

**HECTOR J. REYES - UPDATE/REBUTTAL**  
**ELECTRIC**

- 1 Q. Please state your name.
- 2 A. My name is Hector J. Reyes.
- 3 Q. Have you previously submitted testimony in this  
4 proceeding?
- 5 A. Yes.
- 6 Q. What is the purpose of your update and rebuttal  
7 testimony?
- 8 A. First, my testimony updates (i) the Company's projected  
9 cost of the benefit plans to reflect the new Collective  
10 Bargaining Agreement between Consolidated Edison  
11 Company of New York, Inc. and the International  
12 Brotherhood of Electrical Workers AFL-CIO and its Local  
13 Union No. 3; (ii) employee contribution levels for the  
14 rate year; (iii) health care costs; (iv) the non-labor  
15 escalation rate; (v) the Thrift Savings Plan; and (vi)  
16 the Stock Purchase Plan. Second, my testimony responds  
17 to the comments of the Staff Accounting Panel ("SAP")  
18 and NYS Consumer Protection Board ("CPB") witness  
19 Helmuth W. Schultz, III regarding (i) health insurance  
20 costs; (ii) the Work Home Wellness Program; (iii)  
21 tuition aid; (iv) employee publications and  
22 communications; (v) consulting services; (vi)  
23 scholarships for employees' children; and (vii)

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1 employee contributions. I also respond to John Dowling  
2 of Consumer Power Advocates regarding his  
3 recommendation to convert the Company's defined benefit  
4 pension plan to a defined contribution plan. Lastly,  
5 my testimony responds to the comments of the Staff  
6 Accounting Panel and CPB witness Tariq N. Niazi  
7 regarding Directors' compensation.

**UPDATE**

8  
9 Q. Since the time of the initial filing, has the Company  
10 entered into a new collective bargaining agreement with  
11 Local 3?

12 A. Yes. Effective June 28, 2009, a new collective  
13 bargaining agreement was reached and signed by the  
14 Company and Local 3. The members ratified the  
15 agreement on July 14, 2009. It is a four-year  
16 agreement that expires on June 29, 2013.

17 Q. How many members does Local 3 represent?

18 A. Approximately 300 employees are represented by Local 3.

19 Q. What changes are you addressing for Local 3 members as  
20 a result of the new Collective Bargaining Agreement?

21 A. My testimony addresses the change in employee health  
22 care contributions that was included as part of this

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1 collective bargaining agreement.

2 Q. What are the changes in employee health care  
3 contributions for Local 3 members?

4 A. Employee health care contributions will be set at a 25  
5 percent cost sharing percentage effective January 1,  
6 2010.

7 Q. Please explain.

8 A. The minimum employee weekly contributions for a year  
9 will be set at 25 percent of the actual health care  
10 costs based on the costs incurred for the twelve-month  
11 period ending on August 31 of the preceding year,  
12 escalated by 8 percent.

13 Q. Did you update your exhibit to reflect the collective  
14 bargaining changes and other updates noted in this  
15 section?

16 A. Yes, I did.

17 MARK FOR IDENTIFICATION AS EXHIBIT\_\_ (HJR-1 - REVISED)

18 Q. Was this revised exhibit prepared under your direction  
19 and supervision?

20 A. Yes, it was.

21 Q. Does it reflect any other changes to employee  
22 contributions?

23 A. Yes, it does. The employee contributions were updated

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1 to reflect the proposed contribution levels for  
2 employees for 2010. The actual health claims for the  
3 first six months of 2009 were reviewed and the health  
4 carriers were contacted to assess the trend for the  
5 remainder of 2009 with an estimate for 2010. The  
6 contribution levels have been adjusted to reflect the  
7 most current information. For management employees,  
8 the projected 2010 contributions were increased by the  
9 GDP to estimate 2011 health care contributions. The  
10 contribution rates for Local 1-2 members have not been  
11 changed and reflect the employee contribution rates in  
12 accordance with the Collective Bargaining Agreement.  
13 The contribution rates for the Local 1-2 agreement were  
14 discussed in my initial testimony.

15 Q. Are there any changes to the health care costs in the  
16 update?

17 A. Yes. The health care costs in the original exhibit  
18 were updated by applying the latest count of  
19 participants in each of the health plans as of August  
20 2009 to an updated forecast of premium rates for the  
21 rate year ending March 31, 2011. This updated forecast  
22 reflects the first six months of claims experience  
23 during 2009 and the information supplied by each of the

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1 carriers as to the trend in health care costs.

2 Q. What is the effect of the updated projected health care  
3 costs in the rate year?

4 A. Rate year health care costs decreased by \$2,838,705.  
5 This reflects hospital, medical, dental, and  
6 prescription drug insurance.

7 Q. What is the effect of your update on total employee  
8 welfare expenses as shown on line 25, page 1 of 2 of  
9 your exhibit?

10 A. In total, the update reduces my initial forecast by  
11 \$3,982,459. Besides the reduction in health care  
12 costs, the Thrift Savings Plan reflects a reduction of  
13 approximately \$1.3 million for management employees who  
14 participate in the plan. This will be explained in  
15 more detail below.

16 Q. When preparing the update, did you change the non-labor  
17 escalation rate?

18 A. Yes. The non-labor escalation rate is 3.22 percent,  
19 which is an increase from the 3.10 percent used in the  
20 original submittal. The 3.22 percent reflects the  
21 latest information released by U.S. Department of  
22 Commerce, Bureau of Economic Analysis as of August 27,  
23 2009 and the Blue Chip forecasts, dated August 10,

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1 2009.

2 Q. Does your revised exhibit reflect other changes?

3 A. Yes. Changes were made to the Thrift Savings Plan and  
4 the Stock Purchase Plan, effective July 1, 2009, to  
5 reflect the austerity adjustments made by the Company  
6 pursuant to the Commission's April 24, 2009 Order  
7 Setting Electric Rates in Case 08-E-0539, as discussed  
8 in Company witness Rasmussen's Supplemental Testimony,  
9 dated June 8, 2009.

10 Q. Please explain.

11 A. Beginning July 1, 2009, and ending on June 30, 2010,  
12 the Company matching contribution for management  
13 employees for the Thrift Savings Plan was reduced from  
14 50 percent to 25 percent of the management employee's  
15 pre-tax or after-tax contribution up to 6 percent of  
16 base salary. This adjustment to the Thrift Savings  
17 Plan costs covers the first three months of the rate  
18 year in this case.

19 Q. What is the effect on the projected rate year cost of  
20 this austerity-related change to the Thrift Savings  
21 Plan?

22 A. As shown on my revised exhibit, the cost of the program  
23 is reduced by approximately \$1.3 million.

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- 1 Q. What austerity cost reductions were taken with regard  
2 to the Stock Purchase Plan?
- 3 A. Prior to the austerity cost reductions, the Company's  
4 Stock Purchase Plan provided an employer matching  
5 contribution equal to \$1.00 for each \$9.00 that an  
6 employee invested in Company stock. Reinvested  
7 dividends also received a proportionate employer match.  
8 Beginning July 1, 2009, the employer matching  
9 contributions for management employees was reduced from  
10 \$1.00 to \$0.50 for each \$9.00 invested in Company  
11 stock. This reduction also applies to reinvested  
12 dividends. The adjustment to the Stock Purchase Plan  
13 in my revised exhibit assumes that the reduction to the  
14 Company match for management stock purchases will  
15 remain in effect from July 1, 2009 to June 30, 2010.
- 16 Q. On line 5, Page 1 of 2 of the revised Exhibit\_\_\_ (HJR-  
17 1), the normalization is \$87,459 for the Stock Purchase  
18 Plan. Please explain this normalization.
- 19 A. The normalization reflects two items: (1) the reduction  
20 in the employer match for this program, as discussed  
21 above and (2) the employer matching contribution for  
22 the quarterly dividend reinvestment for the Stock  
23 Purchase Plan. The dividend reinvestment account for

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1 2008 reflects only the Company matching contribution  
2 for three quarterly dividends rather than four  
3 dividends. The September 2008 quarterly dividend match  
4 was not processed until 2009 due to a clerical error.

5 **REBUTTAL**

6 **Health Insurance Costs**

7 Q. The Staff Accounting Panel made an adjustment to health  
8 insurance costs of \$390,000 net of capitalization.  
9 Please explain the Staff Accounting Panel's adjustment.

10 A. The SAP claims that the Company overestimated its  
11 forecast for health care costs, and underestimated it  
12 for prescription drug, vision and ASO dental. They  
13 state that the combination of the two results in a  
14 \$390,000 decrease.

15 Q. Should this adjustment be accepted?

16 A. No. As shown in my Exhibit \_\_ (HJR-1-Revised), the  
17 update utilizes the revised 2009 health care premiums  
18 based upon six months of actual claims experience and  
19 estimated 2010 premiums. The 2011 premiums were  
20 updated using the latest GDP information from the U.S.  
21 Department of Commerce. These updated premiums along  
22 with the number of participants in each of the health

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1 plans as of August 2009 were used to project health  
2 care costs for the rate year.  
3 As a result, the Company is providing the most up-to-  
4 date information for its projection of these costs in  
5 the rate year. The Staff and the Commission have long  
6 accepted that the most up-to-date information,  
7 including premiums and participant numbers, should be  
8 used when projecting health care costs rather than  
9 escalating historic period actual costs. The SAP's  
10 calculation does not take advantage of the latest  
11 information. Rather, the Panel relies on the historic  
12 health care costs and projects the rate year costs  
13 using the GDP.

14 Q. In his testimony Mr. Schultz states that the Company's  
15 welfare expense must be reduced by \$3.2 million and  
16 this number should be adjusted for a vacancy rate of  
17 1.13%. Do you agree with his recommendation?

18 A. No. I do not agree that the welfare expense should be  
19 reduced by \$3.2 million. Mr. Schultz's calculations  
20 rely on average increases in health care costs and  
21 averages for employee contributions and head counts.  
22 In developing its projection for the rate year, the  
23 Company uses the latest information regarding health

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1 care premiums, the number of participants in each of  
2 the health plans, and the most up-to-date employee  
3 contributions for each of the health plans. It does not  
4 rely on an average based on a prior time frame. Mr.  
5 Schultz has not articulated any reason to deviate from  
6 using the latest information to forecast these costs.  
7 Nor has he explained why using an average is a better  
8 methodology to forecast these costs. Moreover, Mr.  
9 Schultz's claim that the health care cost projections  
10 should be reduced for his projected vacancy rate  
11 misunderstands the Company's method for forecasting  
12 health care costs. The Company uses actual  
13 participants, not a projected level of participants, to  
14 develop its costs.

**Staff Adjustment For Employee Welfare Expenses**

16 Q. Please explain Staff's proposed adjustment to employee  
17 welfare expenses.

18 A. Staff looks at five programs: (1) Tuition Aid, (2)  
19 Employee Publications and Communications, (3)  
20 Scholarships for Employees' Children, (4) Consulting  
21 Services and (5) Work Home Wellness. The Panel asserts  
22 that the Company is forecasting a 66 percent increase

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1 in expenditures for these five programs between 2008  
2 and the rate year. They then propose to use a historic  
3 three year average to forecast these costs. The  
4 justification for this adjustment is the current  
5 economic conditions. The SAP further notes that the  
6 "Commission's desire that companies under its  
7 jurisdiction undertake measures to reduce or eliminate  
8 costs that will not impact the provision of safe and  
9 reliable service."

10 Q. What is the amount of the adjustment?

11 A. Staff first states that using the three year average  
12 results in a decrease of employee welfare costs of  
13 \$2.242 million. Staff then recommends that the  
14 Commission consider an alternative austerity proposal  
15 eliminating these five programs in their entirety,  
16 which would decrease employee welfare expense  
17 approximately \$8.08 million. Staff simply asserts that  
18 reducing or eliminating these costs will not impact  
19 safe and reliable service. I disagree.

20 Q. Please address Staff's adjustments.

21 A. Staff's proposed use of a three-year historic average  
22 to forecast rate-year levels should be rejected. The  
23 Company has experience with each of these programs and,

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1 based on historic year costs, was able to make a rate-  
2 year projection of the expected expense. In addition,  
3 Staff's alternative proposal to disallow all of the  
4 costs of these programs suffers from several defects.  
5 First, I must note that some of the costs under these  
6 programs are incurred due to federal statutory and  
7 regulatory mandates, such as requirements regarding  
8 COBRA notifications, described below. Second, the  
9 tuition aid program provides a career path for our  
10 employees and affords the Company and its customers the  
11 benefits associated with having employees who have the  
12 depth and breadth of knowledge needed to safely operate  
13 our electric, gas and steam systems. Third, as  
14 discussed below, the consulting services are essential  
15 to the Company's proper administration of technical  
16 health and welfare plans. Finally, some of the  
17 programs are offered now in order to obtain benefits in  
18 the future. This includes the Work Home Wellness  
19 Program, which the Company expects will mitigate future  
20 health care costs as employees and their dependents  
21 participate in the wellness initiatives. Moreover the  
22 entire adjustment is arbitrary. Staff offered no basis  
23 for its \$2.2 million reduction. Nor did Staff provide

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1 any analysis of the impact of their proposals. Below I  
2 will explain the merit of each of the programs that  
3 Staff proposes to reduce or eliminate including  
4 potential adverse consequences from such reduction or  
5 elimination. Finally, as a general matter, I would  
6 also stress that programs like Tuition Aid and Work  
7 Home Wellness strengthen the Company's ability to  
8 remain competitive in attracting or retaining a  
9 talented work force.

**Tuition Aid**

10  
11 Q. Do you agree with the Staff Accounting Panel that the  
12 Tuition Aid program should be reduced or eliminated?

13 A. No, I do not agree.

14 Q. Please describe the importance of continuing tuition  
15 aid and the benefits of the program.

16 A. The Company recognizes the importance of, and values  
17 the contributions of, a skilled and educated work  
18 force. It provides opportunities for employee training  
19 and development through in-house training at The  
20 Learning Center as well as the opportunity to pursue  
21 college degrees and certificate programs. By  
22 encouraging employees to engage in continuous learning,

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1 maintenance of their skill sets and pursuit of  
2 continuing education, the Company expects to have the  
3 work force to meet the challenges of providing energy  
4 to our customers today and in the future. As society  
5 faces the challenges of climate change and political  
6 and economic forces demand increasing usage of  
7 renewable energy, the utility industry will change and  
8 it will need employees with the skills and education to  
9 adapt to these changes.

10 Q. Can you be more specific as to why Tuition Aid is  
11 beneficial?

12 A. As technology changes, the tools, equipment and systems  
13 that are used by employees will be more complex,  
14 require additional training and a higher skill set to  
15 operate. For example, the Company is working with the  
16 Long Island Power Authority to study the feasibility of  
17 constructing a wind-turbine farm several miles off the  
18 Rockaway Peninsula in Queens. By providing programs,  
19 such as Tuition Aid, the customer and the Company  
20 benefit by having employees with the right balance of  
21 technical and academic education to safely operate and  
22 maintain our electric, gas and steam systems.

23 Q What are the other benefits of offering Tuition Aid to

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1 employees?

2 A. The Tuition Aid Program also provides a valuable path  
3 for employees to move from union positions into  
4 supervisory and managerial roles. And this is a career  
5 path that the Company has been working to promote.  
6 There are significant benefits to the customer and the  
7 Company when employees follow this career path. The  
8 customer benefits because time and money is saved by  
9 not having to advertise, recruit, train and provide  
10 orientation for filling supervisory positions in the  
11 line departments. The Company benefits because these  
12 employees "hit the ground running" as they have a first  
13 hand understanding of the work and how it is  
14 accomplished, provide technical leadership, and create  
15 a more efficient and effective work place.

16 Q. Can you provide any other reasons why a better educated  
17 workforce would benefit customers served by the  
18 Company?

19 A. With the changes in the industry as a result of  
20 changing technologies, better educated employees will  
21 be able to influence policies and practices that  
22 benefit our customers and participate in industry  
23 associations in which best practices are exchanged with

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- 1        other companies. The Company will also be in a better  
2        position to educate our customers and provide them with  
3        the tools to manage their energy usage.
- 4    Q.    What courses of study is the employee allowed to pursue  
5        and receive reimbursement from the Tuition Aid Program?
- 6    A.    All courses of study or academic degree programs must  
7        relate to the employee's present position or provide  
8        development for a future position available within the  
9        Company.
- 10   Q.    What happens if an employee for whom the Company  
11        provided tuition reimbursement leaves the Company?
- 12   A.    Any employee, who voluntarily leaves the Company within  
13        two years after completing a course of study for which  
14        they have been reimbursed, will be required to repay  
15        the full amount received during those two years prior  
16        to leaving the Company.
- 17   Q.    Does the Company require a college education for  
18        certain positions?
- 19   A.    Yes. Management employees entering the band 3 level or  
20        higher are required to have a college degree. Some of  
21        the jobs at the band 1 and band 2 levels also require a  
22        college degree.

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1                   **Employee Publications and Communications**

2    Q.    Do you agree with the Staff Accounting Panel that  
3           employee publications and communications should be  
4           reduced or eliminated?

5    A.    No. I do not agree.

6    Q.    Please explain.

7    A.    First, certain communications with employees about  
8           health and welfare benefits are mandated by federal  
9           laws.

10   Q.    What are some of the federal mandates requiring that  
11          the employers communicate with the employees and their  
12          eligible dependents?

13   A.    The Employee Retirement Income Security Act of 1974  
14          ("ERISA") provides that all health care participants  
15          are entitled to: (1) examine, without charge, all plan  
16          documents, insurance contracts, and copies of all  
17          documents filed with the U.S. Department of Labor, such  
18          as detailed annual reports and plan descriptions; (2)  
19          obtain copies of all plan documents and other plan  
20          information upon written request to the Plan  
21          Administrator; (3) receive a summary of the plan's  
22          annual financial report. The Plan Administrator is

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1 required by law to furnish each participant with a copy  
2 of the summary financial report. The Company will be  
3 in non-compliance with ERISA and the Internal Revenue  
4 Code and exposed and subject to daily penalties if  
5 required communications are not distributed, published  
6 and made available throughout the year and on as  
7 requested basis.

8 Q. Are there other examples in which the Company needs to  
9 communicate with employees about their health and  
10 welfare benefits?

11 A. Yes. ERISA also governs The Consolidated Edison  
12 Retirement Plan ("Plan") and the same rights described  
13 above apply to those participants. In addition, upon  
14 written request, participants may obtain a statement  
15 once in every twelve month period telling the  
16 participant whether he or she has a right to receive a  
17 pension at normal retirement and, if so, what his or  
18 her benefits would be at normal retirement age under  
19 the Plan if they stopped working. If participants do  
20 not have a right to a pension, the statement will  
21 indicate how many more years he or she needs to work in  
22 order to receive a pension.

23 Q. Are there other ERISA mandates that require the Company

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- 1 to communicate with employees?
- 2 A. Yes. These include the following: (1) participants in  
3 the Company's Thrift Savings plans must receive  
4 quarterly account statements; (2) the Company must  
5 annually provide actively employed employees with a  
6 creditable coverage disclosure notice regarding  
7 prescription drug coverage and Medicare; and (3) once  
8 in every three years, the Company must send a HIPAA  
9 Privacy notice.
- 10 Q. Please describe the communications required under a  
11 provision of the federal law called the Consolidated  
12 Omnibus Budget Reconciliation Act of 1985 ("COBRA").
- 13 A. Employees, retirees and their eligible dependents, who  
14 are no longer covered under the Company's health plans,  
15 depending on the reason for the loss of coverage, have  
16 the right to continue hospital, medical, vision,  
17 prescription drugs, and dental coverage. The Company  
18 is required to notify employees, retirees and their  
19 eligible dependents that they may qualify for  
20 continuation of health care coverage as directed by  
21 COBRA.
- 22 Q. What steps, if any, has the Company taken to control  
23 these costs?

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1 A. The Company utilizes, to the extent legally  
2 permissible, its intranet site to post information and  
3 make announcements or communicate federally required  
4 information to employees and retirees.

5 Q. Is the Company required by law to mail information to  
6 the home address of the employees, retirees and their  
7 eligible dependents?

8 A. Yes. In some instances, we are required to mail the  
9 material to the employees, retirees and their eligible  
10 dependents. For example, regardless of the  
11 availability of intranet information, COBRA notices  
12 must be mailed to employee dependents who no longer  
13 qualify for the Company coverage.

14 Q. Are there other important matters that need to be  
15 communicated to employees about their health and  
16 welfare benefits?

17 A. Yes. These include: (1) Company notifications to union  
18 employees of any changes in health and welfare benefits  
19 as a result of Collective Bargaining Agreements; and  
20 (2) the annual open enrollment of the health plans,  
21 which is the vehicle for providing employees the  
22 opportunity to select one of the health plan offerings.

23 Q. Do you plan to review the expenditures for these

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1 programs and make any adjustments in the future?

2 A. Yes. A review of the expenditures under Employee  
3 Publications and Communications revealed that certain  
4 expenditures related to the Company's web site will be  
5 excluded from Employee Publications and Communications  
6 in future rate filings. These costs will be monitored  
7 by Public Affairs.

8 **Consulting Services**

9 Q. Do you agree with the Staff Accounting Panel that  
10 employee welfare-related consulting services can be  
11 reduced or eliminated?

12 A. No, I do not agree.

13 Q. Please describe how and why the consulting services are  
14 used by the Company.

15 A. The consulting services that the Staff proposes to  
16 reduce or eliminate are used to monitor, implement and  
17 administer regulations affecting benefit programs.  
18 These services include actuarial services necessary to  
19 properly fund pension and other post-retirement  
20 benefits and to comply with regulatory testing and  
21 filing requirements, including new funding rules under  
22 the Pension Protection Act ("PPA"), compliance filings

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1       such as 5500s, and non-discrimination testing for The  
2       Consolidated Edison Retirement Plan.

3   Q.   Why does the Company use consulting services rather  
4       than employees to perform these services?

5   A.   We utilize consulting services for very specialized  
6       areas related to health and welfare benefits. The  
7       Company does not possess the internal expertise to  
8       conduct certain types of compliance tests and to  
9       prepare the related filings. It is more cost effective  
10      to rely on consulting services for particular issues  
11      rather than hiring a staff of employees to perform  
12      these functions since these are not necessarily full  
13      time positions. Additionally, ERISA and the Internal  
14      Revenue Code ("Code") require certain experts and third  
15      party service providers to file informational schedules  
16      such as the actuarial schedules for the pension and  
17      health plans' 5500s.

18   Q.   Are there other reasons why you rely on consulting  
19       services?

20   A.   Yes. It is critical that the Company comply with the  
21       regulatory requirements to ensure the proper  
22       administration of our health and welfare programs.  
23       These requirements are complex and dynamic.

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1       Moreover, failure of the Company to comply with  
2       regulatory filing requirements or administration of  
3       particular tests in conformance with the law could  
4       expose the Company to possible expense or sanctions.  
5       We have found that specialized consultants who  
6       constantly monitor these sorts of developments provide  
7       us with an important, cost-effective means to manage  
8       these issues.

9    Q.   What other functions are performed under consulting  
10       services?

11   A.   The Company utilizes consultants to conduct benchmark  
12       studies especially in relation to benefits and  
13       compensation. Again, these studies are conducted on a  
14       periodic basis such that it is not cost effective to  
15       maintain staff for this function.

16                   **Scholarships for Employees' Children**

17   Q.   Are you in agreement with the Staff Accounting Panel  
18       that the Scholarships for Employees' Children should be  
19       reduced or eliminated?

20   A.   No, I do not agree. In addition to this program's role  
21       in crafting a competitive employee benefits package,  
22       Staff's proposal effectively requires the Company to

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1 renege on commitments already made.

2 Q. Please explain.

3 A. Under this program, the Company provides a multi-year  
4 commitment to the employees' children to receive a  
5 scholarship for four years. Those students already  
6 selected for a scholarship expect the Company to  
7 fulfill this commitment.

8 Q. Please provide a brief description of the program.

9 A. The program is administered, and students are selected,  
10 by Scholarship & Recognition Programs, a nonprofit  
11 organization with extensive experience in the field of  
12 educational scholarship programs.

13 Q. Please discuss the program.

14 A. Children of full-time, regular Company employees (other  
15 than corporate officers) are eligible to compete for  
16 the scholarship. The students must plan to attend an  
17 accredited U.S. college or university full-time and  
18 must plan to pursue a course of study leading to a  
19 bachelor's degree. The scholarship provides \$2,500 per  
20 year for four years of college or until degree  
21 requirements are completed, whichever occurs first.

22 Q. How many students are awarded scholarships?

23 A. Each year, ten students are selected to receive

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1       scholarships.

2   Q.   What is the Company's liability for this program?

3   A.   Assuming ten students are still participating in the  
4       program for each year, the maximum liability is  
5       \$250,000. This represents \$25,000 for those students  
6       graduating in 2010; \$50,000 for those students  
7       graduating in 2011; \$75,000 for those students  
8       graduating in 2012; and \$100,000 for those students  
9       graduating in 2013.

10                                   **Work Home Wellness Program**

11   Q.   Please explain the need for the Work Home Wellness  
12       Program.

13   A.   As described in my initial testimony, these programs  
14       are intended to facilitate behavior change among our  
15       workers by encouraging employees to make healthy  
16       choices. Investing in workplace health promotion keeps  
17       the Company competitive with other major employers.  
18       Many companies within the utility industry have well  
19       established health promotion programs which serve to  
20       provide additional benefits and promote a healthy  
21       lifestyle among their employees.

22   Q.   Please describe the reasons for these programs.

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1 A. The potential impact of workplace health promotion  
2 programs on mitigating health care cost increases is  
3 well documented in the literature. For example,  
4 overweight and obesity are considered chronic diseases  
5 and are known risk factors for coronary heart disease,  
6 type 2 diabetes, hypertension, osteoarthritis, sleep  
7 apnea and stroke. A 2001 Centers for Disease Control  
8 study found obese adults had, on average, about 37  
9 percent higher health care expenses per person than  
10 normal weight adults. This excess expense increased  
11 private healthcare spending by nearly 12 percent or  
12 more than \$36 billion. In addition, obese individuals  
13 may spend as much as 77 percent more on medications  
14 than do non-obese individuals. Smoking is an  
15 indisputable risk factor for many health conditions  
16 such as heart disease, stroke, and hypertension,  
17 various types of cancers, unhealthy pregnancies and  
18 lung disease. Wellness programs serve to avoid certain  
19 future expenses in our health care programs related to  
20 catastrophic illnesses, mitigating future health care  
21 benefit requests, and such reduced costs, when  
22 experienced, will be reflected in rates in future

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1 years.

2 Q. In summary, would the reduction or elimination of these  
3 five programs mentioned above ultimately save money for  
4 the ratepayers?

5 A. No. The reduction or elimination of these programs  
6 could cost customers more in both the short- and long-  
7 term because the Company may need to increase staff,  
8 possibly face penalties or fines due to non-compliance,  
9 and fail to provide the needed education and training  
10 to take advantage of the most up-to-date technologies  
11 now and in the future.

12 **Defined Contribution Plans**

13 Q. Mr. Dowling "recommend[s] that Con Edison take steps to  
14 convert its defined benefit pension plans to defined  
15 contribution plans." Has the Company already taken  
16 action to modify its pension plans?

17 A. Yes. The Company has already taken important steps to  
18 address its pension costs. Con Edison adopted a cash  
19 balance formula for management employees hired on or  
20 after January 1, 2001. This means that a cash balance  
21 pension formula is in place for approximately one-third  
22 of the Company's management employees. In addition,

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1 the negotiated collective bargaining agreement with  
2 Local 3, which I described above, provides that the  
3 pensions of newly hired union employees will be  
4 calculated using a cash balance formula.

5 Q. What is the basis for the Company's contributions to  
6 its pension plans?

7 A. The Company determines the amount of its contributions  
8 based on and subject to the federal funding  
9 requirements of the Employee Retirement Income Security  
10 Act of 1974 (ERISA) and the Internal Revenue Code. In  
11 2006, the Pension Protection Act of 2006 materially  
12 amended the federal laws setting funding requirements.  
13 The PPA's new funding rules require plan sponsors (here  
14 Con Edison) to gradually increase the funding of plans  
15 through an annual amount so that plans are fully funded  
16 by 2011. The prior funding laws permitted 90 percent  
17 plan funding and use of various credit balances to fund  
18 plans.

19 Q. Returning to Mr. Dowling's specific recommendation, can  
20 you offer any comments?

21 A. As a threshold matter, there are significant, legal  
22 impediments to Mr. Dowling's recommendation. Under  
23 ERISA and the Internal Revenue Code, there is no

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1           legally possible vehicle that allows a plan sponsor to  
2           "convert its defined benefit pension plan to a defined  
3           contribution plan." Neither ERISA nor the federal tax  
4           laws permit a plan sponsor to calculate the present  
5           value of each participant's vested accrued benefit  
6           under a tax-qualified defined benefit plan and transfer  
7           that present value to an account balance in a defined  
8           contribution plan.

9    Q.    Please explain.

10   A.    Under the federal tax laws and ERISA, a plan sponsor  
11           cannot simply "walk away" from its tax-qualified  
12           defined benefit pension plan. Under PPA, a plan  
13           sponsor must fund its plan, as the Company is doing.  
14           The law does permit a plan to be terminated or its  
15           benefits frozen.

16   Q.    Please describe what occurs if a plan is terminated.

17   A.    Pursuant to the federal mandates described above, a  
18           plan termination is only permissible in two situations.  
19           The first requires the plan to be "fully funded" as of  
20           the date of termination. The other situation is when  
21           the plan sponsor is in bankruptcy. The cost of fully  
22           funding all vested benefits in the Consolidated Edison  
23           Retirement Plan is currently approximately \$1.0

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1 billion. Further, plan termination, as discussed  
2 below, would require the concurrence of the unions, the  
3 likelihood of which is considered small.

4 Q. Please address the concept of freezing a benefits plan.

5 A. Freezing benefits does not eliminate the Company's  
6 obligation to fund the vested benefits. ERISA and the  
7 Internal Revenue Code prohibit a plan sponsor from  
8 reducing, eliminating or forfeiting a participant's  
9 vested benefit. Therefore, until the vested benefits  
10 are fully funded, the Company is obligated to fund the  
11 liabilities in accordance with the PPA.

12 Q. Are there other legal considerations involved in  
13 "converting" pension plans?

14 A. Yes. The National Labor Relations Act prohibits an  
15 employer from unilaterally changing the "wages, hours  
16 or terms and conditions of employment" of unionized  
17 employees. Any change in the nature of the pension  
18 plan would have to be negotiated with the various  
19 unions.

20 Q. Does Mr. Dowling address any of these concerns?

21 A. No.

22 Q. What is the basis for Mr. Dowling's recommendation for  
23 the converting the Company's defined pension plan to a

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1 defined contribution plan?

2 A. Mr. Dowling appears to argue that "everyone else is  
3 doing it" and the basis for his recommendation is a  
4 survey.

5 Q. Can you comment on the survey?

6 A. The survey was prepared by the International Foundation  
7 of Employee Benefits and it shows that some entities  
8 which responded to the survey favor defined  
9 contribution benefit plans. The survey itself cautions  
10 against use of its generalizations to specific  
11 situations (page 1) and further apparently includes no  
12 large public utilities thus precluding its application  
13 to the Company.

14 Q. Does Mr. Dowling address any recent changes in the  
15 Company's pension plan?

16 A. No.

17 Q. What studies or other support does Mr. Dowling provide  
18 to support his assertions regarding the Company's  
19 pension plans?

20 A. Mr. Dowling did not perform a study to determine  
21 whether the Company's costs are more than the market  
22 rate (his testimony, page 5). Apart from the survey  
23 noted above, Mr. Dowling states that he has no

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1 information on either the quantification of the  
2 Company's comparable non-union labor and pension costs  
3 nor the comparable market cost for non-union  
4 labor(Exhibit\_(HJR-2)) attached. Further, in response  
5 to a data request as to his "research," he stated that  
6 he performed an unspecified "search" of reports on  
7 pension cost management.

8 Q. Do you have any final comments?

9 A. Yes. Mr. Dowling does not refer to either federal  
10 pension law generally, or to Con Edison's pension plans  
11 specifically, nor does he provide adequate support for  
12 his assertions, thus his proposals for the Company's  
13 pension plans merit no consideration.

14 **Employee Contributions**

15 Q. Mr. Schultz states that employee contributions are 35.5  
16 percent of health care costs in 2008. Is this correct?

17 A. No. Actual health care expenses in 2008 were  
18 \$156,492,007 in total. The employee contributions in  
19 2008 were \$43,341,862. Employee contributions as a  
20 percent of total hospital, medical, prescription and  
21 dental costs were 27.7 percent in 2008. Therefore, Mr.  
22 Schultz's assertion that employee contributions are

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1 decreasing is incorrect.

2 Q. Do you agree with Mr. Schultz in stating that there  
3 should be an adjustment of \$4.141 million?

4 A. No. I do not agree with this recommended adjustment.  
5 First, employee contributions for the union employees  
6 are negotiated as part of the collective bargaining  
7 agreement. In January 2009, Local 1-2 members paid an  
8 additional \$2.00 per week for health care, which  
9 represented a substantial increase. For Local 3  
10 members, the collective bargaining agreement provides  
11 that the members contribute 25 percent of the actual  
12 health care costs based on the costs incurred for  
13 twelve-month period ending on August 31 of the  
14 preceding year, escalated by 8 percent. As collective  
15 bargaining agreements are negotiated, the Company works  
16 toward having union employees share in the health care  
17 increases through employee contributions. For  
18 management employees, the Company alters their  
19 contributions to reflect a specified percentage of the  
20 overall increase in health care costs. I expect that  
21 the contributions for management employees will be  
22 increasing again in 2010. Furthermore, employee  
23 contributions do not reflect the total costs incurred

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1 by the employees for health care. The employees pay  
2 deductibles, co-payments and out-of-pocket costs which  
3 lower the Company's contribution to health care costs.

4 Q. Has the Company taken the initiative to increase  
5 employee contributions over the last several years?

6 A. Yes. In 2003, employee contributions were \$26.7  
7 million. This represents 22.7 percent of the total  
8 hospital, medical, prescription, dental costs. In  
9 2008, employee contributions were 27.7 percent or \$43.3  
10 million or an increase of 62.3 percent from 2003 to  
11 2008. For 2009, employee contributions will be  
12 approximately the same percentage of total actual  
13 health care costs as 2008.

14 Q. During this same time frame, what has been the increase  
15 in total health care costs?

16 A. The Company's health care costs in 2003 were \$117.8  
17 million. In 2008, these costs increased by 32.9  
18 percent to \$156.5 million. Thus, employees are bearing  
19 the larger part of the increase.

20 Q. Mr. Schultz further states that the rate year net  
21 medical costs are \$71.579 million. He estimates the  
22 medical costs by increasing the premiums and head  
23 count. Do you agree?

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1 A. No, I do not agree. As I explained earlier, the Staff  
2 and the Commission have a long-standing practice of  
3 using the most current health care costs in calculating  
4 the amount of health care costs to be reflected in the  
5 rate plan. In this filing, the Company calculated the  
6 health care costs by taking the estimated premiums for  
7 the rate year and the latest number of participants in  
8 each of the health plans. The Company utilizes the  
9 latest known information to develop the health care  
10 costs in the rate year and makes adjustments as  
11 necessary.

**Directors' Compensation**

12  
13 Q. Do you agree with the Staff Accounting Panel's  
14 adjustment to reduce the Company's Corporate and Fiscal  
15 Expense forecast by \$1.365 million to remove the costs  
16 associated with Board of Directors' stock awards and  
17 dividend equivalents?

18 A. No, I do not. In addition, I would note that CPB  
19 witness Niazi makes the same adjustment based on the  
20 same reasoning. I similarly reject Mr. Niazi's  
21 adjustment for the same reasons I explain below.

22 Q. Please address the reasons relied upon by the SAP to

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**ELECTRIC**

1 support its recommendation.

2 A. The SAP states that Corporate and Fiscal Expense should  
3 be reduced for Board of Director stock awards to be  
4 consistent with the Commission's position regarding  
5 incentive pay, and that this benefit is aligned solely  
6 with shareholders interest.

7 Q. Do you agree with the SAP that this cost is incentive  
8 pay?

9 A. No, I do not. As stated in Company witness Tai's  
10 testimony, the Company does not agree with the view  
11 that certain elements of our compensation plan benefit  
12 investors more than they benefit customers. Both  
13 customers and investors benefit, without distinction,  
14 in the short-run, and particularly in the long-run,  
15 when a company is well-managed. As stated by Company  
16 witness Tai in his initial testimony on page 15,  
17 "Investors have as much interest in the Company  
18 achieving safety and reliability targets as customers  
19 have in the operating efficiencies and financial health  
20 of the Company." See also the Rebuttal testimony of  
21 Company witness Hoglund, who explains why there is no  
22 basis for asserting that D&O insurance benefits  
23 shareholders more than customers. Stock awards for the

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**ELECTRIC**

1 Board of Directors are part of their basic compensation  
2 package and should be included in the Company's  
3 forecast as a reasonable cost of attracting and  
4 retaining qualified Directors.

5 Q. Should stock award grants to the Board of Directors be  
6 considered incentive compensation similar to that  
7 disallowed by the Commission in previous cases?

8 A. No. There are no financial performance metrics used to  
9 determine the stock grants because it is neither pay-  
10 for-performance nor incentive compensation. Nor has  
11 the Commission ever indicated that rate recovery should  
12 be disallowed merely because employee compensation is  
13 provided in a form other than cash payments. Moreover,  
14 in the Liberty Consulting Group's report entitled,  
15 "Final Report, Management Audit of Consolidated Edison  
16 Company of New York, Inc.," Liberty consultants  
17 concluded that the Company's stock-based compensation  
18 for outside directors comports with industry practice.  
19 They went on to state that Con Edison's use of stock as  
20 part of the compensation program is like that used by  
21 other large utilities, and it makes sense to use stock  
22 as a piece of compensation packages because that does  
23 reward or penalize participants, along with

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1 stockholders. This is a reasonable and ordinary  
2 business expense and it should be fully reflected in  
3 rates.

4 Q. Do you agree with the Staff Accounting Panel that since  
5 the Board controls the dividend, there is further  
6 incentive for them to award greater dividends?

7 A. No, I do not.

8 Q. Please explain.

9 A. Given the history of dividends reaching back to 1995,  
10 as set forth in the table below, and the fact that the  
11 Company replaced its directors' retirement plan with  
12 equity grants in 2002, there is no basis for Staff's  
13 contention.

14 Con Edison's Dividend History (1995-2009)

<b>Declared</b>	<b>Payable</b>	<b>Amount</b>	<b>Type</b>
07/16/09	09/15/09	\$0.590	Regular Cash
04/16/09	06/15/09	\$0.590	Regular Cash
01/22/09	03/15/09	\$0.590	Regular Cash
10/16/08	12/15/08	\$0.585	Regular Cash
07/17/08	09/15/08	\$0.585	Regular Cash
04/17/08	06/15/08	\$0.585	Regular Cash

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<b>Declared</b>	<b>Payable</b>	<b>Amount</b>	<b>Type</b>
01/24/08	03/15/08	\$0.585	Regular Cash
10/18/07	12/15/07	\$0.580	Regular Cash
07/19/07	09/15/07	\$0.580	Regular Cash
04/19/07	06/15/07	\$0.580	Regular Cash
01/18/07	03/15/07	\$0.580	Regular Cash
10/19/06	12/15/06	\$0.575	Regular Cash
07/20/06	09/15/06	\$0.575	Regular Cash
04/20/06	06/15/06	\$0.575	Regular Cash
01/26/06	03/15/06	\$0.575	Regular Cash
10/20/05	12/15/05	\$0.570	Regular Cash
07/21/05	09/15/05	\$0.570	Regular Cash
04/21/05	06/15/05	\$0.570	Regular Cash
01/27/05	03/15/05	\$0.570	Regular Cash
10/21/04	12/15/04	\$0.565	Regular Cash
07/22/04	09/15/04	\$0.565	Regular Cash
04/22/04	06/15/04	\$0.565	Regular Cash
01/22/04	03/15/04	\$0.565	Regular Cash
10/16/03	12/15/03	\$0.560	Regular Cash

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<b>Declared</b>	<b>Payable</b>	<b>Amount</b>	<b>Type</b>
07/17/03	09/15/03	\$0.560	Regular Cash
04/17/03	06/15/03	\$0.560	Regular Cash
01/16/03	03/15/03	\$0.560	Regular Cash
10/17/02	12/15/02	\$0.555	Regular Cash
07/18/02	09/15/02	\$0.555	Regular Cash
04/18/02	06/15/02	\$0.555	Regular Cash
01/17/02	03/15/02	\$0.555	Regular Cash
10/18/01	12/15/01	\$0.550	Regular Cash
07/19/01	09/15/01	\$0.550	Regular Cash
04/19/01	06/15/01	\$0.550	Regular Cash
01/18/01	03/15/01	\$0.550	Regular Cash
10/19/00	12/15/00	\$0.545	Regular Cash
07/20/00	09/15/00	\$0.545	Regular Cash
04/20/00	06/15/00	\$0.545	Regular Cash
01/20/00	03/15/00	\$0.545	Regular Cash
10/26/99	12/15/99	\$0.535	Regular Cash
07/27/99	09/15/99	\$0.535	Regular Cash
04/27/99	06/15/99	\$0.535	Regular Cash

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Declared	Payable	Amount	Type
01/26/99	03/15/99	\$0.535	Regular Cash
10/27/98	12/15/98	\$0.530	Regular Cash
07/28/98	09/15/98	\$0.530	Regular Cash
04/28/98	06/15/98	\$0.530	Regular Cash
01/27/98	03/15/98	\$0.530	Regular Cash
10/28/97	12/15/97	\$0.525	Regular Cash
07/22/97	09/15/97	\$0.525	Regular Cash
04/22/97	06/15/97	\$0.525	Regular Cash
01/28/97	03/15/97	\$0.525	Regular Cash
10/22/96	12/15/96	\$0.520	Regular Cash
07/23/96	09/15/96	\$0.520	Regular Cash
04/23/96	06/15/96	\$0.520	Regular Cash
01/23/96	03/15/96	\$0.520	Regular Cash
10/24/95	12/15/95	\$0.510	Regular Cash
07/25/95	09/15/95	\$0.510	Regular Cash
04/25/95	06/15/95	\$0.510	Regular Cash
01/24/95	03/15/95	\$0.510	Regular Cash

1 Q. Why does the Company provide dividend equivalents to  
2 Directors as part of their compensation?

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1 A. The stock awards granted to Directors do not entail the  
2 issuance of actual shares of stock and are required to  
3 be deferred until the Director's termination of service  
4 from the Board. Dividend equivalents are paid to  
5 Directors to compensate them for the time value of  
6 money associated with the mandatory deferral of a  
7 portion of their compensation.

8 Q. Why is rate recovery of the dividend equivalents  
9 appropriate?

10 A. Had the Company provided Directors with actual shares  
11 of stock, customers would have incurred the full equity  
12 return on the value of the additional equity included  
13 in the Company's capital structure. The Company's use  
14 of stock units avoids issuing additional equity,  
15 thereby avoiding this cost for customers. This avoided  
16 cost offsets the cost of the dividend equivalent. In  
17 addition, had the Company paid this portion of  
18 Director's compensation in cash, it would have had to  
19 incur additional financing cost. I see no reason to  
20 disallow this expense simply because the expense is  
21 being calculated based on the Company's dividend rate  
22 instead of an interest rate. Accordingly, to the  
23 extent rate recovery of the stock awarded to Directors

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1 is permitted, customers should fund the costs of the  
2 dividend equivalents associated with the stock units.

3 Q. Does this conclude your update and rebuttal 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		PROGRAM CHANGE	ESCALATION	12 MONTHS ENDING 3/31/11		LINE NO.
	ACTUAL	NORMALIZATION			RATE YEAR		
1.	Thrift Savings Plan	\$15,073,845	(\$1,270,423)	\$0	\$1,055,896 [N]	\$14,859,318	1.
2.	Group Life Insurance	936,336	0	0	99,494 [O]	1,035,830	2.
3.	Military Duty Allowance	209,950	0	0	15,536 [L]	225,486	3.
4.	Restaurants & Newsstands	94,044	0	0	3,028 [M]	97,072	4.
5.	Stock Purchase Plan	1,975,636	87,459	0	113,669 [A]	2,176,764	5.
6.	Stock Option Plan	17,724	0	0	571 [M]	18,295	6.
7.	Deferred Income Plan	(9,186,100)	9,186,100	0	0 [P]	0	7.
8.	Tuition Aid	4,801,142	0	0	154,597 [M]	4,955,739	8.
9.	Occupational Supplement	2,595,831	0	226,159	147,422 [D]	2,989,412	9.
10.	Company Clubs	22,657	0	0	730 [M]	23,387	10.
11.	Employee Publications & Communications	525,703	0	0	28,852 [C]	554,355	11.
12.	Scholarship for Employees' Children	102,767	0	0	3,309 [M]	106,076	12.
13.	Child Care & Elder Care Consulting Serv.	58,109	0	0	1,871 [F]	59,980	13.
14.	Financial Counseling Service	200,484	0	0	6,456 [J]	206,940	14.
15.	Consulting Services	1,283,672	0	0	41,334 [E]	1,325,006	15.
16.	Occupational Accidental Death	40,420	0	0	1,302 [M]	41,722	16.
17.	Work Home Wellness Program	1,185,785	0	(36,746)	0 [G]	1,149,039	17.
18.	World Trade Center	1,327,510	0	0	13,130 [I]	1,340,640	18.
19.	Sub-Total	21,265,515	8,003,136	189,413	1,686,997	31,145,061	19.
<b>Health Insurance</b>							
20.	Dental	9,086,203	0	(133,579)	0	8,952,624	20.
21.	Prescription Drug Plan	18,745,891	0	603,297	0	19,349,188	21.
22.	Hospital & Medical Insurance	95,370,999	0	14,179,077	0	109,550,076	22.
23.	Employee Deductions	(34,110,608)	0	(1,815,814)	0	(35,926,222)	23.
24.	Sub-Total	89,092,485	0	12,833,181	0	101,925,666	24.
25.	Total Employee Welfare Expenses	\$110,358,000	\$8,003,136	\$13,022,594	\$1,686,997	\$133,070,727	25.
26.	Capitalization	30,833,856	0	5,258,810	34,911	36,127,579	26.
27.	Net of Capitalization	\$79,524,142	\$8,003,136	\$7,763,784	\$1,652,086 [Q]	\$96,943,148	27.

[A] to [J] Labor escalation 7.4%; non-labor escalation 3.22%; new/expanded programs, if any  
[L] Escalation is based on labor factor of 7.4%  
[M] Escalation is based on non labor factor of 3.22%  
[N] Escalation-labor 7.4%; non labor factor 3.22%; 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		\$8,952,624
PRESCRIPTION DRUG - CAREMARK	19,128,603	
RETIRED KEY OFFICERS' PRESCRIPTION DRUG	220,585	
TOTAL PRESCRIPTION DRUG	<u>19,349,188</u>	19,349,188
HOSPITALIZATION - BLUE CROSS	32,954,883	
MEDICAL - UNITED HEALTHCARE	46,086,824	
MEDICAL - GROUP HEALTH INSURANCE	17,479,396	
RETIRED OFFICERS' MEDICAL - UHC	870,444	
HMO - BLUE CROSS/BLUE CHOICE	1,427,664	
HMO - HIP	1,999,065	
HMO - AETNA/U.S. HEALTHCARE	2,512,267	
HMO - MVP	784,130	
VISION - COMPREHENSIVE VISION	504,297	
MANAGEMENT LONG TERM DISABILITY	2,296,229	
WEEKLY LONG TERM DISABILITY	2,016,008	
FLEXIBLE BENEFITS ADMINISTRATION	210,132	
PRINTING & MAILING OF HEALTH PLANS	13,202	
CASE MGMT. PROGRAMS	82,389	
ACTIVE HEALTH/HDMS	313,146	
TOTAL HOSPITALIZATION & MEDICAL		<u>109,550,076</u>
<b>TOTAL GROSS HEALTH INSURANCE COSTS</b>		137,851,888
EMPLOYEE DEDUCTIONS		<u>(35,926,222)</u>
<b>TOTAL NET HEALTH INSURANCE COSTS</b>		<u><u>\$101,925,666</u></u>

September 10, 2009

To: All active parties

From: J. Dowling

Re: c.09-E-0428- CPA response to Con Edison interrogatories 1-10

Witness: John J. Dowling

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By Con Edison:

1. *Referencing page 4 of your testimony, in addition to the testimony, please provide any other calculations to support your conclusion that the pension underfunding may be resolved by the recovery of the markets.*

I have not calculated what level of investment performance would be required to correct underfunding.

2. *Please provide the survey conducted by the International Foundation for Employee Benefits referenced on page 6 of your testimony.*

The survey is available at:

<https://webportal.ifebp.org/Purchase/CatalogSearchResults.aspx?Option=1&ProductTypeText=All&ProductTypeValue=All&Title=&Author=&ProductDesc=&Custom1=All&Custom2=All&Custom3=All&Custom4=All&Demographics=productnumber%246597A>

3. *Please provide any other documentation, analysis or study supporting your conclusions regarding the type of pension plans used by Con Edison.*

The pension plans are described by Company Witness Reyes.

4. *Please provide "our research" that is referenced on page 7, line 10 of your testimony.*

Page 7, line 10 refers to a search of published reports of steps taken by various employers to manage pension costs.

8. *On page 4 of your testimony you state that pension obligations are determined in the marketplace for workers.*

a. *Is it your position that current pensioners do not impact the Company's pension obligation?*

No.

b. *Does the Company's pension obligation increase over the period of time an employee works for the Company or does it remain the same as when the employee is hired?*

The obligation to individual employees increases during the term of employment.

c. *Assuming the 50% of the Company pension plan participants were retirees at December 31, 2008, please explain what impact if any reductions in the value of pension assets would have on the Company's current pension obligation for pensioners?*

Payments to current pensioners remain the same. The Company's obligation increases by required payments to correct underfunding.

9. *On page 5, line 9 of your testimony you indicate "much of Con Ed's labor costs represent non-union labor. These non-union labor and pension cost should also reflect market conditions."*

a. *Please quantify how much of Con Ed's labor and pension costs represent non-union labor.*

I do not have that information.

b. *Please quantify what the comparable market cost for non-union labor and pension cost should be.*

I do not have that information.

*c. Please provide copies of all calculations and support for your statements.*

I have not made any calculations regarding this topic.