84%*	$336	*65%*
VP - Bronx/Westchester	$218	$251	*87%*	$287	*76%*	$350	*62%*
VP - Gas Operations	$218	$205	*106%*	$227	*96%*	$290	*75%*
VP - Construction	$217	$159	*137%*	$203	*107%*	$240	*90%*
VP - Steam Operations	$214	$202	*106%*	$235	*91%*	$300	*71%*
VP & General Auditor - Auditing	$211	$211	*100%*	$232	*91%*	$252	*84%*
VP - Substation Operations	$209	$199	*105%*	$251	*83%*	$290	*72%*
VP - Energy Policy and Regulatory Affairs	$207	$183	*113%*	$232	*89%*	$257	*80%*
VP - Purchasing	$203	$174	*117%*	$207	*98%*	$244	*83%*
	Overall		*125%*		*103%*		*87%*

* The figures in ***blue italics*** represent Con Ed as a percentage of market levels.