

PAUL M. SHAFER - GAS

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 27 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 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

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1 officer management compensation practices. I will
2 discuss that project and its findings.

3 Q. Please provide an overview of the project.

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

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1 labor costs in the area. New York City wage
2 differentials typically range between 20% and 25% above
3 "national norms" according to the Economic Research
4 Institute's Geographic Assessor.

5 Q. Is there a reason why data effective as of April 1,
6 2009 was not used?

7 A. Yes. The most recent study that has been performed is
8 the April 1, 2008 study. Since that time, there has
9 been little change in pay data for both the market and
10 Con Edison. Therefore, repeating the study as of April
11 1, 2009 would not have a material impact on the
12 results. Typically, Con Edison has this study done
13 only once every few years, in part to help control
14 costs. Since a study had already been done in 2008 and
15 a 2009 study would not have materially modified the
16 results, it was not considered a good use of resources
17 to repeat the study.

18 Q. Are you sponsoring a four-page Exhibit entitled "MARKET
19 COMPARATORS"?

20 A. Yes.

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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-1)

5 Q. What are comparator groups?

6 A. Comparator groups are sets of utility companies that
7 were selected to benchmark the relative competitiveness
8 of the Company's compensation practices.

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

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

15 Q. What comparator groups were used?

16 A. As noted on page 2 of Exhibit ____ (PMS-1), the first
17 and largest comparator group "National Utilities" was
18 composed of compensation data from 38 companies drawn
19 from Hewitt's survey database. Con Edison had used 20
20 specific companies for its executive compensation
21 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
13 Group companies that had submitted non officer
14 management level data. The total amount of data from
15 these organizations was sufficient to identify peer
16 group compensation practices for non officer management
17 employees.

18 Q. How does the Company's compensation package for non
19 officer management employees, consisting of three
20 elements of compensation (base salary + annual variable

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1 pay (or performance-based pay) + equity grants),
2 compare with prevailing market practice?

3 A. In recent years, the majority of organizations that we
4 survey and work with have moved from a "base salary
5 only approach" to base salary plus variable pay for non
6 officer management employees. This transition is well
7 documented in multiple surveys. In Hewitt's 2009
8 Salary Increase Survey, approximately 90% of more than
9 1,100 organizations reported offering variable pay or
10 performance-based pay to non-officer management
11 employees. Hewitt's comparative data from our Total
12 Compensation Measurement ("TCM") database indicates
13 that, in addition to base salary, 93% of Peer Companies
14 and 95% of the National Utilities Comparator groups
15 report annual variable pay or performance-based
16 programs. In addition, 64% of Peer Companies and 55%
17 of National Utilities report use of equity
18 compensation. Among the reasons for this move has
19 been: shift costs from guaranteed pay (i.e., salary)
20 to contingent, performance-based pay; remain market
21 competitive; and attract and retain employees by

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1 offering total compensation opportunities in line with
2 similar organizations.

3 Q. Do variable pay awards supplement competitive
4 compensation to non-officer management employees?

5 A. No. Con Edison's Variable Pay Plan is one part of a
6 total compensation package that strives to deliver a
7 competitive compensation program to its employees,
8 rather than delivering additional compensation to
9 employees that are already being paid at competitive
10 levels. Without the Variable Pay Plan, Con Edison's
11 compensation programs would become severely under-
12 competitive and would certainly restrict the Company
13 from attracting and retaining its employees.

14 Q. Does Hewitt agree with the approach adopted by the
15 Company regarding its compensation package for non-
16 officer management employees?

17 A. Yes, the Company's approach is in the best interests of
18 customers, employees and the organization because it
19 systematically reinforces higher levels of performance
20 and employee motivation. Con Edison's current use of
21 compensation elements is reasonable and consistent with

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1 market practice. Based on our experience and multiple
2 survey sources, Hewitt concludes that:

3 1. As regards offering base salary and annual variable
4 pay or performance-based pay, the Company's provision
5 of these two elements is reasonable and consistent with
6 almost universal market practice among National
7 Utilities and Peer Group Companies.

8 2. As regards offering equity grants, the Company's
9 provision of this element is consistent with common
10 practice among peer companies and National Utilities,
11 with a slight majority offering such compensation
12 plans.

13 Q. Are you sponsoring a five-page Exhibit entitled
14 "COMPETITIVE POSITIONING"?

15 A. Yes.

16 Q. Was this exhibit prepared by you or under your
17 direction and supervision?

18 A. Yes, it was.

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

20 Q. Please describe the information contained on Exhibit ____
21 (PMS-2).

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

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

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

19 (C) - TARGET TCC - The % difference between a specific
20 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

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1 National Utilities and -12.1% versus the Peer Group
2 comparators).

3 3. The Company's base salary + actual variable
4 performance-based compensation patterns are also
5 below median (-9.5% versus National Utilities and -
6 12.0% for Peer Group Companies).

7 4. Con Edison's Total Direct Compensation practices
8 (Base Salary + Annual Variable Performance-based Pay
9 + Value of Equity Grants) represent the total
10 compensation paid to employees. The Company's total
11 direct compensation posture is conservative and
12 falls far below market median practices of both
13 National Utilities (-23.1%) and Peer Group Companies
14 (-24.8%).

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

20 As regards Con Edison Compensation Data:

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

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

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

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

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

11 (F) - AVG ACT TCC - The Average Actual Total Cash
12 Compensation (actual base salary + actual performance-
13 based compensation award).

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

17 As regards National Utility Group Base Salary
18 Practices:

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

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

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

7 (K) - % Variance w/P50 - The percent difference between
8 the median National Utility Base Salary and the median
9 Con Edison salary for a particular benchmark position.
10 If no data is listed for a specific position, there was
11 insufficient data for that position in a particular
12 comparator group database for reporting purposes.

13 As regards National Utility Group Total Cash
14 Compensation (Base Salary + Annual Variable
15 Performance-based Pay) Practices:

16 (L) - P75 - The third quartile practice

17 (M) - P50 - The median practice

18 (N) - P25 - The first quartile practice

19 (O) - % Variance w/P50 - The percent difference between
20 the median National Utility Total Cash Compensation
21 Practice and the median Con Edison Total Cash

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1 Compensation Practice for a particular benchmark
2 position. If no data is listed for a specific
3 position, there was insufficient data for that position
4 in a particular comparator group database for reporting
5 purposes.

6 As regards National Utility Group Total Direct
7 Compensation (Base Salary + Annual Variable
8 Performance-based Pay + Equity Compensation)
9 Practice:

10 (P) - P75 - The third quartile practice
11 (Q) - P50 - The median practice
12 (R) - P25 - The first quartile practice
13 (S) - % Variance w/P50 - The percent difference between
14 the median National Utility Total Direct Compensation
15 Practice and the median Con Edison Total Direct
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.

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1 Q. Does your analysis take into account other employee
2 benefits?

3 A. No. Hewitt conducted a review of the Company's non
4 officer management compensation practices. While it is
5 very common that Hewitt is asked by our clients to
6 review compensation practices, it is very unusual in
7 our experience for an organization to combine benefits
8 in the same competitive compensation analysis process
9 for non officer management level employees. The value
10 of benefits per employee varies depending not only on
11 pay level, but also tenure, age, and family size
12 (variables that affect value independently of salary
13 and job function). As a result, while it is important
14 to review the competitiveness of benefits and
15 compensation, these reviews are typically done
16 independent of one another. We understand that Con
17 Edison, like most of our clients, has conducted a
18 separate but similar competitive review of its benefits
19 program. Company witness Reyes has addressed the
20 competitiveness of Con Edison's benefit plans in his
21 testimony.

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

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

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

8 A. It is important to note that the peer groups in both
9 studies are comparable in terms of the number of
10 companies. In fact, the majority of companies in both
11 studies are the same. Therefore, if compensation is
12 below median values and benefits are at median values,
13 combined compensation and benefits would fall slightly
14 below median values.

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

17 A. Yes. Despite the economic downturn, most companies
18 continued to deliver annual merit increases to base
19 salaries in 2009 and are projecting increases for 2010
20 as well. According to a salary increase survey
21 conducted by Hewitt in August/September 2009, 85% of

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1 energy services (power/gas) companies granted increases
2 in 2009. Those companies granted an average salary
3 increase of 3.3% for salaried employees. Only 15% of
4 energy services (power/gas) companies froze salaries in
5 2009. Ninety-four percent of energy services
6 (power/gas) companies are projecting that they will
7 grant increases in 2010. The average projected 2010
8 salary increase among this group is 3.1%.

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

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

14 Q. Was this exhibit prepared by you or under your
15 direction and supervision?

16 A. Yes, it was.

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

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

20 A. This exhibit contrasts Con Edison's target average
21 annual variable performance-based pay amount as a % of

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1 base salary versus Peer Group and National Utility
2 practices. Data is presented for each of the 8 Sub-
3 Bands. If no data is listed for a specific sub-band,
4 there was insufficient data for that sub-bands'
5 benchmark positions in the specific comparator group
6 survey database for reporting purposes. As can be seen
7 from this exhibit, the Company's target variable
8 performance-based pay percentages are conservative and
9 tend to fall well below market average variable
10 performance-based pay practices.

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

13 A. Yes. Using the Hewitt database, we were able to
14 compare Con Edison's current annual variable pay
15 program design with programs at the 20 companies Con
16 Edison has used for its Proxy Peer Group, as previously
17 mentioned. We chose to use the data from the 20
18 companies rather than the group of 14 used for the
19 review of pay levels to provide a more robust look at
20 program design at peer companies. This peer group (the

1 "Proxy Peer Group") is listed on page 3 of Exhibit ____
2 PMS-1.

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

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

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1 is significantly more weighted towards operating
2 focused goals such as customer satisfaction and safety
3 and significantly less focused on financial measures.

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

6 A. Customer satisfaction is sometimes used by peer
7 organizations to measure performance for annual
8 variable pay programs. However, it typically is only
9 one of several goals, and therefore, contributes
10 limited weight to the overall determination of award
11 level. Four of the companies in the Proxy Peer Group
12 identified customer satisfaction as a formal goal in
13 their annual variable performance-based plan.
14 Among these companies, customer satisfaction was
15 afforded a weight of 10% to 20% of the total goals used
16 to determine payout. At Con Edison, I understand that
17 for the plan that will be effective starting January 1,
18 2010, safety, reliability, customer satisfaction and
19 operating performance targets, currently weighted at
20 30% of the plan, will rise to 50%. Therefore, Con
21 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. These
18 grants align the employees with the long-term success
19 of the Company. This is especially true for those at
20 Con Edison that participate in the Performance-based
21 Restricted Stock Program, where the actual number of

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1 shares earned is based on Con Edison's overall Total
2 Shareholder Return ranking among peers over a 3-year
3 period and the 3-year corporate average of the
4 management Variable Pay Plan.

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

7 A. Yes.

8 Q. Was this exhibit prepared by you or under your
9 direction and supervision?

10 A. Yes, it was.

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

12 Q. Please explain the results of your findings as set
13 forth on Exhibit ____ (PMS-4).

14 A. Exhibit ____ (PMS-4) compares the value of the Company's
15 equity grants, as a percent of salary, with both the
16 Peer and National Utilities comparator groups at
17 differing management sub-band levels. If no data is
18 listed for a specific sub-band, there was insufficient
19 data for that sub-band's benchmark positions in the
20 specific comparator group survey database for reporting
21 purposes. Considering this table, it can be seen that

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1 the value of the Company's equity grants (4%-8% for
2 Band 4) is conservative and falls well below grants at
3 both Peer Group Companies (which range from 28% to 40%
4 for employees in equivalent positions) and National
5 Utilities (which offer 32% to 38% for employees in
6 equivalent positions).

7 Q. Please explain the valuation of shares awarded under
8 the Company's plan.

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

17 Performance Shares:

- 18 - Three year vesting period
19 - Treatment of dividends - No dividends paid.
20 - Projected value = 80.3% of per share value

21 Time-based Shares:

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- 1 - Three year vesting period
- 2 - Treatment of dividends - No dividends paid.
- 3 - Projected value = 96.1% of per share value

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

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

8 A. Of companies in the Proxy Peer Group that have equity
9 programs, the vast majority (81%) use Total Shareholder
10 Return as a measure for evaluating performance for
11 their equity programs, with 56% of peers using this
12 measure exclusively. The second most common measure
13 used is Earnings per Share, seen at 19% of peers. In
14 contrast, at Con Edison only 50% of performance
15 measured under the equity program is based on Total
16 Shareholder Return. The other 50% is based on
17 performance under the Variable Pay Plan, which I
18 understand is being amended to increase from 30% to 50%
19 the weighting afforded to performance indicators
20 related to customer service and reliability.

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1 Q. Who is typically eligible to participate in an equity
2 program?

3 A. Eligibility varies significantly within the Proxy Peer
4 Group. The median minimum base salary for an eligible
5 employee is \$125,000. The most junior position
6 eligible to participate is manager. However, a number
7 of programs (50%) permit the use of discretion in
8 determining eligibility. Con Edison's eligibility
9 currently includes all salaried level employees. While
10 this inclusion is more generous than what is seen among
11 peers, Con Edison delivers little actual value (0% to
12 1% of base salary) in equity awards to its most junior
13 salaried employees. In fact, despite having such broad
14 eligibility, the actual value delivered in equity
15 grants to bands 1 through 4 is so limited that Con
16 Edison's overall pay positioning worsens significantly
17 compared to its peers. The more senior management
18 positions are the most effected by this gap in
19 competitiveness, since significant equity grants are
20 more typically delivered to more senior positions while

1 more junior positions are awarded equity on a limited
2 basis.

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

4 A. Hewitt's findings are as follows:

5 1. Con Edison's use of a compensation package for non-
6 officer management employees, consisting of three
7 elements, i.e., base pay, variable pay, and equity
8 grants, is reasonable and consistent with market
9 practice.

10 2. The Company's current base salary practices for
11 management level positions approximate market median
12 practices for both National Utilities (0.3%) and Peer
13 Companies (-2.3%).

14 3. Total Cash Compensation (Base Salary + Annual
15 Variable Performance-based Pay) drops below market
16 median levels (-9.6% versus National Utilities and -
17 12.1% Peer Group companies).

18 4. Total Direct Compensation (Base Salary + Annual
19 Variable Performance-based Pay + Equity Grants), the
20 total compensation paid to management level employees,
21 is conservative and falls far below market median

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1 practices (-23.1% vis-à-vis National Utilities and -
2 24.8% versus Peer Group organizations).

3 5. The design of the annual variable performance-based
4 pay program is in line with that of its peers; however,
5 the programs metrics are notably more customer-focused
6 than programs of peers.

7 6. The Company's equity grant program is less
8 financially focused than the equity programs used by
9 peers; further, the Company's grant values are below
10 those offered by peers. The Company's program is less
11 financially focused because one-half of the amount
12 awarded under the equity grant program is tied to the
13 Company's Variable Pay Plan, which I understand is
14 being amended to increase from 30% to 50% the weighting
15 afforded to performance indicators related to customer
16 service and reliability.

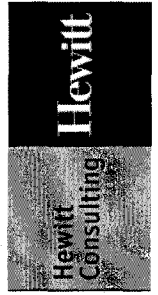
17 Q. Does this conclude your testimony?

18 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
Ferrellgas 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
Entergy 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	(E) BASE	(F) ACT TCC	(G) ACT TDC	Market Base Salary				Market TCC				Market 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
1. Director-Corporate Planning	4H	\$127	\$235	\$223	\$263	\$267	\$232	\$204	\$160	9.3%	\$406	\$279	\$210	-5.6%	\$545	\$360	\$234	-25.8%
2. Director-Corp Public Affairs	4H	\$127	\$235	\$216	\$253	\$264	\$224	\$200	\$158	8.3%	\$336	\$269	\$189	-6.2%	\$470	\$349	\$213	-24.5%
3. Gen Mgr-Csd, System Operation	4H	\$127	\$235	\$161	\$185	\$193	\$189	\$168	\$152	-4.2%	\$284	\$227	\$183	-18.4%	\$397	\$294	\$206	-34.4%
4. Plant Manager	4H	\$127	\$235	\$184	\$210	\$217	\$175	\$165	\$158	11.6%	\$243	\$215	\$193	-2.5%	\$348	\$281	\$217	-22.8%
5. Chief Engineer	4H	\$127	\$235	\$189	\$217	\$223	\$236	\$190	\$171	-0.6%	\$331	\$256	\$214	-15.4%	\$508	\$323	\$240	-30.9%
6. General Manager (Electric Ops)	4H	\$127	\$235	\$180	\$212	\$214	\$215	\$187	\$176	-3.5%	\$299	\$249	\$228	-14.7%	\$460	\$314	\$255	-31.8%
7. Assistant Controller	4L	\$111	\$206	\$163	\$187	\$192	\$185	\$173	\$160	-5.9%	\$264	\$221	\$205	-15.5%	\$375	\$282	\$229	-31.9%
8. Director - EH&S	4L	\$111	\$206	\$168	\$194	\$199	\$184	\$170	\$160	-1.2%	\$263	\$220	\$204	-11.6%	\$373	\$279	\$228	-28.7%
9. Director - HR	4L	\$111	\$206	\$177	\$208	\$217	\$215	\$183	\$157	-3.4%	\$296	\$238	\$188	-12.6%	\$425	\$302	\$212	-28.2%
10. Director - Purch	4L	\$111	\$206	\$175	\$201	\$209	\$205	\$173	\$147	1.0%	\$289	\$226	\$173	-11.0%	\$412	\$286	\$195	-27.0%
11. Director - R&D	4L	\$111	\$206	\$188	\$216	\$221	\$210	\$179	\$152	5.3%	\$294	\$231	\$284	-6.5%	\$420	\$293	\$306	-24.7%
12. Director - Treasury	4L	\$111	\$206	\$181	\$208	\$211	\$184	\$171	\$158	5.7%	\$260	\$215	\$204	-3.4%	\$371	\$275	\$227	-23.3%
13. General Manager - Facil	4L	\$111	\$206	\$182	\$208	\$213	\$179	\$168	\$152	8.3%	\$252	\$205	\$194	1.6%	\$359	\$264	\$217	-19.2%
14. Director (IS)	4L	\$111	\$206	\$185	\$213	\$220	\$222	\$184	\$169	0.4%	\$311	\$249	\$220	-14.4%	\$433	\$309	\$244	-28.9%
15. General Manager (Gas Ops)	4L	\$111	\$206	\$173	\$198	\$204	\$214	\$186	\$171	-7.2%	\$299	\$251	\$223	-21.1%	\$417	\$312	\$247	-34.6%
16. Assistant General Counsel	65	\$147	\$258	\$200	\$231	\$236	\$247	\$223	\$185	-10.2%	\$367	\$316	\$250	-26.9%	\$515	\$394	\$278	-40.1%



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(A) TITLE	(B) BAND	(C) ER	(D) MAX	(E) BASE	(F) ACT TCC	(G) ACT TDC	Market Base Salary				Market TCC				Market 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
17. Department Manager - Corp Acct	3H	\$98	\$181	\$129	\$142	\$145	\$162	\$149	\$137	-13.2%	\$268	\$195	\$162	-27.0%	\$349	\$239	\$178	-39.4%
18. Department Manager - IR	3H	\$98	\$181	\$160	\$178	\$180	\$182	\$167	\$143	-4.0%	\$259	\$223	\$182	-20.3%	\$350	\$273	\$199	-34.2%
19. Department Manager - Tax	3H	\$98	\$181	\$118	\$131	\$132	\$135	\$125	\$116	-5.8%	\$187	\$157	\$138	-16.3%	\$255	\$194	\$152	-32.0%
20. Operations Manager - Constr.	3H	\$98	\$181	\$136	\$149	\$151	\$156	\$142	\$132	-3.9%	\$204	\$178	\$159	-16.4%	\$282	\$221	\$175	-31.6%
21. Associate Counsel	64	\$134	\$234	\$166	\$183	\$185	\$197	\$165	\$151	0.9%	\$292	\$224	\$187	-18.3%	\$390	\$273	\$205	-32.3%
22. Dept Manager (HR)	3H	\$98	\$181	\$145	\$161	\$164	\$166	\$145	\$129	-0.3%	\$209	\$177	\$151	-8.9%	\$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
24. Director Public Affairs	3L	\$86	\$159	\$129	\$142	\$143	\$151	\$130	\$120	-0.8%	\$197	\$161	\$139	-11.9%	\$250	\$194	\$151	-26.2%
25. Maintenance Manager	3L	\$86	\$159	\$125	\$138	\$139	\$130	\$119	\$106	5.2%	\$163	\$144	\$122	-4.0%	\$209	\$173	\$133	-19.8%
26. Section Manager - Audit	3L	\$86	\$159	\$120	\$132	\$133	\$135	\$120	\$111	0.3%	\$170	\$145	\$121	-8.8%	\$218	\$175	\$132	-23.9%
27. Section Manager - Eng	3L	\$86	\$159	\$138	\$151	\$153	\$139	\$128	\$118	7.6%	\$181	\$158	\$136	-4.2%	\$229	\$190	\$148	-19.4%
28. Section Manager - Corp Acct	3L	\$86	\$159	\$124	\$136	\$137	\$134	\$124	\$111	0.3%	\$170	\$153	\$132	-11.2%	\$216	\$184	\$143	-25.6%
29. Section Manager - EH&S	3L	\$86	\$159	\$124	\$136	\$137	\$143	\$130	\$121	-4.3%	\$191	\$161	\$141	-15.4%	\$241	\$193	\$153	-29.1%
30. Section Manager - HR	3L	\$86	\$159	\$131	\$143	\$144	\$137	\$126	\$115	4.0%	\$179	\$155	\$133	-7.7%	\$227	\$187	\$144	-22.8%
31. Section Manager - Purch	3L	\$86	\$159	\$139	\$153	\$154	\$128	\$117	\$106	18.5%	\$157	\$138	\$119	10.5%	\$202	\$168	\$129	-8.2%
32. Section Manager - S&TO	3L	\$86	\$159	\$130	\$144	\$146	\$127	\$119	\$109	9.2%	\$159	\$144	\$115	-0.1%	\$204	\$174	\$126	-16.0%
33. Ssystems Manager - IR	3L	\$86	\$159	\$139	\$153	\$154	\$142	\$137	\$127	1.2%	\$187	\$172	\$146	-10.9%	\$237	\$206	\$159	-25.3%
34. Technical Specialist - IR	3L	\$86	\$159	\$138	\$150	\$151	\$124	\$115	\$106	20.3%	\$151	\$131	\$117	14.8%	\$195	\$159	\$128	-5.3%
35. Construction Manager	3L	\$86	\$159	\$130	\$142	\$145	\$153	\$139	\$126	-6.6%	\$199	\$172	\$148	-17.5%	\$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



Competitive Positioning

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(A) TITLE	(B) BAND	(C) ER	(D) MAX	(E) BASE	(F) ACT TCC	(G) ACT TDC	Market Base Salary				Market TCC				Market 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
37. Energy Dispatcher	2H	\$75	\$139	\$102	\$106	\$106	\$101	\$95	\$89	7.7%	\$127	\$108	\$97	-1.9%	\$152	\$125	\$106	-15.2%
38. Manager - Elec Ops	2H	\$75	\$139	\$111	\$116	\$117	\$117	\$103	\$97	7.5%	\$142	\$124	\$109	-6.5%	\$171	\$143	\$119	-17.9%
39. Manager - HR	2H	\$75	\$139	\$103	\$108	\$109	\$114	\$107	\$100	-3.5%	\$144	\$127	\$114	-14.9%	\$172	\$146	\$124	-25.4%
40. Senior Accountant	2H	\$75	\$139	\$99	\$104	\$105	\$101	\$91	\$84	9.2%	\$117	\$104	\$91	-0.3%	\$142	\$121	\$99	-13.0%
41. Senior Scientist	2H	\$75	\$139	\$105	\$110	\$111	\$121	\$110	\$103	-4.1%	\$152	\$128	\$116	-14.1%	\$183	\$148	\$126	-25.2%
42. Sr District Operator	2H	\$75	\$139	\$101	\$106	\$106	\$118	\$109	\$97	-7.4%	\$142	\$121	\$101	-12.5%	\$172	\$141	\$111	-24.7%
43. Sr Financial Analyst	2H	\$75	\$139	\$103	\$108	\$109	\$95	\$88	\$81	17.6%	\$107	\$97	\$86	11.1%	\$131	\$113	\$94	-4.0%
44. Senior Planning Analyst	2H	\$75	\$139	\$93	\$97	\$97	\$95	\$88	\$81	6.2%	\$107	\$97	\$86	-0.2%	\$131	\$113	\$94	-13.9%
45. Sr Rate Analyst	2H	\$75	\$139	\$104	\$109	\$110	\$97	\$93	\$85	12.4%	\$109	\$102	\$91	7.1%	\$133	\$118	\$99	-7.1%
46. Systems Specialist - IR	2H	\$75	\$139	\$105	\$110	\$111	\$101	\$94	\$86	11.7%	\$115	\$103	\$91	6.4%	\$141	\$120	\$100	-7.7%
47. Transmission Operator	2H	\$75	\$139	\$102	\$107	\$107	\$118	\$109	\$97	-6.5%	\$142	\$121	\$101	-11.6%	\$172	\$141	\$111	-23.8%
48. Project Auditor	2H	\$75	\$139	\$100	\$105	\$106	\$114	\$108	\$99	-6.6%	\$127	\$121	\$103	-13.0%	\$156	\$136	\$113	-21.9%
49. Senior Engineer	2H	\$75	\$139	\$107	\$113	\$113	\$105	\$102	\$99	4.9%	\$121	\$115	\$104	-1.7%	\$147	\$129	\$114	-12.6%
50. Accounting Supervisor	2L	\$66	\$122	\$94	\$98	\$98	\$101	\$91	\$84	3.6%	\$117	\$104	\$91	-6.0%	\$135	\$115	\$96	-14.7%
51. Customer Project Manager - A	2L	\$66	\$122	\$100	\$104	\$104	\$106	\$101	\$96	-1.3%	\$120	\$112	\$100	-6.7%	\$139	\$124	\$106	-15.9%
52. Engineer	2L	\$66	\$122	\$87	\$91	\$91	\$106	\$101	\$96	-14.1%	\$120	\$112	\$100	-18.4%	\$139	\$124	\$106	-26.4%
53. Operating General Supv-Elec Ops	2L	\$66	\$122	\$99	\$102	\$103	\$117	\$103	\$97	-4.2%	\$142	\$124	\$109	-17.7%	\$163	\$136	\$115	-24.9%
54. Public Affairs Manager	2L	\$66	\$122	\$91	\$95	\$95	\$101	\$98	\$88	-6.7%	\$121	\$111	\$95	-14.6%	\$139	\$123	\$100	-22.7%
55. Senior Auditor	2L	\$66	\$122	\$90	\$94	\$94	\$101	\$93	\$84	-2.7%	\$114	\$101	\$90	-6.7%	\$132	\$112	\$95	-15.8%
56. Senior Specialist - Cust Ops	2L	\$66	\$122	\$96	\$100	\$101	\$97	\$86	\$72	11.8%	\$107	\$93	\$75	7.8%	\$125	\$103	\$79	-2.0%
57. Senior Specialist - EHS	2L	\$66	\$122	\$86	\$90	\$90	\$95	\$92	\$82	-6.8%	\$107	\$102	\$90	-11.3%	\$124	\$113	\$95	-20.1%
58. Senior Specialist - Eng	2L	\$66	\$122	\$95	\$99	\$99	\$106	\$101	\$96	-6.2%	\$120	\$112	\$100	-11.2%	\$139	\$124	\$106	-19.9%
59. Senior Specialist - Facil	2L	\$66	\$122	\$98	\$102	\$103	\$114	\$95	\$81	3.6%	\$127	\$103	\$84	-1.1%	\$147	\$114	\$88	-10.4%
60. Senior Specialist - HR	2L	\$66	\$122	\$88	\$92	\$93	\$101	\$92	\$85	-4.5%	\$115	\$101	\$90	-9.2%	\$133	\$112	\$95	-17.7%
61. Shift Supervisor	2L	\$66	\$122	\$97	\$101	\$101	\$89	\$82	\$76	18.0%	\$101	\$92	\$80	9.7%	\$117	\$102	\$85	-0.9%
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
63. Senior Systems Analyst	2L	\$66	\$122	\$88	\$93	\$93	\$97	\$93	\$85	-5.0%	\$103	\$99	\$93	-5.6%	\$120	\$107	\$98	-13.0%



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(A) TITLE	(B) BAND	(C) ER	(D) MAX	(E) BASE	(F) ACT TCC	(G) ACT TDC	Market Base Salary				Market TCC				Market 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	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	-10.3%	\$122	\$101	\$84	-15.8%
66. Engineering Supervisor	1H	\$58	\$107	\$86	\$89	\$89	\$110	\$104	\$99	-17.3%	\$131	\$118	\$110	-24.3%	\$146	\$125	\$113	-28.7%
67. Maintenance Supervisor	1H	\$58	\$107	\$86	\$89	\$89	\$83	\$78	\$68	9.7%	\$97	\$85	\$71	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	-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	-3.7%	\$119	\$103	\$89	-0.6%
70. Operating Supervisor - Facil	1H	\$58	\$107	\$87	\$91	\$91	\$93	\$85	\$72	2.1%	\$100	\$90	\$75	0.8%	\$112	\$96	\$77	-5.5%
71. Operating Supervisor - Gas Ops	1H	\$58	\$107	\$87	\$91	\$91	\$89	\$82	\$76	5.8%	\$101	\$92	\$80	-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	-2.3%	\$113	\$98	\$82	-8.0%
73. Procurement Specialist	1H	\$58	\$107	\$73	\$76	\$76	\$80	\$74	\$67	-0.7%	\$90	\$81	\$71	-6.1%	\$100	\$86	\$73	-11.7%
74. Specialist - HR	1H	\$58	\$107	\$75	\$78	\$78	\$90	\$82	\$75	-8.3%	\$101	\$89	\$80	-12.6%	\$113	\$95	\$82	-17.8%
75. Ssystem Analyst - IR	1H	\$58	\$107	\$73	\$76	\$77	\$91	\$83	\$75	-11.6%	\$108	\$91	\$79	-16.4%	\$120	\$97	\$81	-20.4%
76. Accountant	1H	\$58	\$107	\$73	\$77	\$78	\$77	\$72	\$69	1.8%	\$85	\$80	\$77	-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	-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	-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
80. Associate Specialist - IR	1L	\$51	\$94	\$60	\$62	\$62	\$76	\$65	\$58	-7.7%	\$85	\$70	\$61	-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

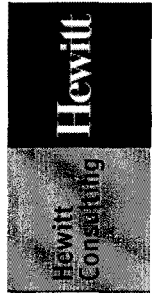


Annual Variable Performance-based Pay Comparisons

- 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 VARIABLE PAY TARGET %		(C) PEER GROUP VARIABLE PAY %		(D) NATIONAL UTILITIES 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%