

PAUL M. SHAFER - ELECTRIC

1 Q. Please state your name and business address.

2 A. My name is Paul Shafer. My business address is: 45
3 Glover Avenue, Norwalk, CT 06850.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Hewitt Associates LLC ("Hewitt",
6 "Hewitt Associates" or "we") as a Principal. I manage
7 the Broad-Based Compensation Practice Segment for
8 Hewitt's U.S. Eastern Region.

9 Q. Please describe your educational background.

10 A. I graduated from the University of Notre Dame with a
11 Bachelor of Arts Degree in Economics in 1978. In 1982,
12 I earned a Master's Degree in Business from Columbia
13 University.

14 Q. Please describe your work experience.

15 A. I have worked at Hewitt for more than 26 years as a
16 consultant. Prior to joining Hewitt Associates I was
17 employed at the Federal Reserve Bank of New York.

18 Q. What is the purpose of your testimony?

19 A. Hewitt Associates LLC was asked by Consolidated Edison
20 Company of New York, Inc ("Con Edison" or the
21 "Company") to conduct a review of its current non
22 officer management compensation practices. I will
23 discuss that project and its findings.

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1 Q. Please provide an overview of the project.
2 To conduct this review, which I am outlining, we
3 focused on 80 representative benchmark positions. In
4 total, 2,085 current Con Edison employees held one of
5 the 80 benchmark positions, out of approximately 4,300
6 non officer management level employees. The data
7 included more than 48% of the Company's non officer
8 management employees. The Company's compensation
9 practices were then compared with the practices of
10 different comparator groups of organizations. We used
11 Con Edison's compensation data effective as of April 1,
12 2008. Compensation survey numerical data was drawn
13 from 2007 surveys and adjusted at Hewitt's standard
14 rates (i.e., at an annualized rate of 3.8% for 2007
15 compensation data), so that the Con Edison's
16 compensation amounts and the survey data would be
17 timing neutral. The compensation data was not adjusted
18 to reflect the higher than "national norm" cost of
19 living in the New York metropolitan area and/or any
20 resultant higher labor costs in the area. New York City
21 wage differentials typically range between 20% and 25%
22 above "national norms" according to the Economic
23 Research Institute's Geographic Assessor.

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1 Q. Are you sponsoring a four-page Exhibit entitled "MARKET
2 COMPARATORS"?

3 A. Yes.

4 Q. Was this exhibit prepared by you or under your
5 direction and supervision?

6 A. Yes, it was.

7 MARK FOR IDENTIFICATION AS EXHIBIT ____ (PMS-1)

8 Q. What are comparator groups?

9 A. Comparator groups are sets of utility companies that
10 were selected to benchmark the relative competitiveness
11 of the Company's compensation practices.

12 Q. Where did the compensation survey data come from?

13 A. The majority of the data came from surveys conducted by
14 Hewitt. We also supplemented this information with data
15 obtained by Con Edison from other independent national
16 consulting firms that conduct compensation surveys.

17 Q. What comparator groups were used?

18 A. As noted on page 2 of Exhibit ____ (PMS-1), the first
19 and largest comparator group "National Utilities" was
20 composed of compensation data from 38 companies drawn
21 from Hewitt's survey database. Con Edison had used 20
22 specific companies for its executive compensation
23 assessment. Hewitt used these same 20 companies to

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1 evaluate program design. The list of 20 companies is
2 included on page 3 of Exhibit ____ (PMS-1) and is titled
3 "Proxy Peer Group." Of the companies included in the
4 Proxy Peer Group, 14 provided data for non officer
5 management level positions. This set of 14
6 organizations, listed on page 4 of Exhibit ____ (PMS-1),
7 formed the "Peer Group Companies."

8 Q. Why didn't Hewitt use all of the companies in the Proxy
9 Peer Group for management level benchmarking?

10 A. Not all of the companies in the Proxy Peer Group
11 submitted non officer management level data to our
12 surveys. Therefore, we used all of the Proxy Peer Group
13 companies that had submitted non officer management
14 level data. The total amount of data from these
15 organizations was sufficient to identify peer group
16 compensation practices for non officer management
17 employees.

18 Q. The Company provides three elements of compensation
19 (base salary + annual variable pay (or performance-
20 based pay) + equity grants) for non officer management
21 employees, how does that compare with prevailing market
22 practice?

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- 1 A. In recent years, the majority of organizations that we
2 survey and work with have moved from a "base salary
3 only approach" to base salary plus variable pay for non
4 officer management employees. This transition is well
5 documented in multiple surveys. In Hewitt's 2008
6 Salary Increase Survey approximately 90% of more than
7 1,000 organizations reported offering variable pay or
8 performance-based pay to non-officer management
9 employees. Hewitt's comparative data from our TCM
10 database indicates that, in addition to base salary,
11 93% of Peer Companies and 95% of the National Utilities
12 Comparator groups report annual variable pay or
13 performance-based programs. In addition, 64% of Peer
14 Companies and 55% of National Utilities report use of
15 equity compensation. Among the reasons for this move
16 has been: shift costs from guaranteed pay (i.e.,
17 salary) to contingent, performance-based pay; remain
18 market competitive; and attract and retain employees by
19 offering total compensation opportunities in line with
20 similar organizations.
- 21 Q. Does Hewitt agree with the approach adopted by the
22 Company?

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1 A. Yes, such an approach is in the best interests of
2 customers, employees and the organization because it
3 systematically reinforces higher levels of performance
4 and employee motivation. Con Edison's current use of
5 compensation elements is reasonable and consistent with
6 market practice. Based on our experience and multiple
7 survey sources, Hewitt concludes that:

8 1. As regards offering base salary and annual variable
9 pay or performance-based pay, the Company's provision
10 of these two elements is reasonable and consistent with
11 almost universal market practice among National
12 Utilities and Peer Group Companies.

13 2. As regards offering equity grants, the Company's
14 provision of this element is consistent with common
15 practice among peer companies and National Utilities,
16 with a slight majority offering such compensation
17 plans.

18 Q. Are you sponsoring a five-page Exhibit entitled
19 "COMPETITIVE POSITIONING"?

20 A. Yes.

21 Q. Was this exhibit prepared by you or under your
22 direction and supervision?

23 A. Yes, it was.

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1 MARK FOR IDENTIFICATION AS EXHIBIT ____ (PMS-2)

2 Q. Please describe the information contained on Exhibit
3 (PMS-2).

4 A. Page 1 of this exhibit presents summary competitive
5 compensation posture information for the Company versus
6 National Utilities and Peer Group companies. Reviewing
7 this page it can be seen that Con Edison's base salary
8 competitive posture falls at the median. This is
9 followed by less competitive total cash compensation
10 (Base Salary + Target Annual Variable Performance-based
11 Pay) position and a much less competitive total direct
12 compensation posture (Base Salary + Actual Annual
13 Variable Performance-based Pay + Value of Equity
14 Grants). As can be seen on page 1 of Exhibit (PMS-2):

15 (A) - MARKET COMPARATORS - The different market
16 comparator groups against which Con Edison's
17 compensation practices were compared.

18 (B) - BASE SALARY - The % difference between a specific
19 comparator group and Con Edison's base salary practice
20 for benchmark positions.

21 (C) - TARGET TCC - The % difference between a specific
22 comparator group and Con Edison's Target Total Cash

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1 Compensation (Base Salary + Target Annual Variable
2 Performance-based Pay) for benchmark positions.

3 (D) - ACTUAL TCC - The % difference between a specific
4 comparator group and Con Edison's Actual Total Cash
5 Compensation (Base Salary + Actual Annual Variable
6 Performance-based Pay) for benchmark positions.

7 (E) - ACTUAL TDC - The % difference between a specific
8 comparator group and Con Edison's Actual Total Direct
9 Compensation (Base Salary + Actual Annual Variable
10 Performance-based Variable Pay + Value of Actual Equity
11 Grants) for benchmark positions.

12 Information is presented for both National Utilities
13 and Peer Group companies on rows 1 and 2. Reviewing
14 this exhibit the following can be seen:

- 15 1. The Company's base salaries fall close to the market
16 median (+.3% for National Utilities and -2.3% below
17 for Peer Group companies).
- 18 2. The Company's base salary + target variable
19 performance-based compensation patterns fall
20 somewhat below market median levels (-9.6% versus
21 National Utilities and -12.1% versus the Peer Group
22 comparators).

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1 3. The Company's base salary + actual variable
2 performance-based compensation patterns are also
3 below median (-9.5% versus National Utilities and -
4 12.0% for Peer Group Companies).

5 4. Con Edison's Total Direct Compensation practices
6 (Base Salary + Annual Variable Performance-based Pay
7 + Value of Equity Grants) represent the total
8 compensation paid to employees. The Company's total
9 direct compensation posture is conservative and
10 falls far below market median practices of both
11 National Utilities (-23.1%) and Peer Group Companies
12 (-24.8%).

13 Pages 2 through 4 of the Exhibit summarize the
14 competitive data for Con Edison versus National Utility
15 practices. The rows in this exhibit present information
16 for individual benchmark positions. The lettered
17 columns present the following information:

18 As regards Con Edison Compensation Data:

19 (A) - POSITION - Titles of the specific benchmark
20 positions for which data is provided.

21 (B) - BAND - Company management level employees fall
22 into four Bands, each with a H (high) and a L (low)
23 resulting in eight Sub-Bands.

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1 (C) - ER - The normal Entry Rate for a position into its
2 specific Band/Sub-Band

3 (D) - MAX - The Maximum Salary for a Band/Sub-Band.

4 (E) - AVG BASE - The Average Actual Base Salary for
5 Company employees in each benchmark position.

6 (F) - AVG ACT TCC - The Average Actual Total Cash
7 Compensation (actual base salary + actual performance-
8 based compensation award).

9 (G) - AVG TDC - The Average Total Direct Compensation
10 (actual base salary + actual performance-based
11 compensation award + the value of equity grants).

12 As regards National Utility Group Base Salary
13 Practices:

14 (H) - P75 - The third quartile practice - The "Upper
15 Quarter" - The compensation amount that has 75% of the
16 data below it and 25% of the data above it.

17 (I) - P50 - The median practice - The compensation
18 amount that divides the data in two and has 50% of the
19 data below it and 50% of the data above it.

20 (J) - P25 - The P25 first quartile practice - The
21 "Lower Quarter" - The compensation amount below which
22 lies 25% of the data and above which lies 75%.

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1 (K) - % Variance w/P50 - The percent difference between
2 the median National Utility Base Salary and the median
3 Con Edison salary for a particular benchmark position.
4 If no data is listed for a specific position there was
5 insufficient data for that position in a particular
6 comparator group database for reporting purposes.

7 As regards National Utility Group Total Cash
8 Compensation (Base Salary + Annual Variable
9 Performance-based Pay) Practices:

10 (L) - P75 - The third quartile practice

11 (M) - P50 - The median practice

12 (N) - P25 - The first quartile practice

13 (O) - % Variance w/P50 - The percent difference between
14 the median National Utility Total Cash Compensation
15 Practice and the median Con Edison Total Cash
16 Compensation Practice for a particular benchmark
17 position. If no data is listed for a specific position
18 there was insufficient data for that position in a
19 particular comparator group database for reporting
20 purposes.

21 As regards National Utility Group Total Direct
22 Compensation (Base Salary + Annual Variable

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1 Performance-based Pay + Equity Compensation)

2 Practice:

3 (P) - P75 - The third quartile practice

4 (Q) - P50 - The median practice

5 (R) - P25 - The first quartile practice

6 (S) - % Variance w/P50 - The percent difference between

7 the median National Utility Total Direct Compensation

8 Practice and the median Con Edison Total Direct

9 Compensation Practice for a particular benchmark

10 position. If no data is listed for a specific position

11 there was insufficient data for that position in a

12 particular comparator group database for reporting

13 purposes.

14 Q. Does your analysis take into account other employee
15 benefits?

16 A. No. Hewitt conducted a review of the Company's non
17 officer management compensation practices. While it is
18 very common that Hewitt is asked by our clients to
19 review compensation practices, it is very unusual in
20 our experience for an organization to combine benefits
21 in the same competitive compensation analysis process
22 for non officer management level employees. The value
23 of benefits per employee varies depending not only on

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1 pay level, but also tenure, age, and family size
2 (variables that effect value independently of salary
3 and job function). As a result, while it is important
4 to review the competitiveness of benefits and
5 compensation, these reviews are typically done
6 independent of one another. We understand that Con
7 Edison, like most of our clients, has conducted a
8 separate but similar competitive review of its benefits
9 program. Company witness Reyes has addressed the
10 competitiveness of Con Edison's benefit plans in his
11 testimony.

12 Q. Did you review Company witness Reyes' testimony on the
13 competitiveness of Con Edison's employee benefits?

14 A. Yes, I did. I could see that it is a current study and
15 that Con Edison's benefits programs are at the median
16 of the peer group.

17 Q. What can you tell us about the competitiveness of total
18 compensation and benefits based on these two studies?

19 A. It is important to note that the peer groups in both
20 studies are comparable in terms of the number of
21 companies. In fact, the majority of companies in both
22 studies are the same. Therefore, if compensation is
23 below median values and benefits are at median values,

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1 combined compensation and benefits would fall slightly
2 below median values.

3 Q. Due to the current economic environment, are companies
4 continuing to deliver increases in pay?

5 A. Yes. Despite the economic downturn, most companies are
6 continuing to deliver annual merit increases to base
7 salaries in 2009. According to a survey of 640
8 companies conducted by Hewitt in December 2008, 90% of
9 companies are granting increases in 2009. Only 10% had
10 decided to freeze salaries. Among the 38 Energy
11 Companies in the database (power/gas) the average 2009
12 projected salary increase budget was 3.4%. Thus, at
13 3.0%, Con Edison is projecting a lower 2009 increase
14 than the other power and gas utilities in our survey. I
15 would like to repeat that the survey collected data
16 after the economic downturn was well recognized and
17 underway.

18 Q. Are you sponsoring an exhibit in connection with your
19 review of the Company's annual variable performance-
20 based pay program?

21 A. Yes. I have prepared a one-page Exhibit entitled
22 "ANNUAL VARIABLE PERFORMANCE-BASED PAY COMPARISONS?"

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1 Q. Was this exhibit prepared by you or under your
2 direction and supervision?

3 A. Yes, it was.

4 MARK FOR IDENTIFICATION AS EXHIBIT ____ (PMS-3)

5 Q. In reviewing the Company's annual variable pay program,
6 what were your findings?

7 A. This exhibit contrasts Con Edison's target average
8 annual variable performance-based pay amount as a % of
9 base salary versus Peer Group and National Utility
10 practices. Data is presented for each of the 8 Sub-
11 Bands. If no data is listed for a specific sub-band,
12 there was insufficient data for that sub-bands'
13 benchmark positions in the specific comparator group
14 survey database for reporting purposes. As can be seen
15 from this exhibit, the Company's target variable
16 performance-based pay percentages are conservative and
17 tend to fall well below market average variable
18 performance-based pay practices.

19 Q. Did you compare Con Edison's current annual variable
20 pay program design with that of other companies?

21 A. Yes. Using the Hewitt database, we were able to compare
22 Con Edison's current annual variable pay program design
23 with programs at the 20 companies Con Edison has used

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1 for its Proxy Peer Group, as previously mentioned. We
2 chose to use the data from the 20 companies rather than
3 the group of 14 used for the review of pay levels to
4 provide a more robust look at program design at peer
5 companies. This peer group (the "Proxy Peer Group") is
6 listed on page 3 of Exhibit PMS-1.

7 Q. What performance measures are typically used in annual
8 variable performance-based pay plans at peer companies?

9 A. 90% of the Proxy Peer Group use pre-set performance
10 goals to determine annual variable pay awards. 61% of
11 these companies use more than one measure in their
12 annual variable pay programs. The most common measure
13 used is Earnings per Share, with 61% incorporating it
14 into their annual variable pay programs. The second
15 most popular measure was an income measure (either net
16 income or operating income), with 25% of companies
17 incorporating this measure. There is significant
18 variation across the Proxy Peer Group regarding which
19 combination of measures is used. However, of the 61% of
20 companies using more than one measure, the most common
21 practice is to combine an external measure like
22 Earnings per Share with an operational measure, like
23 Operating Income or Cash Flow. Compared to the programs

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1 at companies in the Proxy Peer Group, Con Edison's
2 annual variable performance-based pay program is
3 significantly more weighted towards operating focused
4 goals such as customer satisfaction and safety, and
5 significantly less focused on financial measures.

6 Q. Is customer satisfaction a common measure to use in an
7 annual variable performance-based plan?

8 A. Customer satisfaction is sometimes used by peer
9 organizations to measure performance for annual
10 variable pay programs. However, it typically is only
11 one of several goals, and therefore, contributes
12 limited weight to the overall determination of award
13 level. Four of the companies in the Proxy Peer Group
14 identified customer satisfaction as a formal goal in
15 their annual variable performance-based plan.
16 Among these companies, customer satisfaction was
17 afforded a weight of 10% to 20% of the total goals used
18 to determine payout. At Con Edison, I understand that
19 for the plan that will be effective starting January 1,
20 2010, safety, reliability, customer satisfaction and
21 operating performance is currently weighted at 30% and
22 rising to 50% effective January 1, 2010. Therefore, Con
23 Edison's program is much more centered on operating

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1 performance-based goals than its peers. By contrast,
2 financial measures are by far the most significant
3 measures used by peer organizations.

4 Q. In reviewing the Company's Equity Grant Plan, what were
5 your findings?

6 A. Con Edison's grants equity awards based on Company
7 performance. The grants for employees in the highest
8 management Bands (3 & 4) are made in the form of
9 performance restricted stock. The grants for employees
10 in the two lowest management Bands (1 & 2) are made on
11 the basis of time-based restricted stock. Generally,
12 the equity grants vest after three years.

13 Q. Are these equity grants an important element of
14 compensation for employees?

15 A. Yes, equity grants are a way to deliver competitive
16 compensation to employees while helping the employees
17 focus on the long-term goals of the Company. It aligns
18 the employees with the long-term success of the
19 Company. This is especially true for those at Con
20 Edison that participate in the Performance-based
21 Restricted Stock Program, where the actual number of
22 shares earned is based on Con Edison's overall Total
23 Shareholder Return ranking among peers over a 3-year

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1 period and 3-year corporate average of the management
2 Variable Pay Plan.

3 Q. Are you sponsoring a one-page Exhibit entitled "EQUITY
4 GRANT COMPARISONS"?

5 A. Yes.

6 Q. Was this exhibit prepared by you or under your
7 direction and supervision?

8 A. Yes, it was.

9 MARK FOR IDENTIFICATION AS EXHIBIT ____ (PMS-4)

10 Q. Please explain the results of your findings as set
11 forth on Exhibit (PMS-4).

12 A. Exhibit PMS-4 compares the value of the Company's
13 equity grants, as a percent of salary, with both the
14 Peer and National Utilities comparator groups at
15 differing management sub-band levels. If no data is
16 listed for a specific sub-band, there was insufficient
17 data for that sub-bands' benchmark positions in the
18 specific comparator group survey database for reporting
19 purposes. Considering this table, it can be seen that
20 the value of the Company's equity grants (4%-8% for
21 Band 4) are conservative and fall well below grants at
22 both Peer Group Companies (which range from 28% to 40%
23 for employees in equivalent positions); and National

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1 Utilities (which offer 32% to 38% for employees in
2 equivalent positions).

3 Q. Please explain the valuation of shares awarded under
4 the Company's plan.

5 A. Hewitt applied its standard equity grant valuation
6 guidelines to value the shares awarded to employees in
7 these two Bands. For 50% of the grant the performance
8 measure is the 3-year total shareholder return relative
9 to the Company's peer group. The remaining 50% is based
10 on the 3 year corporate average of the management
11 Variable Pay Plan. Payout is in the form of shares or
12 cash at the end of three years.

13 Performance Shares:

- 14 - Three year vesting period
- 15 - Treatment of dividends - No dividends paid.
- 16 - Projected value = 80.3% of per share value

17 Time-based Shares:

- 18 - Three year vesting period
- 19 - Treatment of dividends - No dividends paid.
- 20 - Projected value = 96.1% of per share value

21 Hewitt's valuation guidelines reflect the inherent risk
22 of forfeiture associated with plans of this type.

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1 Q. What are typical performance measures used in equity
2 plans at Proxy Peer Group companies?

3 A. Of companies in the Proxy Peer Group that have equity
4 programs, the vast majority (81%) use Total Shareholder
5 Return as a measure for evaluating performance for
6 their equity programs, with 56% of peers using this
7 measure exclusively. The second most common measure
8 used is Earnings per Share, seen at 19% of peers.

9 Q. Who is typically eligible to participate in an equity
10 program?

11 A. Eligibility varies significantly within the Proxy Peer
12 Group. The median minimum base salary for an eligible
13 employee is \$125,000. The most junior position eligible
14 to participate is manager. However, a number of
15 programs (50%) permit the use of discretion in
16 determining eligibility. Con Edison's eligibility
17 currently includes all salaried level employees. While
18 this inclusion is more generous than what is seen among
19 peers, Con Edison delivers no to little actual value
20 (0% to 1% of base salary) in equity awards to its most
21 junior salaried employees. In fact, despite having such
22 broad eligibility, the actual value delivered in equity
23 grants to bands 1 through 4 is so limited that Con

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1 Edison's overall pay positioning worsens significantly
2 compared to its peers.

3 Q. Can you summarize Hewitt's overall findings to date?

4 A. Hewitt's findings to date are as follows:

- 5 1. Con Edison's use of three compensation program
6 elements is reasonable and consistent with market
7 practice.
- 8 2. The Company's current base salary practices for
9 management level positions approximate market median
10 practices for both National Utilities (0.3%) and Peer
11 Companies (-2.3%).
- 12 3. Total Cash Compensation (Base Salary + Annual
13 Variable Performance-based Pay) drops below market
14 median levels (-9.6% versus National Utilities and -
15 12.1% Peer Group companies).
- 16 4. Total Direct Compensation (Base Salary + Annual
17 Variable Performance-based Pay + Equity Grants), the
18 total compensation paid to management level employees,
19 is conservative and falls far below market median
20 practices (-23.1% vis-à-vis National Utilities and -
21 24.8% versus Peer Group organizations).
- 22 5. The design of the annual variable performance-based
23 pay program is in line with that of its peers; however,

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1 the programs metrics are notably more customer-focused
2 than programs of peers.

3 6. The Company's equity grant design is in line with
4 designs of equity programs used by peers; however, the
5 Company's grant values are below those offered by
6 peers.

7 Q. Does this conclude your testimony?

8 A. Yes.

Market Comparators

In evaluating Con Edison's compensation practices, Hewitt used three different comparator groups:

1. National Utilities
2. Proxy Peer Group
3. Peer Group Companies

Market Comparators—1. National Utilities

■ Hewitt's National Utilities Database is currently composed of 38 companies

Company Name
AEI Services LLC
AGL Resources Inc.
Allegheny Energy, Inc.
Ameren Corporation
American Electric Power
Arkansas Electric Cooperative Corporation
Associated Electric Cooperative Inc.
Black Hills Corporation
CenterPoint Energy
Cleco Corporation
CMS Energy Corporation
Constellation Energy
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Dynegy Inc.
Edison International
Entergy Corporation
Ferrelgas Partners, L.P.

Company Name
FirstEnergy Corp.
Idaho Power Company
Kinder Morgan Inc.
Mirant Corporation
New York Power Authority
NiSource Inc.
PacifiCorp
PG&E Corporation
Portland General Electric Company
PPL Corporation
Public Service Enterprise Group, Incorporated
Reliant Energy, Inc.
SCANA Corporation
Sempra Energy
Southern Company
SUEZ Energy North America, Inc.
Tennessee Valley Authority
TransAlta Corporation
TXU Corp.



Market Comparators—2. Proxy Peer Group

- The following is the complete list of companies included in the Proxy Peer Group

Company Name
Ameren Corporation
American Electric Power
CenterPoint Energy
Constellation Energy
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Energy Corporation
Exelon Corporation
FirstEnergy Corp.
FPL Group, Incorporated
NiSource Inc.
Pepco Holdings, Incorporated
PG&E Corporation
PPL Corporation
Progress Energy
Sempra Energy
Southern Company
Xcel Energy



Market Comparators—3. Peer Group Companies

- 14 of 20 Con Edison Proxy Peer Group Companies were included in the comparator analysis group

Company Name
Ameren Corporation
American Electric Power
CenterPoint Energy
Constellation Energy
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Entergy Corporation
FirstEnergy Corp.
NiSource Inc.
PPL Corporation
Sempra Energy
Southern Company

Competitive Positioning

Summary of Positioning

(A) MARKET COMPARATORS	(B) BASE SALARY	(C) TARGET TCC	(D) ACTUAL TCC	(E) TDC
National Utilities - Position Weighted	0.3%	-9.6%	-9.5%	-23.1%
Peer Group Companies (14) - Position Weighted	-2.3%	-12.1%	-12.0%	-24.8%



Competitive Positioning

Averages by Benchmark Position vs. National Utilities

(A) TITLE	(B) BAND	(C) ER	(D) MAX	Market Base Salary			(G) ACT TDC	(H) P75	(I) P50	(J) P25	(K) % Var w/P50	(L) P75	Market TCC			(O) % Var w/P50	Market TDC			(S) % Var w/P50
				(E) BASE	(F) ACT TCC	(ACT TDC)							(M) P50	(N) P25	(P) P75		(Q) P50	(R) P25		
1. Director-Corporate Planning	4H	\$127	\$235	\$223	\$263	\$267	\$232	\$204	\$160	9.3%	\$406	\$279	\$210	\$545	\$360	\$234	-5.6%	\$234	\$234	-25.8%
2. Director-Corp Public Affairs	4H	\$127	\$235	\$216	\$253	\$264	\$224	\$200	\$158	8.3%	\$336	\$269	\$189	\$470	\$349	\$213	-6.2%	\$213	\$213	-24.5%
3. Gen Mgr-Cad, System Operation	4H	\$127	\$235	\$161	\$185	\$193	\$189	\$168	\$152	-4.2%	\$284	\$227	\$183	\$397	\$294	\$206	-18.4%	\$206	\$206	-34.4%
4. Plant Manager	4H	\$127	\$235	\$184	\$210	\$217	\$175	\$165	\$158	11.6%	\$243	\$215	\$193	\$348	\$281	\$217	-2.5%	\$217	\$217	-22.8%
5. Chief Engineer	4H	\$127	\$235	\$189	\$217	\$223	\$236	\$190	\$171	-0.6%	\$331	\$256	\$214	\$508	\$323	\$240	-15.4%	\$240	\$240	-30.9%
6. General Manager (Electric Ops)	4H	\$127	\$235	\$180	\$212	\$214	\$215	\$187	\$176	-3.5%	\$299	\$249	\$228	\$460	\$314	\$255	-14.7%	\$255	\$255	-31.8%
7. Assistant Controller	4L	\$111	\$206	\$163	\$187	\$192	\$185	\$173	\$160	-5.9%	\$264	\$221	\$205	\$375	\$282	\$229	-11.6%	\$229	\$229	-31.9%
8. Director - EH&S	4L	\$111	\$206	\$168	\$194	\$199	\$184	\$170	\$160	-1.2%	\$263	\$220	\$204	\$373	\$279	\$228	-12.6%	\$228	\$228	-28.7%
9. Director - HR	4L	\$111	\$206	\$177	\$208	\$217	\$215	\$183	\$157	-3.4%	\$296	\$238	\$188	\$425	\$302	\$212	-11.0%	\$212	\$212	-28.2%
10. Director - Purch	4L	\$111	\$206	\$175	\$201	\$209	\$205	\$173	\$147	1.0%	\$289	\$226	\$173	\$412	\$286	\$195	-6.5%	\$195	\$195	-27.0%
11. Director - R&D	4L	\$111	\$206	\$188	\$216	\$221	\$210	\$179	\$152	5.3%	\$294	\$231	\$234	\$420	\$293	\$306	-3.4%	\$306	\$306	-24.7%
12. Director - Treasury	4L	\$111	\$206	\$181	\$208	\$211	\$184	\$171	\$158	5.7%	\$260	\$215	\$204	\$371	\$275	\$227	1.6%	\$227	\$227	-23.3%
13. General Manager - Facil	4L	\$111	\$206	\$182	\$208	\$213	\$179	\$168	\$152	8.3%	\$252	\$205	\$194	\$359	\$264	\$217	-14.4%	\$217	\$217	-19.2%
14. Director (IS)	4L	\$111	\$206	\$185	\$213	\$220	\$222	\$184	\$169	0.4%	\$311	\$249	\$220	\$433	\$309	\$244	-7.2%	\$244	\$244	-28.9%
15. General Manager (Gas Ops)	4L	\$111	\$206	\$173	\$198	\$204	\$214	\$186	\$171	-7.2%	\$299	\$251	\$223	\$417	\$312	\$247	-10.2%	\$247	\$247	-34.6%
16. Assistant General Counsel	6S	\$147	\$258	\$200	\$231	\$236	\$247	\$223	\$185	-10.2%	\$367	\$316	\$250	\$515	\$394	\$278		\$278	\$278	-40.1%



Competitive Positioning

Averages by Benchmark Position vs. National Utilities (Continued)

(A) TITLE	(B) BAND	(C) ER	(D) MAX	Market Base Salary			Market TCC			Market TDC											
				(E) BASE	(F) ACT TCC	(G) ACT TDC	(H) P75	(I) P50	(J) P25	(K) % Var w/PS0	(L) P75	(M) P50	(N) P25	(O) P75	(P) P50	(Q) P25	(R) P75	(S) % Var w/PS0			
17. Department Manager - Corp Acct	3H	\$98	\$181	\$129	\$142	\$145	\$162	\$149	\$137	\$137	-13.2%	\$268	\$195	\$162	\$349	\$239	\$178	\$349	\$239	\$178	-39.4%
18. Department Manager - IR	3H	\$98	\$181	\$160	\$178	\$180	\$182	\$167	\$143	\$143	-4.0%	\$259	\$223	\$182	\$350	\$273	\$199	\$350	\$273	\$199	-34.2%
19. Department Manager - Tax	3H	\$98	\$181	\$118	\$131	\$132	\$135	\$125	\$116	\$116	-5.8%	\$187	\$157	\$138	\$255	\$194	\$152	\$255	\$194	\$152	-32.0%
20. Operations Manager - Constr.	3H	\$98	\$181	\$136	\$149	\$151	\$156	\$142	\$132	\$132	-3.9%	\$204	\$178	\$159	\$282	\$221	\$175	\$282	\$221	\$175	-31.6%
21. Associate Counsel	64	\$134	\$234	\$166	\$183	\$185	\$197	\$165	\$151	\$151	0.9%	\$292	\$224	\$187	\$390	\$273	\$205	\$390	\$273	\$205	-32.3%
22. Dept Manager (HR)	3H	\$98	\$181	\$145	\$161	\$164	\$166	\$145	\$129	\$129	-0.3%	\$209	\$177	\$151	\$284	\$216	\$169	\$284	\$216	\$169	-24.0%
23. Operations Manager (Plants)	3H	\$98	\$181	\$131	\$144	\$146	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
24. Director Public Affairs	3L	\$86	\$159	\$129	\$142	\$143	\$151	\$130	\$120	\$120	-0.8%	\$197	\$161	\$139	\$250	\$194	\$151	\$250	\$194	\$151	-26.2%
25. Maintenance Manager	3L	\$86	\$159	\$125	\$138	\$139	\$130	\$119	\$106	\$106	5.2%	\$163	\$144	\$122	\$209	\$173	\$133	\$209	\$173	\$133	-19.8%
26. Section Manager - Audit	3L	\$86	\$159	\$120	\$132	\$133	\$135	\$120	\$111	\$111	0.3%	\$170	\$145	\$121	\$218	\$175	\$132	\$218	\$175	\$132	-23.9%
27. Section Manager - Eng	3L	\$86	\$159	\$138	\$151	\$153	\$139	\$128	\$118	\$118	7.6%	\$181	\$158	\$136	\$229	\$190	\$148	\$229	\$190	\$148	-19.4%
28. Section Manager - Corp Acct	3L	\$86	\$159	\$124	\$136	\$137	\$134	\$124	\$111	\$111	0.3%	\$170	\$153	\$132	\$216	\$184	\$143	\$216	\$184	\$143	-25.6%
29. Section Manager - EH&S	3L	\$86	\$159	\$124	\$136	\$137	\$143	\$130	\$121	\$121	-4.3%	\$191	\$161	\$141	\$241	\$193	\$153	\$241	\$193	\$153	-29.1%
30. Section Manager - HR	3L	\$86	\$159	\$131	\$143	\$144	\$137	\$126	\$115	\$115	4.0%	\$179	\$155	\$133	\$227	\$187	\$144	\$227	\$187	\$144	-22.8%
31. Section Manager - Purch	3L	\$86	\$159	\$139	\$153	\$154	\$128	\$117	\$106	\$106	18.5%	\$157	\$138	\$119	\$202	\$168	\$129	\$202	\$168	\$129	-8.2%
32. Section Manager - S&TO	3L	\$86	\$159	\$130	\$144	\$146	\$127	\$119	\$109	\$109	9.2%	\$159	\$144	\$115	\$204	\$174	\$126	\$204	\$174	\$126	-16.0%
33. Systems Manager - IR	3L	\$86	\$159	\$139	\$153	\$154	\$142	\$137	\$127	\$127	1.2%	\$187	\$172	\$146	\$237	\$206	\$159	\$237	\$206	\$159	-25.3%
34. Technical Specialist - IR	3L	\$86	\$159	\$138	\$150	\$151	\$124	\$115	\$106	\$106	20.3%	\$151	\$131	\$117	\$195	\$159	\$128	\$195	\$159	\$128	-5.3%
35. Construction Manager	3L	\$86	\$159	\$130	\$142	\$145	\$153	\$139	\$126	\$126	-6.6%	\$199	\$172	\$148	\$249	\$197	\$160	\$249	\$197	\$160	-26.5%
36. Section Manager (Cust Ops)	3L	\$86	\$159	\$218	\$142	\$143	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



Competitive Positioning

Averages by Benchmark Position vs. National Utilities (Continued)

(A) TITLE	(B) BAND	(C) ER	(D) MAX	Market Base Salary			Market ICC			Market TRC										
				(E) BASE	(F) ACT ICC	(G) ACT TRC	(H) P75	(I) P50	(J) P25	(K) % Var w/P50	(L) P75	(M) P50	(N) P25	(O) % Var w/P50	(P) P75	(Q) P50	(R) P25	(S) % Var w/P50		
37. Energy Dispatcher	2H	\$75	\$139	\$102	\$106	\$106	\$101	\$95	\$89	7.7%	\$127	\$108	\$97	\$152	\$125	\$106	\$171	\$143	\$119	-15.2%
38. Manager - Elec Ops	2H	\$75	\$139	\$111	\$117	\$117	\$117	\$103	\$97	7.5%	\$142	\$124	\$109	\$172	\$146	\$124	\$172	\$146	\$124	-6.5%
39. Manager - HR	2H	\$75	\$139	\$103	\$109	\$109	\$114	\$107	\$100	-3.5%	\$144	\$127	\$114	\$142	\$146	\$124	\$142	\$146	\$124	-14.9%
40. Senior Accountant	2H	\$75	\$139	\$99	\$104	\$105	\$101	\$91	\$84	9.2%	\$117	\$104	\$91	\$142	\$121	\$99	\$142	\$121	\$99	-0.3%
41. Senior Scientist	2H	\$75	\$139	\$105	\$111	\$111	\$121	\$110	\$103	-4.1%	\$152	\$128	\$116	\$183	\$148	\$126	\$183	\$148	\$126	-14.1%
42. Sr District Operator	2H	\$75	\$139	\$101	\$106	\$106	\$118	\$109	\$97	-7.4%	\$142	\$121	\$101	\$172	\$141	\$111	\$172	\$141	\$111	-12.5%
43. Sr Financial Analyst	2H	\$75	\$139	\$103	\$108	\$109	\$95	\$88	\$81	17.6%	\$107	\$97	\$86	\$131	\$113	\$94	\$131	\$113	\$94	11.1%
44. Senior Planning Analyst	2H	\$75	\$139	\$93	\$97	\$97	\$95	\$88	\$81	6.2%	\$107	\$102	\$91	\$133	\$118	\$99	\$133	\$118	\$99	-0.2%
45. Sr Rate Analyst	2H	\$75	\$139	\$104	\$109	\$110	\$97	\$93	\$85	12.4%	\$109	\$103	\$91	\$141	\$120	\$100	\$141	\$120	\$100	7.1%
46. Systems Specialist - IR	2H	\$75	\$139	\$105	\$111	\$111	\$101	\$94	\$86	11.7%	\$115	\$103	\$91	\$172	\$141	\$111	\$172	\$141	\$111	6.4%
47. Transmission Operator	2H	\$75	\$139	\$102	\$107	\$107	\$118	\$109	\$97	-6.5%	\$142	\$121	\$101	\$156	\$136	\$113	\$156	\$136	\$113	-11.6%
48. Project Auditor	2H	\$75	\$139	\$100	\$106	\$106	\$114	\$108	\$99	-6.6%	\$127	\$121	\$103	\$147	\$129	\$114	\$147	\$129	\$114	-13.0%
49. Senior Engineer	2H	\$75	\$139	\$107	\$113	\$113	\$105	\$102	\$99	4.9%	\$121	\$115	\$104	\$135	\$115	\$96	\$135	\$115	\$96	-1.7%
50. Accounting Supervisor	2L	\$66	\$122	\$94	\$98	\$98	\$101	\$91	\$84	3.6%	\$117	\$104	\$91	\$139	\$124	\$106	\$139	\$124	\$106	-6.0%
51. Customer Project Manager - A	2L	\$66	\$122	\$100	\$104	\$104	\$106	\$101	\$96	-1.3%	\$120	\$112	\$100	\$139	\$124	\$106	\$139	\$124	\$106	-6.7%
52. Engineer	2L	\$66	\$122	\$87	\$91	\$91	\$106	\$101	\$96	-14.1%	\$120	\$112	\$100	\$163	\$136	\$115	\$163	\$136	\$115	-18.4%
53. Operating General Suprv-Elec Ops	2L	\$66	\$122	\$99	\$103	\$103	\$117	\$103	\$97	-4.2%	\$142	\$124	\$109	\$139	\$123	\$100	\$139	\$123	\$100	-17.7%
54. Public Affairs Manager	2L	\$66	\$122	\$91	\$95	\$95	\$101	\$98	\$88	-6.7%	\$121	\$111	\$95	\$132	\$112	\$95	\$132	\$112	\$95	-6.7%
55. Senior Auditor	2L	\$66	\$122	\$90	\$94	\$94	\$101	\$93	\$84	-2.7%	\$114	\$101	\$90	\$125	\$103	\$79	\$125	\$103	\$79	11.8%
56. Senior Specialist - Cust Ops	2L	\$66	\$122	\$96	\$100	\$101	\$97	\$86	\$72	11.8%	\$107	\$102	\$90	\$124	\$113	\$95	\$124	\$113	\$95	-6.8%
57. Senior Specialist - EHS	2L	\$66	\$122	\$86	\$90	\$90	\$95	\$92	\$82	-6.2%	\$120	\$112	\$100	\$139	\$124	\$106	\$139	\$124	\$106	-6.2%
58. Senior Specialist - Eng	2L	\$66	\$122	\$95	\$99	\$99	\$106	\$101	\$96	-6.2%	\$120	\$112	\$100	\$147	\$114	\$88	\$147	\$114	\$88	-1.1%
59. Senior Specialist - Facil	2L	\$66	\$122	\$98	\$102	\$103	\$114	\$95	\$81	3.6%	\$127	\$103	\$84	\$133	\$112	\$95	\$133	\$112	\$95	-4.5%
60. Senior Specialist - HR	2L	\$66	\$122	\$88	\$92	\$93	\$101	\$92	\$85	-4.5%	\$115	\$101	\$90	\$117	\$102	\$85	\$117	\$102	\$85	18.0%
61. Shift Supervisor	2L	\$66	\$122	\$97	\$101	\$101	\$89	\$82	\$76	18.0%	\$101	\$92	\$80	N/A	N/A	N/A	N/A	N/A	N/A	N/A
62. Field Operations Planner	2L	\$66	\$122	\$105	\$110	\$111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
63. Senior Systems Analyst	2L	\$66	\$122	\$88	\$93	\$93	\$97	\$93	\$85	-5.0%	\$103	\$99	\$93	\$120	\$107	\$98	\$120	\$107	\$98	-5.6%

Competitive Positioning

Averages by Benchmark Position vs. National Utilities (Continued)

(A) TITLE	(B) BAND	(C) ER	(D) MAX	Market Base Salary			Market TCC			Market TDC											
				(E) BASE	(F) ACT TCC	(G) ACT TDC	(H) P75	(I) P50	(J) P25	(K) % Var w/P50	(L) P75	(M) P50	(N) P25	(O) % Var w/P50	(P) P75	(Q) P50	(R) P25	(S) % Var w/P50			
64. Analyst - Corp Acctg	1H	\$58	\$107	\$82	\$85	\$85	\$86	\$78	\$72	5.4%	\$98	\$85	\$76	\$109	\$90	\$78	0.2%	\$109	\$90	\$78	-5.8%
65. Chief Construction Inspector	1H	\$58	\$107	\$82	\$85	\$85	\$97	\$88	\$78	-6.6%	\$109	\$95	\$82	\$122	\$101	\$84	-10.3%	\$122	\$101	\$84	-15.8%
66. Engineering Supervisor	1H	\$58	\$107	\$86	\$89	\$89	\$110	\$104	\$99	-17.3%	\$131	\$118	\$110	\$146	\$125	\$113	-24.3%	\$146	\$125	\$113	-28.7%
67. Maintenance Supervisor	1H	\$58	\$107	\$86	\$89	\$89	\$83	\$78	\$68	9.7%	\$97	\$85	\$71	\$107	\$90	\$73	5.1%	\$107	\$90	\$73	-1.3%
68. Operating Supervisor - Elec Ops	1H	\$58	\$107	\$89	\$92	\$92	\$96	\$90	\$84	-1.4%	\$108	\$99	\$88	\$120	\$106	\$91	-7.4%	\$120	\$106	\$91	-12.9%
69. Operating Supervisor - Cust Ops	1H	\$58	\$107	\$90	\$93	\$102	\$94	\$86	\$80	5.3%	\$106	\$97	\$87	\$119	\$103	\$89	-3.7%	\$119	\$103	\$89	-0.6%
70. Operating Supervisor - Facel	1H	\$58	\$107	\$87	\$91	\$91	\$93	\$85	\$72	2.1%	\$100	\$90	\$75	\$112	\$96	\$77	6.8%	\$112	\$96	\$77	-5.5%
71. Operating Supervisor - Gas Ops	1H	\$58	\$107	\$87	\$91	\$91	\$89	\$82	\$76	5.8%	\$101	\$92	\$80	\$113	\$98	\$82	-1.2%	\$113	\$98	\$82	-7.0%
72. Operating Supervisor - Steam	1H	\$58	\$107	\$87	\$90	\$90	\$89	\$82	\$76	5.8%	\$101	\$92	\$80	\$113	\$98	\$82	-2.3%	\$113	\$98	\$82	-8.0%
73. Procurement Specialist	1H	\$58	\$107	\$73	\$76	\$76	\$80	\$74	\$67	-0.7%	\$90	\$81	\$71	\$100	\$86	\$73	-6.1%	\$100	\$86	\$73	-11.7%
74. Specialist - HR	1H	\$58	\$107	\$75	\$78	\$78	\$90	\$82	\$75	-8.3%	\$101	\$89	\$80	\$113	\$95	\$82	-12.6%	\$113	\$95	\$82	-17.8%
75. System Analyst - IR	1H	\$58	\$107	\$73	\$76	\$77	\$91	\$83	\$75	-11.6%	\$108	\$91	\$79	\$120	\$97	\$81	-16.4%	\$120	\$97	\$81	-20.4%
76. Accountant	1H	\$58	\$107	\$73	\$77	\$78	\$77	\$72	\$69	1.8%	\$85	\$80	\$77	\$95	\$84	\$80	-4.2%	\$95	\$84	\$80	-6.9%
77. Associate Engineer A	1H	\$58	\$107	\$72	\$75	\$75	\$90	\$86	\$80	-16.8%	\$100	\$93	\$83	\$111	\$98	\$86	-19.7%	\$111	\$98	\$86	-23.2%
78. Customer Operations Supervisor	1L	\$51	\$94	\$75	\$80	\$80	\$86	\$80	\$72	-6.2%	\$93	\$85	\$75	\$105	\$89	\$78	-6.0%	\$105	\$89	\$78	-10.2%
79. Investigator	1L	\$51	\$94	\$58	\$61	\$61	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
80. Associate Specialist - IR	1L	\$51	\$94	\$60	\$62	\$62	\$76	\$65	\$58	-7.7%	\$85	\$70	\$61	\$95	\$73	\$63	-11.7%	\$95	\$73	\$63	-15.6%
OVERALL VARIANCE FOR MARKET **:													-9.2%	0.3%	10.9%	-23.2%	-9.6%	4.0%	-39.9%	-23.1%	-3.0%

* Variances based on sum of Market \$ vs. sum of Con Edison compensation

** National Utility data available for 76 benchmark positions

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Hewitt
Consulting

Hewitt

Annual Variable Performance-based Pay Comparisons

- Con Edison's compensation program includes annual variable performance-based pay

Con Edison Annual Variable Performance-based Pay by Salary Band

	(A) CON EDISON SUB-BAND	(B) CON EDISON		(C) PEER GROUP		(D) NATIONAL UTILITIES	
		VARIABLE PAY TARGET %	VARIABLE PAY %	VARIABLE PAY %	VARIABLE PAY %	VARIABLE PAY %	VARIABLE PAY %
1.	4H	15.0%	37%	35%			
2.	4L	15.0%	32%	30%			
3.	3H	10.0%	26%	29%			
4.	3L	10.0%	21%	22%			
5.	2H	4.5%	13%	13%			
6.	2L	4.5%	10%	12%			
7.	1H	4.5%	10%	10%			
8.	1L	4.5%	N/A	7%			



Equity Grant Comparisons

- Con Edison's current compensation program includes equity compensation (EC)

Con Edison Actual EC% by Salary Band

	(A) CON EDISON SUB-BAND	(B) CON EDISON ACTUAL EC %	(C) PEER GROUP ACTUAL EC %	(D) NATIONAL UTILITIES ACTUAL EC %
1.	4H	4-8%	40%	38%
2.	4L	4-8%	28%	32%
3.	3H	1-5%	29%	30%
4.	3L	1-5%	23%	24%
5.	2H	0-1%	17%	17%
6.	2L	0-1%	12%	12%
7.	1H	0-1%	7%	7%
8.	1L	0-1%	N/A	4%