Q. Would the members of the Compensation/Benefits Panel ("Panel") please state their names and business addresses?

A. Richard Bagwell, and my business address is 4 Irving Place, New York, New York 10003. Hector J. Reyes, and my business address is 4 Irving Place, New York, New York 10003. John de la Bastide, and my business address is 4 Irving Place, New York, New York 10003. Roselyn Feinsod, and my business address is 199 Water Street, New York, New York, 10038. Virginia Fischetti, and my business address is 45 Glover Avenue, Norwalk, Connecticut 06850.

Q. Mr. Bagwell, by whom are you employed and in what capacity?

A. I am employed by Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") as Vice President of Human Resources.

Q. How long have you been employed by Con Edison?

A. I have been employed by Con Edison for 42 years.

Q. Please briefly outline your educational and business experience.

A. I graduated from Pace University with a BBA in Accounting in 1981. I received an MBA in Finance from Iona College in 1989. I have participated in Executive Management Programs at the Wharton Business School of the University of Pennsylvania and the Darden Graduate School of the University of Virginia. I became a Certified Internal Auditor in 1995, a Certified Professional Environmental Auditor in 1999, and received a HR Director’s Certification from Cornell University in 2011.

I joined Con Edison in l973 as a General Utility Mechanic and moved into management through the Management Intern Program, now known as the Gold Associates program. I joined Auditing in l984 and became the Audit Manager in 1993. In 1998, I was promoted to Brooklyn/Queens Overhead Construction Manager. In 2001, I was promoted to Deputy Corporate Ombudsman. In 2004, I was promoted to Director of the Learning Center. In 2009, I was promoted to Director of Human Resources – Employee and Labor Relations. In August 2014, I was promoted to my current position.

Q. Please generally describe your current responsibilities.

A. My responsibilities as Vice President of Human Resources include Benefits, Compensation, Human Resource Support, Employee and Labor Relations, and Occupational Health. Specifically, my responsibilities include developing human resources policies and programs for the Company; negotiating and administering labor agreements and overseeing human resource compliance with federal, state, and municipal regulations (*e.g.*, FMLA, ERISA, HIPPA); directing the preparation of information requested or required for compliance; establishing wage and salary structure pay policies; implementing cost containment strategies for health benefit programs; negotiating administrative fees with health insurance carriers; recommending alternate benefit administrators and plan changes; managing a $19 million operating and maintenance budget; managing a staff of over 100 professionals; and developing, implementing, and monitoring all aspects of the Company’s executive compensation.

Q. Do you belong to any professional societies or organizations?

A. Yes, I belong to the Regional Utility Group, the Institute of Internal Auditors, and the Society for Human Resource Management. I am also a Board Member and Audit Chair for the Lower Eastside Tenement Museum.

Q. Have you previously submitted testimony on behalf of the Company before the New York Public Service Commission (“Commission”)?

A. Yes.

Q. Mr. Reyes, by whom are you employed and in what capacity?

A. I have been employed by Con Edison as Director of Benefits.

Q. How long have you been employed by Con Edison?

A. I have been employed by Con Edison for 39 years.

Q. Please briefly outline your educational and business experience.

A. I graduated from Fordham University with a Bachelor of Science degree in Accounting in 1976. In 1982, I earned a Master of Science degree in Taxation from Pace University. I joined Con Edison in 1976 as a Staff Accountant in Corporate Accounting. Between l979 and 1981, I was promoted to different supervisory positions in Corporate Accounting. In l983, I was promoted to Assistant Manager, Accounting Research and Procedures. In l988, I was promoted to the positon of Manager, Retirement, and Insurance Benefits, and in 1989, I was promoted to the position of Manager of Employee Benefits. In September 1999, I was promoted to the position of Director of Benefits and Compensation. In July 2011, my title was changed to Director of Benefits.

Q. Please generally describe your current responsibilities.

A. My responsibilities as Director of Benefits include the development, implementation, communication, and administration of the Company’s employee benefits programs.

Q. Do you belong to any professional societies or organizations?

A. Yes. I am a member of the Board of Directors of the Northeast Business Group on Health ("NEBGH"). NEBGH is a not-for-profit coalition of over 150 health plan sponsors and health-related organizations the mission of which is to find practical solutions to the contemporary health care issues in the New York metropolitan area.

Q. Have you previously testified on behalf of the Company before the Commission?

A. Yes. I have testified and submitted testimony in previous Con Edison electric, gas, and steam rate cases as well as in other Con Edison rate cases. I also filed testimony in the most recent electric and gas rate case for Orange and Rockland Utilities, Inc. ("O&R").

Q. Mr. de la Bastide, by whom are you employed and in what capacity?

A. I am employed by Con Edison as the Director of Compensation.

Q. Please describe your educational background.

A. I graduated from Hofstra University in l985 with a Bachelor of Business Administration in Accounting.

Q. Please describe your work experience.

A. I have been employed by Con Edison for 29 years. Between l986 and l996, I was promoted to various supervisory positions in Corporate Accounting. In 1998, I was promoted to the position of Section Manager, Employee Benefits. In 2001, I was promoted to Department Manager, Financial Forecasting, in Corporate Accounting and have held various positions as Department Manager in Corporate Accounting and Electric Operations. I assumed the position of Department Manager, Benefits and Compensation, in March 2007. In June 2011, I was promoted to Director of Compensation.

Q. Please generally describe your current responsibilities.

A. My current responsibilities as Director of Compensation include administration of the compensation plans for non-officer management employees, officers of Con Edison, as well as members of the Company’s Board of Directors (“Board”).

Q. Have you previously testified on behalf of the Company before the Commission?

A. Yes. I testified in the last Con Edison electric, gas, and steam rate cases and filed testimony in the most recent Con Edison electric rate case. I also filed testimony in the most recent electric and gas rate cases for O&R.

Q. Ms. Feinsod, by whom are you employed and in what capacity?

A. I am a Senior Partner and East Region Practice Leader for Retirement for Aon Hewitt. I have worked with utilities such as Ameren Corporation, GPU, Inc., and the PPL Corporation, in addition to Con Edison and O&R.

Q. What is Aon Hewitt?

A. Aon Hewitt is a global market leader in human resources consulting and outsourcing with 30,000 employees serving more than 20,000 clients. More information on Aon Hewitt is available at aonhewitt.com.

Q. Please summarize your educational and professional background.

A. I am a graduate of the College of Insurance with a Bachelor of Science in Actuarial Science. Before joining Aon Hewitt, I was a Principal and a senior workforce strategy and retirement plan consultant to large global clients at Towers Watson, formerly Towers Perrin. At Aon Hewitt, I am the Retirement Regional Leader for the East Region and a consultant to clients on compensation, benefits, and retirement issues. I specialize in workforce and total rewards strategy, mergers and acquisitions, and all aspects of retirement valuation and administration consulting. I have over 20 years of experience in consulting, having spent eight years with Towers Perrin and ten years with PricewaterhouseCoopers LLP prior to joining Aon Hewitt.

Q. Do you belong to any professional societies or organizations?

A. I am a Fellow of the Society of Actuaries, and I have spoken at numerous professional conferences including World at Work, The Conference Board, the American Gas Association, and the Harvard School of Continuing Public Health.

Q. Have you previously testified and submitted testimony on behalf of the Company before the Commission?

A. Yes. I have testified and submitted testimony in previous Con Edison electric, gas, and steam rate cases and filed testimony in O&R’s most recent electric and gas rate cases.

Q. Ms. Fischetti, by whom are you employed and in what capacity?

A. I am a Partner and East Region Practice Leader for Executive Compensation for Aon Hewitt. I have worked with utilities such as Constellation Energy Group, Inc., Public Service Electric and Gas Company, NRG Energy Services, and Iberdrola USA, in addition to Con Edison and O&R.

Q. Please summarize your educational and professional background.

A. I am a graduate of Amherst College with a Bachelor of Arts degree in Economics. I also have an MBA, Finance and International Business, from the New York University Stern School of Business. Prior to joining Hewitt Associates (now Aon Hewitt) in 1997, I worked as a benefit and compensation consultant for Watson Wyatt (now Towers Watson) in New York. At Aon Hewitt, my work includes the benchmarking of total compensation, the design and implementation of compensation strategies and philosophies, pay structures, short-, mid-, and long-term variable pay programs, and severance and change-in-control benefits.

Q. Are you affiliated with any professional societies or organizations?

A. Yes. I am a member of The Conference Board, a global, independent business membership and research association working in the public interest. In addition, I have spoken to audiences of the Society for Human Resource Management on the topic of compensation and published the cover article in the World of Work Journal (4th quarter, 2005).

Q. Have you previously submitted testimony on behalf of the Company before the Commission?

A. Yes. I have testified and submitted testimony in previous Con Edison electric, gas, and steam rate cases and filed testimony in O&R's most recent electric and gas rate cases.

PURPOSE OF TESTIMONY

Q. What is the purpose of the Panel's testimony in these rate cases?

A. The purpose of our testimony is to demonstrate that the costs of the Company's benefits and compensation plans are reasonable business expenses that should be recovered in rates. The Panel's testimony demonstrates that the Company provides market-competitive benefits and compensation designed to attract and retain those employees the Company requires to provide customers with safe and reliable service, and continues to proactively manage long-term liabilities such as those related to pensions and retiree health care.

This direct testimony examines the overall level of employee "Benefits" and "Compensation" and demonstrates that the Company's level of benefits and compensation in aggregate is market-competitive and meets the Commission's standards for assessing the overall competitiveness and reasonableness of such expenditures. Benefits include retirement, active employee and retiree health, vacation, life insurance, and disability benefits. Compensation includes base salary, the variable component of management pay, and long-term equity grants. The revenue requirement in this filing reflects these costs excluding the cost of the variable pay component and equity grants provided to the Company’s officers, even though the cost of these two elements of officer compensation are reasonable and necessary business expenses.

The Panel also addresses the comprehensive review (“Review”) that the Company conducted in 2015, with the assistance of Aon Hewitt, of the Company’s Total Benefits and Compensation package for management employees, including both non-officer management employees and officers of the Company, increases in variable pay targets implemented in 2015 and reflected in the Review, and Board of Director compensation.

Q. What was the purpose of the Review?

A. The purpose of the Review was to assess the market competitiveness of the Company’s Total Benefits and Compensation package for its management employees. The

Panel describes below the Review process, methodology, and results.

Q. In conducting the Review, did the Company evaluate its benefits and compensation package as compared to those offered by similarly situated companies?

A. Yes. Consistent with Commission policy and typical market practice, in assessing the overall competitiveness and reasonableness of the Company's benefits and compensation package, the Review compared the Company's package to those offered by a peer group of similarly situated companies.

Q. Were the peer companies limited to other utility companies?

A. No. As recommended by the Commission, the Company evaluated Total Benefits and Compensation relative to a blended peer group including utility companies and non-utility New York metropolitan general industry companies ("the Blended Peer Group").

Q. What were the Review's overall findings with respect to the peer group analysis?

A. As explained below, the Review found that the Company's benefit programs and compensation for its management employees, as well as the combined benefits and compensation package value, are within a +/- ten percent range that is considered “competitive” with respect to the Blended Peer Group. In fact, the Company’s combined benefits and compensation package is below the median of the Blended Peer Group.

Q. Did the Company make any recent changes to its benefits and compensation plans prior to conducting the Review in 2015?

A. Yes. The variable component of management pay was increased effective January 1, 2015 to take a step toward better aligning this element of compensation with competitive peer group company practices.

Q. Was this increase reflected in the 2015 Review?

A. Yes, the increase expressed as a percentage of total cash compensation (sum of base salary plus the variable component of management pay) represents a 1.5 percent increase, from 7 percent to 8.5 percent. The median for the Blended Peer Group is 11.6 percent of total cash compensation.

Q. Did the Company make any other changes to its benefits and compensation plans prior to conducting the Review in 2015?

A. No.

Q. Did the Review include the Supplemental Retirement Income Plan ("SRIP") benefit provided to Company management employees?

A. Yes. The Review included all benefit and compensation programs provided to non-officer and officer management employees. The SRIP provides management employees upon retirement with the portion of their earned pension benefit that is above the federal tax law limitation applicable to the Company's tax qualified Retirement Plan. The SRIP formulas for active employees are the same as the pension formulas of the Retirement Plan but make up for pension benefits that have been earned but could not be paid under the Retirement Plan due to plan provisions or Internal Revenue Service limits imposed on the accrual and payment of pension benefits under tax qualified pension plans.

Q. Does the rate request in each of these rate cases include recovery for the cost of the SRIP as part of the retirement expense?

A. Yes. And we note that the SRIP costs include funding costs related to SRIP retirement benefits earned and still payable to former employees.

Q. Are the SRIP benefits consistent with the Blended Peer Group's programs?

A. Yes. As part of the Review, the Company looked at the SRIP programs provided for current employees for the 50 companies in the Blended Peer Group. Forty-two of the 50 Blended Peer Group companies provide SRIP-type benefits. Providing SRIP benefits is consistent with the Blended Peer Group's practices and serves to maintain the Company's retirement benefit at a competitive level with the Blended Peer Group. Please see the table below for a summary of the SRIP benefit prevalence for the Blended Peer Group. Eighty-four percent of the peer companies that provided supplemental benefit information to the Aon Hewitt Total Compensation Measurement Database provide a SRIP benefit and it is market practice to also include in their SRIP arrangement the various prior pension formulas that were used to determine the SRIP benefit earned by the peer companies' former employees. The Company found that as a general rule, once SRIP benefits are earned, they are not modified.

Summary of SRIP Benefits

50 Blended Peer Companies – General Industry and Utility

Maintain a SRIP Type Benefit	***General Industry***	***Utility***	***Total***
Yes	19	23	42
No	5	1	6
Total	26	24	50

Q. Does the rate request in each of these rate cases include compensation for officers of the Company?

A. The rate request reflects only some elements of compensation for officers. The Company's compensation program for the Company's officers includes base salary, annual variable pay awards, long-term equity grants, and benefits. Such compensation constitutes a reasonable and necessary business expense the Company must incur to attract and retain qualified leaders to direct and oversee the safe and reliable operations of the Company. Based on the Review conducted by Aon Hewitt, Company officers' Total Benefits and Compensation is approximately six percent below the median. In order to limit the contested issues in this filing, the Company is electing not to seek recovery of the long-term equity grants and annual variable pay awards provided to the Company's officers. The Company may seek to recover all or part of these elements of compensation in future proceedings.

Q. Does the rate request in each of these proceedings include compensation for members of the Board who are not employees of the Company?

A. Yes. As to members of the Board who are not employees of the Company, the Company is seeking to recover in rates

Board compensation, which includes an annual retainer, meeting fees, and a long-term equity grant. Such compensation is a reasonable and necessary business expense the Company must incur to attract and retain qualified leaders to direct and oversee the safe and reliable operations of the Company.

Q. Do current rates reflect Board compensation?

A. Only partially. Current rates reflect annual retainers and meeting fees only. In its last contemporaneous rate filing for electric, gas, and steam, the Company did not seek recovery of annual long-term equity grants in order to limit the number of matters at issue. The Company indicated in that filing that it may revisit recovery of this element of non-employee Board compensation in future rate proceedings. The Company is seeking rate recovery in this case of the cost of annual long-term equity grants to non-employee Board members for the reasons discussed below.

Q. Does the Panel address employee benefit expenses?

A. Yes. This direct testimony explains the forecast of employee benefit expenses based on historic costs and escalation of existing programs. Health costs shown in the exhibits are net of participant out-of-pocket payments, such as co-payments and deductibles that are paid to providers for medical services. This direct testimony also reflects the Company's wellness efforts, plan design, and employee contribution changes that are expected to motivate more employees to select a lower cost medical option and mitigate future overall plan cost increases. The Company's employee benefit expenses before capitalization are estimated to increase 16.5 percent from the Historic Year (*i.e.*, October 1, 2014, through September 30, 2015) to the Rate Year (*i.e.*, January 1, 2017, through December 31, 2017) or 6.8 percent per year compounded monthly.

Q. With respect to Post-Employment Benefits Other Than Pensions ("OPEB"), what cost mitigation actions has the Company taken?

A. The Company continues to take advantage of the Patient Protection and Affordable Care Act ("PPACA") tax savings made available to employers providing prescription drug benefits to Medicare-eligible retirees. The plan known as an Employer Group Waiver Plan ("EGWP"), as described below, offers subsidies and reimbursements that reduce the cost of prescription benefits provided to Medicare-eligible retirees. The Company also made a change that is expected to significantly reduce health care plan enrollments of new retirees in the future. Effective

January 1, 2013, those management employees who participate under the Cash Balance Pension Plan formula are responsible for paying for the full costs of retiree health coverage if they are eligible and elect such coverage when they retire. We expect that instead of enrolling in the Company's retiree health care program, future retirees will choose to enroll in a lower cost health care plan offered in the marketplace, such as through a public exchange.

Q. Has the Commission articulated criteria to determine whether the costs associated with a utility's benefits and compensation plans should be recovered in rates?

A. Yes. For example, in the Commission's rate order, issued February 21, 2014, in the Company's rate cases filed in 2013 (Case 13-E-0030, 13-G-0031, 13-S-0032) ("2013 Con Edison Rate Cases"), the Commission indicated that a utility should demonstrate the overall competitiveness and reasonableness of its Total Benefits and Compensation package by including a comparison with a peer group comprised of similarly situated companies, including both utilities and general industry companies. In its rate order for United Water New York, Inc., dated June 26, 2014, in Case 13-W-0295, the Commission reaffirmed that to obtain recovery of variable pay, a company must demonstrate that the overall compensation, including the variable pay component, is reasonable relative to similarly situated companies.

Q. Has the Commission addressed any other criteria with respect to evaluating recovery of costs associated with a utility’s benefit and compensation package?

A. Yes. In its rate order in the 2013 Con Edison Rate Cases, the Commission noted with approval Con Edison’s willingness to conduct its comparative compensation/benefits study to include at least a 50 percent match of employees to positions in a blended peer group of utilities and general industry New York metropolitan employers.

Q. Has the Company compared its Total Benefits and Compensation package with those of a peer group comprised of similarly situated companies?

A. Yes. Con Edison retained Aon Hewitt to conduct a comprehensive review of its Total Benefits and Compensation package, *i.e.*, the Review as described above. Aon Hewitt was selected because it is an industry leader in this type of review and has the experience, survey data, and tools needed to analyze the competitiveness of various benefit and compensation plans.

REVIEW METHODOLOGY

Q. Please provide an overview of the general approach of the Review.

A. The Review compared Con Edison's management employee benefits and compensation package values to external benchmark data for the following components:

- Employee benefits (including pre- and post-retirement benefits and SRIP);
- Base salary;
- Variable pay; and
- Long-term equity grants.

Q. Please describe the peer companies that were used in the Review to analyze the competiveness and reasonableness of the Company's management benefit plan designs and annual benefit and compensation package values.

A. A peer group of 50 companies (*i.e.*, the Blended Peer Group) was used for comparison purposes, including 24 utility peers and 26 New York metropolitan general industries peers.

Q. Is the Panel sponsoring an exhibit in connection with the Blended Peer Group used in this analysis?

A. Yes. Please see the exhibit entitled "Blended Peer Group."

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP – 1)

Q. Was the exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please describe the Blended Peer Group.

A. The 24 utility peer companies have similar operations to Con Edison and have employees with similar experience and skills in the utility industry as Con Edison. The 26 New York metropolitan general industry peers include general industry companies with headquarters located in the New York metropolitan area (*i.e.*, New York, New Jersey, Pennsylvania, and Connecticut), and that have a significant number of salaried and hourly employees in the New York metropolitan area. These companies have similar operations to Con Edison in its non-utility-specific areas such as finance, information technology, human resources, and legal. Together this group of 50 companies is representative of the labor market for management employees at Con Edison. The Blended Peer Group also reflects a sample that has available data for both compensation and benefit benchmarking based on survey participation.

Q. Is this the only Blended Peer Group Con Edison has used to review compensation and benefits?

A. No. In preparation for the electric rate case filed in 2015 (Case 15-E-0050), Con Edison conducted a review in 2014 based on a blended peer group ("2014 Blended Peer Group").

Q. Is the Blended Peer Group used in the Review identical to the blended peer group that Con Edison used in its 2014 review?

A. No. The companies in the 2015 Blended Peer Group and the 2014 Blended Peer Group are largely, but not completely, identical. The need to substitute new companies into a peer group occurs because not every company continues to participate in the information surveys that provide the data necessary for a benefit-compensation comparison. When that occurs, we substitute, as we did here, new peer companies that are similarly situated to Con Edison to maintain a robust peer group.

Q. Does the change in the participants in the Blended Peer Groups impact the overall findings of the analysis?

A. No. We have a sufficiently large enough sample size such that the selected companies continue to maintain a balance between New York Metropolitan General Industry and utility companies. The companies used for benchmarking depends on their annual survey participation. See Exhibit AH C/BP – 1, "Blended Peer

Group," which indicates the survey data that was not available for the companies used in 2014 and the complete list of companies used for the 2015 Review.

Q. What is included in the employee benefits value analysis?

A. There are two components to the benefit analysis. The first component is the employee benefits design analysis which compared the design features of the benefits programs at Con Edison (*e.g.*, health plan co-payments, deductibles, and co-insurance) to the design features of the benefits programs at the members of the Blended Peer Group.

The second component is the benefit design value analysis. The benefit design *value* analysis includes a pay-weighted assessment of the program features that are based on salary (*e.g.*, pension benefit accrual formulas, thrift savings plan company match percentages, and the definition of covered pay).

Q. Please continue.

A. The annual benefit design value at Con Edison was measured against the annual benefit design value of the peer companies' benefit designs to compare how compensation-based benefit programs affect the total value of the benefits packages included in the comparison. If, for example, an employee at Company A earns more pay than an employee at Company B in the same position, then the value of the thrift savings plan company match (*e.g.*, five percent of pay) to the employee at Company A will be higher. The employee benefit analysis performed in this manner allows for a more accurate comparison of the value of a benefits package than an analysis that is performed on a pay-weighted basis.

Q. Please describe the process used to assess the benefit designs of the benefits programs of the Company and its peer companies.

A. The benchmarking of employee benefits design was done using Aon Hewitt's Benefit Index© ("Benefit Index"). The Benefit Index is a premier tool for comparing the relative worth of one company's benefits programs to those offered by a group of other companies. It has been used by companies since the 1970's to make such assessments.

Q. How were benefit design competitiveness assessments made?

A. Benefit Index results are reached using a very specific process. Actuarial techniques measure the total value a representative population of employees would derive from Con Edison's benefits program and the benefits programs of each of the peer companies. All retirement income, death, disability health, and paid time-off benefits offered to employees are included, such as vacation and paid holidays. This actuarial analysis reflects the benefits that each program would be expected to pay during a year or the present value of the benefits employees would be expected to earn during a year but receive in the future. The same employee population and assumptions are used when measuring the values for each of the programs. This standardization verifies that the differences are attributable to plan designs, not pay levels. The impact of pay level difference is assessed in the benefit design value analysis of the Review. Finally, the benefit design features of Con Edison's benefits program were compared to the average for the peer companies' programs to arrive at a relative benefit design result reported by the Benefit Index.

Q. What is a Benefit Index benefit design result?

A. A Benefit Index benefit design result of 100.0 would be assigned if Con Edison's benefits exactly equaled the average of the benefits package value offered by the peer companies. Generally, differences in the overall benefit package value are not considered significant or material until they exceed ten percent (*i.e.*, less than 90.0 or greater than 110.0 as compared to Con Edison). A Benefit

Index benefit design result within this range would be viewed as “competitive.”

Q. Which benefits programs are included?

A. The benefits analyzed included the following programs to which an annualized value was attributed:

- **All Post-retirement Benefits**: Post-retirement benefits reviewed included pension, Thrift Savings 401(k) Plan, retiree health, hospital, medical, vision care, prescription drug, and life insurance.
- **All Pre-retirement Benefits**: Pre-retirement benefits reviewed included hospital, medical, dental, hearing and vision, and sick, short- and long-term disability, and paid vacation and holidays.

Q. Is the Panel sponsoring an exhibit in connection with the Benefit Index results used in this analysis?

A. Yes. Please see the exhibit entitled “BENEFITS INDEX RESULTS.”

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP – 2)

Q. Was this exhibit prepared by you or under your direction?

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (AH C/BP – 2).

A. This exhibit summarizes the details of the results of the Benefit Index analysis of the current Con Edison benefit plan designs, including a comparison to the Blended Peer Group.

In aggregate, the Con Edison benefit plan is within a +/- ten percent range (*i.e.*, between 90 and 110) that is considered "competitive" with respect to the Blended Peer Group with a Benefit Index design score of 99.3.

Q. Did the Panel also analyze the competitiveness and reasonableness of the Company's management compensation components?

A. Yes.

Q. How was the compensation competitiveness assessment made?

A. The compensation competitiveness assessment included a comparison of base salary, annual variable pay (at target), and long-term equity grants for Con Edison management positions and for the Blended Peer Group positions. The annualized value of each pay component is included in the analysis (*e.g.*, annual base salary).

Q. How did Aon Hewitt combine the Benefit Index results with the compensation benchmarking to develop the Total Benefits and Compensation package value?

A. Aon Hewitt followed a standard methodology consistent with industry practice and that Aon Hewitt employed in the last Con Edison rate cases. First, Aon Hewitt determined which positions at Con Edison matched positions among the Blended Peer Group, based on a comparison of functional responsibilities, job duties, and organizational levels for which data is available from the survey sources. Next, Aon Hewitt compared the benefit and compensation data for each of these positions at Con Edison to the benefit and compensation data for the same positions among the Blended Peer Group companies. Finally, Aon Hewitt aggregated these results to evaluate Con Edison's overall competitive position relative to the Blended Peer Group median.

Q. Why did Aon Hewitt compare Con Edison Total Benefits and Compensation to the median, but compared the Con Edison benefit designs to the average for the Benefit Index?

A. Median and average are both reasonable methods to make observations in a data analysis, and either may be used when performing a Total Benefits and Compensation analysis. However, the use of median is an industry practice in Total Benefits and Compensation studies because the median normalizes a data sample by placing equal emphasis on each observation, thereby mitigating the influence of extreme outlier values, if any. In benefit design review, program design elements exhibit much less variation than pay levels. Therefore, it is a standard industry practice to use market average or market typical design when analyzing program design features.

Q. If the analysis were based on the average instead of the median in the Total Benefits and Compensation study, would the result have been materially different?

A. No. The Blended Peer Group results are substantially similar using either market reference point. Using the median, Con Edison’s Total Benefits and Compensation for non-officer management employees was 6.9 percent below the Blended Peer Group median (or 93.1 percent of the median). Using the average, Con Edison Total Benefits and Compensation for non-officer management employees was 8.7 percent below the Blended Peer Group average (or 91.3 percent of the average).

Q. Which companies were used to assess the competitiveness of Con Edison’s Total Benefits and Compensation package value?

A. The Blended Peer Group was used in the Review for both the benefits design benchmarking and the Total Benefits and Compensation positional analysis.

Q. What data sources were used for the Review?

A. Three data sources were used, all using the same Blended Peer Group: (1) the Aon Hewitt Benefit Index Database, (2) the Aon Hewitt Total Compensation Measurement Database, and (3) the Towers Watson Compensation Survey.

Q. Was the compensation survey data adjusted for geography?

A. Yes. It is a common industry practice to use national compensation data for analyzing non-officer management level roles. However, given Con Edison's metropolitan New York location, a location with a significantly higher than national cost of labor, a geographic adjustment was applied to the national data (*i.e.*, those utility members of the Blended Peer Group located outside the New York metropolitan area) to account for this cost of labor difference relative to the Blended Peer Group data used in the Review.

Q. How many non-officer management positions and employees were included in the Review Total Benefits and Compensation positional review?

A. To provide a robust representation of the Company's non-officer management employee base Aon Hewitt compared approximately 62 percent of the Con Edison non-officer management employees (*i.e.*, over 3,000 employees) across the Company's pay structure to the Blended Peer Group companies.

Q. Is 62 percent coverage sufficient to draw valid conclusions from the Review?

A. Yes. The positions in the analysis covered various functional areas including Central Operations, Electric Operations, Gas Operations, Finance, Accounting, Customer Operations, Human Resources, Engineering, Information Resources, and Legal, among others, and all of the non-officer management salary bands at Con Edison: 1L/1H, 2L/2H, 3L/3H, and 4L/4H. The results of the analysis, therefore, are representative of Con Edison's pay positioning across the entire non-officer management employee population.

Q. Why were some Con Edison non-officer management positions excluded from the Review?

A. In performing the positional analysis, benchmark jobs were identified for nearly 98 percent of Con Edison's non-officer management employees. Of the 98 percent "benchmark" jobs, there was sufficient Blended Peer Group data to provide analysis for 62 percent of Con Edison's non-officer management employees. For the remaining benchmark jobs, there was insufficient data reported by the Blended Peer Group companies to the compensation survey sources to include the positions in the Review. In performing the positional analysis Aon Hewitt adhered to the United States Department of Justice safe harbor guidelines, which indicate the need for a minimum of five data points with no more than 20 percent of the sample from any single peer company. If fewer data points were available for a benchmark position, Aon Hewitt excluded that position from the Review.

Q. Is the Panel sponsoring an exhibit in connection with the positions included in the Review?

A. Yes. Please see the Exhibit entitled “CENSUS.”

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP – 3)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (AH C/BP – 3).

A. This exhibit lists all non-officer management positions at Con Edison, and whether the position was included in the Review. Positions were excluded for one of the following reasons:

- “Insufficient Benchmark Data (less than five comparator matches)” indicates the Con Edison position is a benchmark position but there is insufficient Blended Peer Group data to include the position; or

- “Non-Benchmark Job” indicates the Con Edison position is not similar to any survey benchmark positions in terms of functional responsibilities, job duties, and/or organizational level.

Q. Is the Panel sponsoring an exhibit in connection with the competitive positioning of Total Benefits and Compensation of Con Edison non-officer management positions benchmarked as part of the Review?

A. Yes. Please see the exhibit entitled “TOTAL BENEFITS AND COMPENSATION RESULTS.”

MARK FOR IDENTIFICATION AS EXHBIIT ___ (AH C/BP – 4)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please explain the information in EXHIBIT ___ (AH C/BP – 4).

A. This exhibit identifies the Con Edison employee positions included in the comprehensive review as compared to the Blended Peer Group. This exhibit includes the following information:

- Band;
- Con Edison title, section, and department;
- Benchmark title;

- Con Edison Total Benefits and Compensation;
- Market Total Benefits and Compensation at the 50th percentile (median) and average; and
- Variance for each Con Edison position to market using the median and the average.

Q. What did Aon Hewitt’s analysis indicate when comparing Con Edison to the Blended Peer Group?

A. In the aggregate, Aon Hewitt found Con Edison’ non-officer management Total Benefits and Compensation package value to be “market competitive.” Con Edison’s Total Benefits and Compensation was 6.9 percent below the Blended Peer Group median (or 93.1 percent of the median). Using the average, Con Edison’s total Benefits and Compensation was 8.7 percent below the Blended Peer Group average (or 91.3 percent of the average). This is low but considered to be within a market competitive range of plus or minus ten percent in aggregate.

Q. Is the Panel sponsoring an exhibit in connection with the results of the Aon Hewitt analysis?

A. Yes. Please see the exhibit entitled “SUMMARY OF RESULTS.”

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP -5)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (AH C/BP – 5).

A. This exhibit identifies the aggregate results, relative to both the average and the median of the Review Aon Hewitt performed using the Blended Peer Group by each component of Total Benefits and Compensation discussed above:

- Base Salary;
- Target Cash Compensation (sum of Base Salary and the variable component of management pay);
- Total Direct Compensation (sum of Target Cash Compensation and long-term equity grants);
- Total Benefit Value (estimated annual value of employee benefits), and
- Total Benefits and Compensation (sum of Total Direct Compensation and Total Benefit Value).

Q. Please provide a summary of the Blended Peer Group analysis findings with respect to the annual variable pay.

A. The Con Edison variable component of management pay lags the market. As a percentage of total cash compensation Con Edison's variable pay represents 8.5 percent. The median for the Blended Peer Group is 11.6 percent and the average is 11.9 percent.

Q. Is the Panel sponsoring an exhibit in connection with the findings regarding the variable component of management pay?

A. Yes. Please see the exhibit entitled "ANNUAL VARIABLE PERFORMANCE-BASED PAY COMPARISONS."

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP - 6)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (AH C/BP – 6).

A. This exhibit identifies the annual variable component of management pay opportunity for non-officer management employees in each Con Edison Band, as compared with the market range or target variable pay among the Blended Peer Group companies at equivalent Band levels.

Q. Please provide a summary of the Blended Peer Group Total Benefits and Compensation analysis.

A. In aggregate, as discussed above, the Con Edison Total Benefits and Compensation value for non-officer management employees is 6.9 percent below the Blended Peer Group median and 8.7 percent below the Blended Peer Group average.

Q. Based on the findings of the Review, what changes has the Company made?

A. Other than some minor changes to health plan deductibles, co-payments, and employee payroll contributions made during the historic year and expected to be made for the rate year, the Company plans no significant changes to its compensation and benefits program at this time.

Q. Please summarize your findings.

A. In summary, the results of the Review demonstrate that the cost of the total benefits program and compensation, including the variable component of non-officer management base compensation and SRIP, are appropriately incurred business expenses so that the Company can provide safe and reliable utility service to its customers. Accordingly, the Company has included the costs of these programs in the electric and gas revenue requirements.

NON-OFFICER COMPENSATION

Q. Please describe the Company's overall compensation philosophy.

A. The philosophy of the Company is to provide compensation that is competitive with the median levels of compensation provided by a peer group of similarly situated companies. This approach to setting compensation levels permits the Company to be reasonably competitive in the labor market and to be able to attract, and fairly compensate, employees important to the success of the Company. In targeting the median levels for compensation measured against a market competitive norm, the Company has taken a conservative, low-cost approach, which benefits its customers.

Q. Does the base compensation for Con Edison's non-officer management employees include both base salary and a variable pay component?

A. Yes.

Q. Is Con Edison unusual in its inclusion of a variable pay component as part of base compensation?

A. No. Tying a portion of employees' base compensation to performance has become commonplace both in American business generally and for public utilities as well.

Q. Please continue.

A. The variable pay component of base compensation is determined by the achievement of pre-set performance goals that are directly linked to specific measurable standards consistent with the Company's goal of providing safe and reliable service to customers. These performance goals encompass reliability, safety and customer-service performance indicators; operating and capital budgets; timely completion of high priority capital and operating projects and programs; and adjusted net income. The specific performance goals are tracked on a calendar year basis and must be achieved each year.

Q. Has the Commission addressed its standards for recovery of the variable component of management pay?

A. Yes, the Commission has addressed this topic in numerous rate cases, including several recent O&R rate case related orders. For example, in its *Order Denying Petitions for Rehearing and/or Clarification*, issued on November 21, 2011, in Case 10-E-0362 (p. 6), the Commission stated:

> The second point we wanted to emphasize is that it is not necessary to maintain an artificial distinction between compensation in the form of traditional pay and benefits and compensation that is incentive based. As we have stated previously, we recognize that variable compensation and incentive plans are common

> management tools aimed at encouraging performance improvements that can lead to more competitive operations. Consequently, if a utility can demonstrate that total compensation including incentive compensation for a class of employees is reasonable, with a comparable total compensation study of similarly situated companies being the preferred methodology, our concern about the relationship of incentive plan objectives to ratepayer interests is substantially diminished. As long as the plan does not promote employee behavior that would be contrary to ratepayer interests or Commission policies, the fact that it may contain financial, budgetary or other goals that benefit shareholders as well as ratepayers will not, by itself, be grounds for disallowing funding in rates, even if the relative benefits are unquantified.

Q. Please describe the variable pay component of the Company’s non-officer management compensation.

A. The variable pay component of base compensation in the Company’s plan is earned only if and to the extent the Company achieves pre-set performance goals that are directly linked to specific measurable standards consistent with the Company’s goal of providing safe and reliable service to its customers on a cost-effective basis. These performance goals are tracked on a calendar year basis and must be achieved again each year.

Q. Please describe how the variable pay component of the Company’s non-officer management compensation works.

A. The “Target Fund” for the variable pay component is determined by multiplying the base salary of all eligible employees as of December 31 by their respective target percentage. The target percentage for each band level is shown in Exhibit ___ (AH C/B – 6).

Q. Can the Target Fund be adjusted?

A. Yes, the Target fund can be adjusted up or down based on the actual performance results compared with the pre-set performance goals for that year.

Q. Please continue.

A. The Target Fund available for distribution is established based on four weighted components: performance indicators (50 percent), operating budget (15 percent), capital budget (15 percent), and net income (20 percent). A sliding scale of 0 percent to 120 percent is applied to each component based on actual outcomes. The actual amount to be distributed each year is determined by multiplying the Target Fund by the actual performance results for four performance criteria components. Variable pay amounts awarded will vary among employees based on the target percentage for his or her position, the results of additional performance indicators specifically assigned to his or her organization, and an assessment of their individual performance. An Eligible Employee with an “unsatisfactory” performance rating will not qualify for variable pay. For each eligible employee, 60 percent of the award will be based on achieving specific organization performance criteria, and the remaining 40 percent is based on individual performance.

Q. How was the amount of variable pay included in the revenue requirement calculated?

A. The amount of variable pay included is set by the Target Fund level. This amount expressed as a percentage of total cash compensation represents 8.5 percent. As indicated above, the median for the Blended Peer Group is 11.6 percent and the average is 11.9 percent.

Q. What happens if the amount of the variable component of management pay allowed in rates is not achieved?

A. If the goals are not fully achieved, and the Target Fund amount of variable pay recoverable from customers is not paid out, consistent with the Company's current electric and gas rate plans, the Company proposes to credit customers with the difference.

Q. Does the Company have a plan document that describes its variable pay plan?

A. Yes.

Q. Is the Panel sponsoring an exhibit describing the Company's variable pay plan?

A. Yes. Please see the exhibit entitled "Management Variable Pay Plan."

MARK FOR IDENTIFICATION AS EXHIBIT ___ (C/BP – 1)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please describe the performance indicator goals.

A. The performance indicator goals for 2015 address reliability of the electric system, responsiveness to gas odor calls, total number of year-end gas leaks, responsiveness to customer calls, customer satisfaction surveys, a storm performance index, safety, the environment, and response to Commission complaints. The Company's variable component of management pay reflects the Company's focus on delivering to its customers safe and reliable utility service in a cost-effective manner. These performance goals send the proper signals so that employees focus on providing the highest levels of customer service while also remaining focused on seeking cost savings and efficiencies. When Company employees are within or under budgets that are reflective of productivity and/or cost savings initiatives, customers receive the tangible benefit of lower costs for the provision of service in the long term.

Q. Is the Panel sponsoring an exhibit listing the Company's performance indicators?

A. Yes. Please see the exhibit entitled "2015 Performance Indicators."

MARK FOR IDENTIFICATION AS EXHIBIT ___ (C/BP – 2)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. How do customers benefit from the attainment of these performance goals?

A. These goals are established to enhance particular areas of customer service, safety, and reliability, as well as employee development, environmental stewardship, and completion of system enhancements and capital projects. Seven of the 14 performance indicator goals are tied directly to specific Commission established targets. These include: electric reliability network and non-network outages in terms of length and number of outages; customer calls answered within 30 seconds; limiting the customer complaints directed to the Commission; achieving customer satisfaction survey targets; responding to gas odor complaints within 30 minutes and managing gas leak backlogs; and meeting storm performance targets.

To the extent that such goals are achieved, customers benefit directly. The Company's concern for customer satisfaction and providing a high level of service and overall safety are demonstrated in linking the variable component of management compensation to particular goals. For example, service reliability is demonstrated in setting the Frequency of Outages goal and the Restoration Time goal. Managing calls answered, processing of customer service applications, and keeping appointments demonstrate concern for customer service and satisfaction. Other examples of direct customer benefits from the attainment of these goals include the Storm Scorecard goal, which measures the Company's efficiency in managing storm situations and is aimed at quick restoration of customer utility service impacted by storms. Our Employee Development and Safety indices result in a capable, well-trained staff who aims to not only protect the work force and the public but could lead to reduced insurance costs as accident incident rates are reduced. The Environmental Index is intended to motivate a rigorous focus on environmental compliance and continuous improvement of the Company's environmental stewardship.

Q. How do customers benefit from the attainment of the Capital and Operating Budgets and Net Income goals?

A. Customers benefit both directly and indirectly when the Operating Budget and Net Income goals are achieved. Customers derive benefits from the Company's achieving the net income levels that attest to the Company's financial strength and stability. Con Edison competes for capital in a capital-intensive industry. A company that attains rigorous financial and operating budget goals will ultimately benefit its customers. Chief among these benefits, particularly given the capital-intensive nature of the utility business, is the ability to maintain access to financial markets at a reasonable cost.

Q. Do you have any other general comments on the Company's performance indicator goals?

A. A sound plan for the variable component of management pay is necessarily a combination of targets that encourage employees to meet customer-related goals in a cost-effective manner. These factors are inherently interdependent and important to the Company's customers. Operational performance undertaken subject to budgetary considerations inevitably results in lower costs to customers than they would be otherwise. Conversely, a single-minded focus on meeting budgets, without a focus also on prudent business management, can result in unsatisfactory customer service.

Q. How does the Company measure its operating and capital budget performance?

A. Our performance related to the operating and capital budget targets is measured in terms of total spend compared with how well certain identified key projects and programs are managed in terms of schedule and cost. The Company uses “modifiers” that are designed to measure both unit costs and units completed. The modifiers for capital projects measure both cost and meeting milestones. A manager is assigned to each project and program and is responsible for monitoring and tracking expenditures versus budget and completing the work on schedule. These modifiers also demonstrate the Company’s internal controls and cost tracking detail that are used to manage our overall capital and operating budgets.

Q. How many projects and programs were identified to be measured for the Capital Budget?

A. The Company identified 25 projects and programs. These projects and programs include major capital projects and ongoing capital programs that comprise a significant portion of the capital budget.

Q. Is the Panel sponsoring an exhibit in connection with capital projects and programs?

A. Yes. Please see the exhibit entitled “CAPITAL BUDGET MODIFIERS.” MARK FOR IDENTIFICATION AS EXHIBIT ___ (C/BP – 3).

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. How many programs were identified to be measured for the Operating Budget?

A. The Company identified 12 programs to be measured for the Operating Budget.

Q. Is the Panel sponsoring an exhibit in connection with operating budget programs?

A. Yes. Please see the exhibit entitled “OPERATING BUDGET MODIFIERS.”

MARK FOR IDENTIFICATION AS EXHIBIT ___ (C/BP – 4)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Turning to another aspect of compensation, please describe equity grants for non-officer management employees.

A. Equity grants are awarded to management employees contributing to the future success and growth of the Company. The Management Development and Compensation Committee of the Company's Board of Directors ("MDC Committee"), the administrator of the equity grant program, authorized granting equity awards in the form of performance based restricted stock ("PBRS") to non-officer management employees in bands 3 and 4, and time-based restricted stock ("TBRS") to management employees in bands 1 and 2. The equity grants provide the right to receive one share of Con Edison common stock (or a cash payment equal to the fair market value of one share of Con Edison common stock) for each stock unit granted, subject to the satisfaction of certain pre-established long-term performance objectives.

Q. How are equity grants determined for non-officer management employees?

A. Non-officer management employees are eligible to receive PBRS and TBRS equity grants. However, it has been the Company's practice to limit equity grants to approximately 20 percent to 25 percent of the total number of non-officer management employees based on recommendations from their Senior Officer and an assessment of each recommended employee's past performance and potential to contribute to the Company's future success.

Q. How and when are PBRS distributed?

A. The PBRS are distributed after completing a three-year performance cycle, but the number of shares distributed on the payout year is based on a numerical formula and depends on the achievement of certain performance criteria. The following performance indicators will determine the number of shares (or cash equivalent) actually distributed at the end of each performance cycle: fifty percent of PBRS granted to non-officer management employees in bands 3 and 4 is linked to performance as measured by the Variable Pay Plan for non-officer management employees. As previously mentioned, the Variable Pay Plan is determined by achieving the following four pre-established components: 14 performance indicators, operating budget, capital budget, and net income. The number of shares distributed will be determined by multiplying the three-year average of the Variable Pay Plan performance achieved by the number of shares linked to this performance indicator. For example, if the Variable Pay Plan average payout for the prior three year period is 95 percent, then 95 percent of the PBRS grants linked to this indicator will be distributed.

The other fifty percent of the PBRS awarded to non-officer management employees is linked to Con Edison’s performance using a Total Shareholder Return (“TSR”) indicator. TSR is the incremental value an equity investor receives (change in stock price plus dividends received) by holding one share of a company’s common stock over a period of time. In determining the number of shares to be distributed, the following guidelines will apply based on how well Con Edison’s TSR compares with the TSR for the compensation peer group over a three-year performance period:

Con Edison’s TSR Percentile Ranking	Percent of Shares Distributed
75^{th} or greater	150%
70^{th}	140%
65^{th}	130%
60^{th}	120%
55^{th}	110%
50^{th}	100%
45^{th}	85%
40^{th}	70%
35^{th}	55%
30^{th}	40%

25th	25%
Below 25th	0%

For example, 100 percent of the PBRS linked to this performance indicator will be distributed if the Con Edison’s TSR during the performance period ranks in the 50th percentile when compared to the TSR for the compensation peer group.

Q. What companies are included in the compensation peer group to determine the TSR results?

A. The compensation peer group is listed in the Company’s annual proxy statement. For 2015 grants the group includes: Ameren Corporation, American Electric Power Company, Inc., CenterPoint Energy, Inc., Dominion Resources Inc., DTE Energy Company, Duke Energy Corporation, Edison International, Eversource Energy, FirstEnergy Corp., NextEra Energy, Inc., NiSource, Inc., PG&E Corporation, PPL Corporation, Sempra Energy, Southern Company, and Xcel Energy Inc.

Q. How and when are TBRS distributed?

A. The TBRS are distributed after completing a three-year vesting cycle. For example, management employees in bands 1 and 2 awarded TBRS in April 2013 would receive a payout of 100 percent of these shares in April 2016.

Q. Why should the Company be permitted to recover the cost of equity grants?

A. Equity grants are part of an overall total compensation package for non-officer management employees that is below the median compensation levels compared with the Blended Peer Group. The form of compensation, in this case equity grants as opposed to cash, should not influence the recoverability of compensation cost. The Company provides equity grants to non-officer management employees to promote employee behavior to drive the future success of the Company and to retain quality employees critical to achieve this success. Payouts are made only after the consistent demonstration of achieving performance indicators over a period of time, as measured by the three-year average of the Variable Pay Plan. Equity grants are a component of the overall compensation and benefits package for non-officer management employees and are a necessary and reasonable business expense incurred by the Company in order to attract the talented employees necessary to provide safe and reliable service.

Q. How much is reflected in the revenue requirement for equity grants?

A. As set forth on Accounting Panel Exhibit AP-5, the revenue requirements reflect the following amounts for equity grants - $5.8 million for electric and $1.2 million for gas.

COMPENSATION PROGRAM FOR OFFICERS

Q. Please describe the Company’s officer compensation package.

A. The Company’s compensation package for its officers includes market-competitive benefits and compensation designed to attract and retain qualified officers to manage its operations and provide safe and reliable service to customers.

Q. Please describe the elements of the Company’s officer compensation program.

A. The elements of the Company’s compensation program are the same for officers as they are for non-officer management employees – base salary, a variable pay component, and long-term equity grants that are competitive with the median levels of officer compensation provided by a peer group of comparable companies.

Q. Please describe how the Company established compensation levels for officers.

A. The MDC Committee establishes, reviews, and administers the Company’s officer compensation program. The MDC Committee has retained Mercer as an independent compensation consultant, to provide it with information, analyses, and recommendations regarding officer compensation. The MDC Committee uses an industry peer group of publicly-traded utility companies of comparable size and scope to the Company for purposes of providing benchmark information on officer compensation levels. This compensation peer group is also used to measure relative total shareholder returns for vesting one half of the equity grants. The companies included in the compensation peer group are listed above. Similar to the Review, Mercer expanded its analysis to include survey data (the Mercer Database and the Towers Watson survey) for officer “position matching” to benchmark responsibility and level of the officer positions at Con Edison.

Q. Were Company officers included in the Review conducted by Aon Hewitt?

A. Yes, while officers compensation is established and approved by the MDC Committee as described above, Aon Hewitt was instructed to include officers as part of the external benchmarking of Total Benefits and Compensation as part of the Review.

Q. Are Aon Hewitt’s benchmark findings consistent with the information prepared by Mercer for the MDC Committee?

A. Yes. Mercer's analysis focuses on officers' base salary, variable pay, and long-term equity grants commonly referred to as "Total Direct Compensation." In addition, Mercer's benchmarking is specific to the utility industry. Aon Hewitt was able to compare the Company's officers' Total Direct Compensation with the Total Direct Compensation of the Blended Peer Group. The Aon Hewitt findings indicate the Company officers' Total Direct Compensation to be in line with the median of the Blended Peer Group.

Q. Was the same Blended Peer Group used to conduct the Review of officers' benefits and compensation the same Blended Peer Group that Aon Hewitt used for the non-officer Review?

A. Yes.

Q. How many officer management positions were included in the Review of Total Benefits and Compensation?

A. Thirty-seven of the Company's forty-four officers were included in the Review or approximately 84 percent of the Con Edison officer management employees.

Q. Is 84 percent coverage sufficient to draw valid conclusions from the Review?

A. Yes. The officers included in the analysis included the President and Chief Executive Officer, President, Chief

Financial Officer, General Counsel, and senior officers (Senior Vice Presidents) and officers (Vice Presidents) covering several functional areas: Electric Operations, Gas Operations, Finance, Accounting, Customer Operations, Human Resources, Engineering, Information Resources, and Legal. The results of the analysis, therefore, are representative of Con Edison's pay positioning across the entire officer management employee population.

Q. Why were some Con Edison officer management positions excluded from the Review?

A. There was not sufficient data reported by the Blended Peer Group companies to the compensation survey sources to include these positions in the Review.

Q. Is the Panel sponsoring an exhibit in connection with the positions included in the Review?

A. Yes. Please see the exhibit entitled "OFFICER CENSUS."

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP – 7)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (AH C/BP – 7).

A. This exhibit lists all officer management positions at Con Edison, and whether the position was included in the

Review. Positions were excluded for one of the following reasons:

- "Insufficient Benchmark Data (less than five comparator matches)" indicates the Con Edison position is a benchmark position but there was insufficient Blended Peer Group data to include the position; or
- "Non-Benchmark Job" indicates the Con Edison position is not similar to any survey benchmark positions in terms of functional responsibilities, job duties, and/or organizational level.

Q. Is the Panel sponsoring an exhibit in connection with the competitive positioning of Total Benefits and Compensation of Con Edison officer positions benchmarked as part of the Review?

A. Yes. Please see the exhibit entitled "TOTAL BENEFITS AND COMPENSATION RESULTS - OFFICERS."

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP – 8)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please explain the information set forth in EXHIBIT __ (AH C/BP – 8).

A. This exhibit identifies the Con Edison officer positions included in the Review as compared to the Blended Peer Group. This exhibit includes the following information:

- Title;
- Benchmark title;
- Con Edison Total Benefits and Compensation;
- Market Total Benefits and Compensation at the 50th percentile (median) and average; and
- Variance for each Con Edison position to market using the median and the average.

Q. What did Aon Hewitt's analysis indicate when comparing Con Edison to the Blended Peer Group?

A. In the aggregate, Aon Hewitt found Con Edison's officer management Total Benefits and Compensation package value to be "market competitive." Con Edison's officer management Total Benefits and Compensation was six percent below the Blended Peer Group median (or 93.9 percent of the median). Using the average, Con Edison Total Benefits and Compensation was 18 percent below the Blended Peer Group average (or 82.2 percent of the average). The median is low but considered to be within a market competitive range of plus or minus ten percent in aggregate. The average is below a market competitive range of plus or minus ten percent in aggregate because several of the comparison companies had significantly higher short-term and long-term incentives than the median, thereby skewing the average.

Q. Is the Panel sponsoring an exhibit in connection with the results of the Aon Hewitt analysis?

A. Yes. Please see the exhibit entitled “SUMMARY OF RESULTS - OFFICERS.”

MARK FOR IDENTIFICATION AS EXHIBIT ___ (AH C/BP – 9)

Q. Was this exhibit prepared by you or under your direct supervision?

A. Yes.

Q. Please explain the information set forth in EXHIBIT __ (AH C/BP – 9).

A. This exhibit identifies the aggregate results, relative to both the average and the median of the Review Aon Hewitt performed using the Blended Peer Group by each component of Total Benefits and Compensation discussed above:

- Base Salary;
- Target Cash Compensation (sum of Base Salary and the variable component of management pay);

- Total Direct Compensation (sum of Target Cash Compensation and long-term equity grants);
- Total Benefit Value (estimated annual value of employee benefits including non-qualified benefits such as SRIP); and
- Total Benefits and Compensation (sum of total Direct Compensation and Total Benefit Value).

The Review demonstrates that all overall benefits and compensation are competitive with the median levels of officer compensation provided by the Blended Peer Group of companies, that is, six percent below median as determined by the Aon Hewitt Review. Therefore, officer benefits and compensation costs, including variable pay and long-term equity grants, represent a reasonable business expense that should be fully recoverable.

Q. Is the Company seeking to recover all elements of officer benefits and compensation, *i.e.*, base salary, the variable pay component, and long-term equity grants, in this rate filing?

A. No. As noted above, the Company has elected not to seek recovery of the variable pay component and long-term equity grants provided to the Company's officers, even though the cost of these two elements of officer compensation are reasonable and necessary business expenses the Company must incur to attract and retain officers to manage its operations and provide safe and reliable service to customers. The Company reserves the right to seek recovery of these costs in future rate filings.

DIRECTORS' COMPENSATION

Q. Please explain the compensation package for members of the Company's Board.

A. Compensation for members of the Board, who are not employees of the Company, includes annual board and committee chair retainers, committee meeting fees, and annual long-term equity grants.

Q. Please describe how the Company establishes compensation levels for Board members.

A. The Corporate Governance and Nominating Committee (the "Committee") of the Board establishes and approves the Board's compensation program. The Committee has also retained Mercer to provide information, analyses, and recommendations regarding director compensation. The Committee directs Mercer to (1) assist the Committee by providing competitive market information on the design of the director compensation program; (2) advise the Committee on the design and administration of the director compensation program, and (3) inform the Committee on director compensation trends among the Company's compensation peer group and broader industry.

Q. Please describe the current level of annual retainers, meeting fees, and equity grants.

A. Each non-employee member of the Board receives an annual retainer of $90,000, and the Lead Director (*i.e.*, the liaison between the Company's Chief Executive Officer and the independent, non-executive directors) receives an additional annual retainer of $35,000. The Chair of the Management Development and Compensation Committee receives an additional annual retainer of $15,000. The Chairs of the Environment, Health, and Safety; Finance; Operations Oversight and Planning Committees each receive an additional annual retainer of $5,000. The Chair of the Corporate Governance and Nominating Committee receives an additional annual retainer of $10,000. The Audit Committee Chair receives an additional annual retainer of $25,000 and each Audit Committee member receives an additional annual retainer of $10,000 and a fee of $2,000 for each meeting of the Audit Committee attended. Members of the other Committees of the Board receive a fee of $1,500 for each meeting of a Committee attended. The Acting Chair of any Board Committee, at meetings where the regular Chair is absent, is paid an additional meeting fee of $200 for any Committee meeting at which he or she presides. Each director is also allocated an annual equity grant of $120,000 of deferred stock units following their election at the annual stockholders meeting. The annual long-term equity grants are automatically deferred until the director’s termination of service from the Board. Mercer conducts an assessment of non-employee Board of Director compensation every two years with the Committee to align Directors’ compensation with market levels.

Q. Is the Company currently recovering all three elements in its rates?

A. No. In its 2013 rate filing, the Company elected not to seek recovery of the annual long-term equity grants provided to non-employee Board members in order to limit the number of matters at issue in that case. In not seeking recovery, however, the Company specifically reserved the right to seek recovery in future rate filings.

Q. Is the Company proposing in this filing to recover long-term equity grants provided to non-employee Board members in the Rate Year?

A. Yes.

Q. Please explain why.

A. Mercer found that the Company's total Directors' compensation is aligned with the median levels of both the Company compensation peer group and a general industry (*i.e.*, \$10-\$15 billion total market capitalization) group. Accordingly, the Commission should find that the Company's elements of Directors' compensation, including long-term equity grants, (1) are a reasonable cost of attracting and retaining qualified non-employee directors, (2) are commonly included in board of directors' compensation plans, (3) represent a market-based compensation package, and (4) are therefore a legitimate cost of doing business that should be recovered in rates.

EMPLOYEE WELFARE EXPENSES

Q. Did the Panel prepare the exhibits entitled "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., ADMINISTRATIVE AND GENERAL EXPENSES –EMPLOYEE WELFARE EXPENSES"?

A. Yes. The Panel prepared the exhibits.

Q. Were these exhibits prepared by you or under your direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (C/BP–5(Electric) and EXHIBIT __ (C/BP-6)(Gas)

Q. Please describe these exhibits.

A. Page 1 of each exhibit is a summary of the Company's forecast of employee benefit expenses for the Rate Year, based on costs incurred in the Historic Year. Lines 1 through 16 show costs for the Company's employee benefit programs, and lines 17-22 show health care costs net of employee payroll contributions for health care benefits. Total employee welfare expenses are shown on line 23. Total employee benefit expenses, net of capitalized amount, is a summary of projected health care costs and employee deductions for the Rate Year.

Q. Please describe the methods used for escalating employee benefit costs.

A. Three different methods are used to escalate Historic Year costs to the Rate Year costs. First, a labor escalation factor of 5.24 percent is used to escalate employee benefit costs that are a function of salaries and wages. For example, the Thrift Savings 401(k) Plan provides a Company match to management employees for a portion of their plan contributions; this is escalated using the labor escalation factor. Second, a non-labor escalation factor of 4.33 percent is used to escalate employee benefit costs that are unrelated to salaries and wages, such as plan management costs (*i.e.*, benefits and actuarial consulting services). The Accounting Panel discusses the basis for and development of these labor and non-labor escalation factors. Third, health care costs were projected based on premium costs for 2015 and expected premium increases for 2016 and 2017, determined in consultation with the Company’s various health care vendors (*i.e.*, Cigna for hospital/medical costs, CVS Health for prescription drug costs, MetLife for dental costs, the various Health Management Organizations (“HMOs”) for our HMO offerings, and Aetna for the Managed Choice option) to estimate the 2016 health care costs. For the Company’s managed care plans with HMOs and Managed Choice, the 2016 projections were developed by applying the 2015 premium rates provided by each of the HMO/Managed Choice carriers and escalated to 2016 based on estimates developed with each HMO/Managed Choice vendor. In addition, the projection includes the forecasted net growth in the number of employees enrolled for health care benefits in 2017.

Q. Does the employee benefit expenses projection include any program changes?

A. Yes. The projection includes the impact of plan design changes implemented for 2016 such as deductibles, co-pays for the health plans as well as increases in the amount of employee payroll contributions.

HEALTH INSURANCE COSTS

Q. Is the Panel sponsoring an exhibit in connection with employee benefit expenses?

A. Yes. Exhibit ___ (C/BP-5)(Electric) and Exhibit __ (C/BP-6) (Gas) show the employee benefit expense.

Q. Please explain the increase for health insurance shown on line 22, page 1 of the exhibits.

A. Line 22 shows the cost increase as $27.0 million (electric) and $5.5 million (gas) for health insurance after employee payroll contributions or a 7.7 percent per year increase from the historical year to the Rate Year. This increase is based on an annualized health care inflation trend of 6.4 percent provided by our various health care vendors described above, plus additional employees (*i.e.*, 94 for 2016 and 189 for 2017). To develop the rate year amount, we used the estimated premium costs and the enrollment count for each of our health care plans. Historic Year costs for benefits administration are escalated using the non-labor escalation factor.

Q. Is the Company proposing to escalate health care expenses by the GDP deflator?

A. No. Con Edison recommends using the plan-specific escalators developed by the health care plan providers, rather than the GDP deflator. For example, Cigna has analyzed our hospital, medical, and vision care experience and participant demographics against its book of business and projects that expenses will increase by seven percent per year. The HMOs are projecting an annual increase of eight percent. For prescription drug costs, the Company worked with CVS Health and developed an estimated increase of six percent per year based on claims experience, and MetLife estimates that dental costs will increase by three percent per year. These escalation factors provide a more accurate indicator of future increases to the Company’s health care costs, that have been historically well in excess of the GDP but in line with health care inflation trends found in the northeast section of the country.

Q. Please explain why the GDP deflator should not be used for the escalation of health care costs.

A. In reviewing and analyzing historic claims experience and the projected increase in the Company’s health care costs, based on information provided by the Company’s health care plan providers, it is apparent that the increase is being driven by forces fundamentally different from those that drive the GDP deflator.

Q. Please explain.

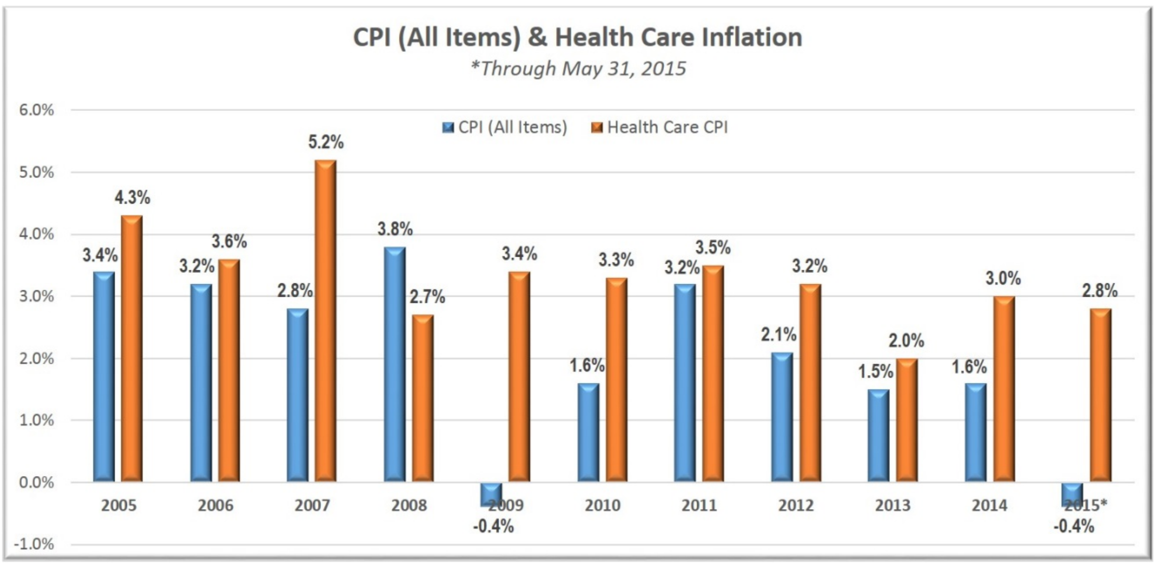
A. Increases in the GDP deflator are being driven largely by inflation-related increases in the unit costs of various products. In contrast, increases in health care costs are driven by increased utilization of medical procedures and high-cost specialty prescription drugs, as well as the availability and projected utilization of new high-cost medical procedures, treatments, and devices.

General inflation does not capture these factors, which are the primary drivers of the Company’s overall health care costs. A general inflation factor, such as the Consumer Price Index (“CPI”), based on the cost of goods, services, and labor that affect all sectors of the economy, measures the average price change over time for a constant-quality, constant-quantity market basket of goods and services but fails to include the changes in the size and age structure of the population that affect the number of people using health care services. A general inflation factor may capture medical price inflation, *i.e.*, increases in the cost of providing a unit of care above and beyond inflation in the general economy, but not the increase attributed to the type of care, technology used, and services per unit of care delivered. For example, a hospitalization in 2015 might involve more tests, more procedures, more supplies, and use of different technology for the same condition than in 2005 or the use of new treatments for previously untreatable terminal conditions. Unlike the costs of new technologies for many products in the economy captured by the GDP deflator, whose initial prices are often set to compete with current technologies and then decrease over time, new medical technologies (such as MRIs replacing X-rays) raise the cost of medical services beyond the general inflation rate. The development of new medical technologies and services are not designed to compete with existing technologies. Rather, they are designed and introduced into the market to enhance the ability of medical professionals to save the lives of patients and provide patients with an improved quality of life. For example, time is of the essence when treating stroke patients. Mobile stroke units are specially outfitted ambulances with trained medical personnel using telemedicine to perform blood tests, CT scans and TPA tests (TPA is used to breakdown blood clots) before the patient arrives at the hospital.

Q. Are there other items that a general inflation factor fails to include?

A. Yes. Adding to the cost of health care are many expensive diagnostic studies doctors order to protect themselves from potential litigation. In an article, Diagnostic Imaging reported that ordering multiple exams leave a trail that due diligence has been practiced in giving the patient the best possible care. This type of “defensive medicine” continues to be a steady contributor to increased utilization. Another factor adding to the cost of health care is the cost of securing medical information. PricewaterhouseCoopers (“PwC”) estimates that cybersecurity measures to prevent or mitigate increasingly sophisticated and aggressive large-scale breaches will also add to the cost of health care. In addition, health care costs are directly impacted by the age of the Company’s work force. Cigna estimates that the Company’s health care costs will continue to increase significantly as the age of the covered population grows even though the Company has made significant plan changes to mitigate future costs increase. Increases attributed to these unique circumstances that drive up health care costs above general inflation are not captured in a general inflation factor. And Forbes reported in June

2015 that health care inflation from 2005 through May 31, 2015 outpaced the percentage increase in overall inflation as measured by the consumer price index (all items) in each year except 2008. Moreover, in 2007, 2009, 2010, 2014, and thus far in 2015, the difference is quite significant as shown in the following chart.



Q. Please continue.

A. A large portion of the increased spending for prescription drugs is attributed to an increase in utilization for high-cost specialty drugs used for the treatment of complex, chronic, or rare conditions such as various forms of cancer, and hepatitis C. For example, SOVALDI, which is used for the treatment of hepatitis C, costs more than $1,000 per day for a twelve-week treatment plan. In a recent study, PwC estimates that the key "inflators" for healthcare cost growth in 2016 include the rising cost of SOVALDI. In 2015, specialty drugs accounted for 29.7 percent of the Company’s drug costs, a growth of almost 19 percent from the previous plan year. The growth in use of specialty drugs is not isolated to the Company’s drug plan and is expected to increase in the future. In its ninth annual Health Research Institute Medical Costs Trend report (June 2014), PwC estimates that United States specialty drug spending will quadruple by 2020. Given this fundamental dichotomy, the use of the GDP deflator alone fails to recognize the primary reason these costs are escalating and is therefore not the proper methodology to measure the increase in health care costs. Use of the GDP deflator will serve to improperly understate the Company’s health care costs for the Rate Year. A reasonable approach to estimating the trend of future health care costs would take into account the wellness, age, and past experience of the Company’s employee and dependent population as well as the impact of legislation such as Patient Protection and Affordable Care Act (“PPACA”). Estimating future costs in this manner is consistent with the industry practice of those actuaries who determine the premium rates for policies purchased from the Company.

Therefore, to develop a more accurate estimate of the increase in health care costs, the Commission, instead of using GDP, should adjust Historic Year expenses by an inflation factor that not only includes general inflation but also incorporates other factors such as changes in utilization of services and procedures and employee demographics, the volume and mix of health care services, and the impact of legislation.

Q. What kind of inflation factor should be used that would be a better predictor of health care expenses?

A. When predicting future health care costs, we believe that the inflation factor supplied by the various health insurance carriers will result in a better estimate. The inflation factor supplied by insurance carriers not only includes the effects of general inflation on the health care market but also incorporates how the other factors described above impact future medical inflation. An article published by the American Society of Actuaries observed that it is the actuary’s role to build a model that predicts an individual’s cost to the insurer. The goal is to determine future healthcare costs by using prior costs, demographics, and diagnoses. The statistical analysis calculates the cost of future risks such as the financial effects that events such as birth, marriage, sickness, accidental injury, and death have on the cost of insurance and the financial obligations of benefit plans and other financial security systems. All these are insurable events, and one of the actuary's main functions is to calculate the cost of financing these events whether by insurance or other means. The article provides as an illustration and highlights the actuary's role in designing pension plans and developing their funding requirements. If soundly funded, pension plans will pay the benefits that are promised.

From a measurement point of view, the Company's future health care costs are measurable and predictable with a high level of accuracy. The Company's health care program covers a statistically valid employee and dependent population, which can be used to estimate the cost of future claims.

Q. Are there other factors that impact the future cost of providing health care?

A. Yes. Legislative and regulatory changes have impacted, and will continue to impact, the cost of providing health care.

Q. Does the Company’s projection for health care costs include changes to the health plans as a result of the PPACA?

A. Yes. The financial impact of the PPACA to the Company’s health care costs assumes that there will be no changes to this legislation during the Rate Year. The Company has already absorbed additional costs in connection with this legislation, such as extending health care coverage to all dependent children up to age 26 and providing participants with preventive services that must be fully paid for by the Company. Prior to the change in law, coverage for a dependent child ended when a child reached age 19, unless the child was a full-time student in which case coverage would end at age 25. The additional costs of extending health care to dependent children to age 26 beyond the previous plan limits have grown to more than $1 million per year. In the area of preventive care, also due to the PPACA, the Company is absorbing the premium costs for providing additional preventive health services at no cost to employees or dependents, which previously required some level of cost sharing by employees. For 2015, health care plans were required to limit a participant’s annual out-of-pocket costs and include office visits and emergency room co-payments toward their annual out-of-pocket limit. This change increases plan costs as office visits and emergency room co-payments are no longer considered or credited to participants' out-of-pocket limits. As a result, employees now reach their out-of-pocket maximums more quickly and the plan is required to pay all eligible expenses above the annual out-of-pocket maximum, which serves to increase the costs paid by the Company by almost $1 million per year. PPACA taxes and other fees that did not exist prior to 2013 have added an additional $1 million annually to the cost of health care plans.

Q. Are there any other provisions of the PPACA that add costs to the Company's health care plans?

A. Yes. The PPACA imposes an excise tax on health care providers and employers who offer health care plans that cost more than predetermined threshold levels set by the PPACA. The excise tax is commonly referred to as the "Cadillac Tax." The tax will be imposed on insurance companies and employers, if self-insured, offering health care plans that exceed cost thresholds established by the federal government. For each participant enrolled in such a health plan, the imposed excise tax is equal to 40 percent of the gross premium dollars above the threshold. The PPACA established thresholds that were scheduled for

2018 but will be changed in 2020 when the tax becomes effective, subject to increases based on future CPI changes in 2019 and 2020. After 2020, the threshold amounts are scheduled to increase each year by CPI.

Q. What is the expected financial impact to the Company?

A. Based upon current plan offerings and projected costs, the expected 2020 financial impact on health care costs for the active employees is an increase of $17.7 million ($13.7 million for electric and $2.8 million for gas).

Q. What is the Company's strategy regarding the pending tax?

A. The Company will continue to look for ways to manage health care costs and promote efficient use of health care benefits to mitigate future increases. The Company is also monitoring legislative activities as some provisions of health care reform have already been delayed and could potentially change. In addition, as all large employers will be affected by this tax, the Company will continue benchmarking the approaches and strategies of New York Metropolitan companies and utility peers to develop and consider ways to mitigate the impact of the tax while not adversely affecting the market competitive position of our compensation and benefit program. Finally, the Company is developing an aggressive employee communication plan to explain the potential cost impact to the Company and employees and also encourage employees to write to Congress concerning this additional tax burden.

Q. Has the Company experienced actual health care cost increases above general inflation?

A. Yes. The Company has experienced actual health care cost premium increases averaging 8.8 percent annually over five calendar years (*i.e.*, 2011 to 2015) preceding the health care plan changes noted above. Since making the health care plan changes, the growth in health care spending has slowed to less than eight percent per year and estimated to increase by 6.4 percent per year from historic year to the Rate Year. Although the changes have helped to mitigate health care cost increases, the lower rate of increase is still far greater than GDP increases of two percent over the same period and expected to increase in the near future. The following chart compares the Company’s health care cost increase with GDP inflation rate from 2009 to 2015:

Year	GDP Increases	Company Health Plan Increases
2010	2.5%	16.8%
2011	1.6%	15.7%
2012	2.3%	7.4%
2013	2.2%	8.6%

2014	1.4%	7.2%
2015	2.0%*	5.1%

*The 2015 GDP is through the third quarter

Q. What is the impact on health care expenses of using the GDP deflator for projecting health care expenses instead of using a health care projection rate which factors in the different health care cost drivers?

A. Using the GDP deflator to project health care costs instead of a projected rate that factors in the cost drivers described above results in a significant understatement of health care expenses that should be recovered as a reasonable business expense. For example, a comparison of the last six years actual growth in health care expenses to an increase solely based on GDP in each of those years results in an understatement of actual annual health care costs ranging from a low of $7.5 million to as high as $25.4 million. The imposition of the GDP factor for the escalation of health care costs instead of the expected health care trend factor included in this filing would result in an understatement of health care costs in the rate year of over $12 million.

OTHER MEASURES TAKEN TO MITIGATE COST INCREASES

Q. What actions has the Company taken to mitigate health and welfare costs?

A. The Company has taken numerous steps to contain and mitigate these costs. The Company is placing an increasing emphasis on promoting healthy behavior to mitigate health care costs in the future. For the open enrollment for the 2016 plan year, management employees were asked to participate in several wellness initiatives. Cigna, our hospital/medical insurance carrier, collected health information from employees to assess the general health of our employee population and recommended future wellness programs and incentives to encourage employees to participate in health improvement activities. Employees and their enrolled spouses were offered a monetary incentive to complete a health assessment. This is a tool that Cigna uses to obtain baseline health information as well as to provide employees and their spouses with insight into their health status, and an action plan to address any potential health risks.

Management employees receive an incentive of $5.00 per pay period for completing their own health assessment and another $5.00 per pay period credit if their spouse completes the health assessment. Under the respective Labor Contracts Local 1-2 members receive an incentive of $3.00 per pay period for completing the health assessment and can receive an additional $2.00 per pay period if their spouse completes a separate health assessment. Local 3 members receive an incentive of $2.00 per pay period for completing the health assessment and another $2.00 per pay period if their spouse completes the health assessment. In addition, management employees receive an incentive of $5.00 per pay period if they take a basic medical screening that includes blood pressure, cholesterol, blood sugar, and body mass index, all of which are essential for identifying potential health issues. Management employees will receive another $5.00 per pay period incentive if their enrolled spouse takes a medical screening. The Labor Contract with Local 3 also provides for an incentive of $2.00 per pay period if the employee participates in a basic medical screening and another $2.00 per pay period if the employee’s spouse takes a basic medical screening.

Q. Please continue.

A. The Company’s 2016 wellness initiative continues to include a surcharge for tobacco usage for management employees, which has a direct correlation to increased health risks leading to higher medical costs. Employees who voluntarily identify themselves as tobacco users or who do not complete the tobacco usage question during open enrollment will be required to make an additional $240 payroll contribution toward their health care coverage each year. An employee who is a tobacco user can avoid the additional health care contribution by enrolling in a tobacco cessation program.

Q. Do the Company’s health care carriers offer any other programs to employees to assist them in adopting a healthy lifestyle?

A. Yes. Cigna offers a Health Advisor Program that is designed to facilitate healthy behavior and promote the achievement of health-related goals for at-risk individuals. Cigna also offers Well Aware Disease Management Programs to address various health conditions including heart disease, asthma, diabetes, and lower back pain. These programs are developed in accordance with recognized subject matter experts, the American Heart Association, the American Academy of Allergy, Asthma and Immunology, the American Diabetes Association, and others.

Q. Does Cigna offer programs to all employees and dependents to assist with their lifestyle choices that should help in controlling health care costs?

A. Yes. Cigna has identified employees for weight loss, stress management, and other wellness activities and offers programs called Healthy Steps to Weight Loss and Stress Management Program. Both programs are designed to encourage lifestyle choices that will benefit the health of employees and dependents. These programs are available to all employees and their dependents. The cost of these programs is included in the Cigna administrative fees.

Q. What other actions has the Company taken to manage health care costs?

A. The Company works with Cigna to find ways to encourage employees and their dependents to take a greater role in managing their health care expenditures. For example, if an employee or dependent needs durable medical equipment and prosthetic devices, pre-notification to the insurance carrier is required in order to be covered under the plan. Treatment plans are required by the claims administrator for physical and occupational therapy, speech therapy, and services performed for diagnosis or treatment of dislocations, subluxations, or misalignment of the vertebrae before such programs may begin. The Company has introduced a co–payment for emergency room visits to discourage employees from using the emergency room for routine medical treatments.

Q. Does CVS Health, the administrator of the Company’s prescription drug plans, offer any program to assist employees to better manage their prescription drug costs?

A. Yes. For those employees or dependents with chronic and genetic disorders there is a separate Specialty Pharmacy Program, administered by CVS Health, which manages the dispensing and use of high-cost specialty drugs. The Specialty Pharmacy not only provides the patient with medications, but also provides proactive pharmacy care management services to manage the patient’s condition effectively; provides early intervention; reviews dosing and medical schedules; trouble-shoots injection-related issues; discusses side effects with the patient; and supplies educational information. The Specialty Pharmacy Program also coordinates care with the doctor and health plan. In addition, CVS Health offers a Specialty Guideline Management Program. This program builds upon the Specialty Pharmacy Program by offering a more vigorous review of each specialty referral. The criteria for the program are developed using evidence-based medical standards that are continually updated based on the most recent medically accepted guidelines. The program works with communications between CVS Health and the patient’s physician. If the physician decides to change therapy, CVS Health telephones the patient to assist with better management of the new medication. For example, for patients who take Enbrel (TNF inhibitors), as a safety precaution, CVS Health assesses whether the patient has been tested for being a carrier of tuberculosis (with a skin test) because those medications contain a warning for patients with TB. CVS Health will also periodically assess the patient's exposure to medication to verify its continued effectiveness and to determine whether there is a need to change to a different drug.

Q. Are there any other programs available through CVS Health?

A. Yes. The Company works with CVS Health to help educate employees and their dependents to be better consumers. Employees are encouraged to use generic drugs where possible in order to mitigate plan costs as well as to lower their own out-of-pocket costs by being a better consumer at the point of purchase.

Q. Does the Company offer employees any programs to encourage healthier behavior?

A. Yes. Nutrition education services are available to employees. Healthy food choices help employees better manage their weight and chronic health conditions such as diabetes and heart disease. In addition, Work Home Wellness counseling is available to all employees to help them manage stress and other mental and nervous conditions. For the last several years, the Company has been providing employees with free flu shots. In 2015, the number of employees who received a flu shot was 2,897.

Q. What other programs does the Company offer to employees to promote wellness?

Q. During 2015, the Company implemented various wellness initiatives. In the first quarter, a Choose to Lose challenge was rolled out to all employees that included eating healthy foods such as fruits and/or vegetables each day, drinking at least 64 ounces of water and exercising for at least 30 minutes per day. The initiative for the second quarter of 2015 was a Get Fit program. Employees were offered a free pedometer and tracked how far they walk during the day. The goal was to walk at least 10,000 steps daily.

The third quarter initiative, was Know your Risk and Stay Healthy. This initiative offers employees an opportunity to obtain a basic wellness screening. The wellness screening provides an employee with their blood pressure, cholesterol levels, body mass index, glucose, and triglycerides. For the last quarter, employees were encouraged to complete a health assessment. The health assessment provides an individual with a wellness score, discloses the score change from their previous assessment, and offers tips for making changes to improve overall health.

Q. Are there any other steps that the Company is taking to mitigate health care costs?

A. Yes. The Company conducts periodic audits of the health and welfare plans to confirm the correct processing of claims and determine that the claims are processed in accordance with the plan design for each of the health care options. For example, the 2012 and 2013 Cigna claims were audited and the 2014 and 2015 claims will be audited for the Cigna hospital and medical plans in 2016. Audits were also completed for the CVS Health claims for calendar years 2011 and 2012. The 2013 to 2015 CVS Health claims will be audited in 2016. The MetLife dental plan was audited for the years 2012 and 2013; the 2014 and 2015 claims will be audited this year. Upon completion of the audit, if there are any overpayments to health care providers, the Company will recover those overpayments. In addition, the Company continues to annually review its cost-sharing arrangement with the employees to maintain a reasonable and competitive cost-sharing level with employees.

Q. Does the Company self-insure its health care benefits programs?

A. Yes, the Company self-insures its primary health care plans and fully insures its HMO plans. With the assistance of Aon Hewitt, Cigna, CVS Health, and MetLife, the Company calculates an amount of money to set aside each week to compensate the various insurance providers for processing and paying employees' health care claims. For the self-insured programs, the Company contracts with Cigna, CVS Health, and MetLife to process claims and provide other administrative services.

Q. Is self-insuring the most cost-efficient way for the Company to administer its health care benefits programs?

A. Yes. As long as the aggregate claim costs are predictable and measurable, self-insurance is less costly than purchasing insurance that provides similar coverage from a commercial insurance company. The Company is in the position to self-insure its health care benefit programs because claims costs in the aggregate are generally predictable and measurable and we have a large enough employee and dependent population to be able to estimate the amount that needs to be set aside to pay for future claims. In return for assuming the risk of setting aside enough funds to pay the actual claims costs, the Company achieves cost savings through the elimination of the carrying costs that commercial insurers pass on to their insurance consumers, such as premium taxes, risk charges, as well as the additional administrative costs associated with fiduciary responsibility. For example, based on a price quote obtained from Cigna for the current hospital and medical plan, the fully insured cost for 2015 would have been $21.0 million higher than self-insuring. For 2014 the fully insured costs would also have been $17.5 million higher than self-insuring. For 2013, fully insuring the hospital and medical plan would have cost $17.5 million more than self-insuring.

Q. What changes did the Company make to its Thrift Savings 401(k) Plan for 2015?

A. The Company has not made, and is not planning to make, any further changes to the Thrift Savings 401(k) Plan based on the findings of the Review in 2015.

Q. Are any changes being made to the Group Life Insurance program for the Rate Year?

A. No. The Company-paid group life insurance benefit is one times annual base salary for management employees and a flat $50,000 for union employees who are members of either Local 1-2 or Local 3.

Q. What is the projected group life insurance benefit cost for the Rate Year?

A. The projected group life insurance benefit cost is approximately $2.9 million in total ($2.3 million for electric and $0.5 million for gas). The projection was made by multiplying the base salary for management employees by the premium rates. An annual salary increase of 2.25 percent was applied to the total cost. The projection for union employees is developed by taking the $50,000 benefit times the number of employees. The premium rates are then applied to the estimated coverage.

Q. Please explain the normalization for the group life insurance.

A. The actual group life insurance costs for the Historic Year include a deficit payment of $465,000 ($361,000 electric and $74 gas) to MetLife because claims costs exceeded premiums collected during the preceding plan year. At the end of each calendar year, MetLife prepares a reconciliation of group life insurance premiums paid as compared to actual claims experience, plus administrative expenses. Depending on the number of claims paid, a dividend may be due to the Company, or the Company may be assessed additional charges to cover the amount by which claim costs exceeded the premium paid. In the last four of five years, the Company was assessed an additional charge. The normalization reflects the fact that the claim costs exceeded the premium paid to MetLife.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Q. Please describe the Company’s OPEB programs.

A. The Company’s OPEB programs are comprised of the Retiree Health Program, which includes major medical, hospitalization, vision, and pharmaceutical benefits. The Company also offers a limited retiree term life insurance program.

Q. What is the status of the Company’s OPEB plans?

A. Starting with the Retiree Health Program, CECONY offers employees who retire with at least 75 points (calculated by adding age and years of service, with each year equaling one point, to equal 75 points), and their eligible dependents, a voluntary contributory Retiree Health Program. The Retiree Health Program offers enrolled retirees different coverage options including several HMOs, a prescription drug plan, and comprehensive hospital, medical, and vision care plans with a network of participating providers. Once a retiree or covered dependent becomes eligible for Medicare, the Retiree

Health Program coordinates his or her health care expenses with Medicare. For Medicare-eligible retirees, Medicare is the primary payer of hospital and medical claims, and the Retiree Health Program is the secondary payer. Under the prescription drug plan, once a retiree and covered dependent become eligible for Medicare Part D, retirees may continue their coverage under the Retiree Health Program or enroll in the Medicare program for their prescription drug coverage. The Company also provides certain retired management employees both retiree term life insurance benefits of $25,000 at no cost to the retiree as well as a contributory supplemental group term life insurance benefit. Upon retirement, retired union employee may also purchase supplemental group term life insurance benefits. Currently, retiring union employees may purchase up to $30,000 of coverage in units of $10,000. The cost of the contributory portion of the supplemental retiree life insurance program is partially subsidized by the Company.

Q. What steps has the Company taken to manage or mitigate OPEB costs related to the retiree life insurance program?

A. As of January 1, 2013, for the retiree life insurance program, the $50,000 Company-paid life insurance benefit was eliminated for management employees who are under age

50. For management employees age 50 or older as of January 1, 2013, and retiring January 1, 2013, or after, the $50,000 life insurance benefit has been reduced to $25,000. For retirees currently purchasing life insurance benefits, the Company has announced that rate increases will be phased in over a period of five years to eliminate the Company subsidy. Premium rate increases have been implemented for 2014 and 2015 and another increase has been announced for 2016. Subsequent increases will depend on future claims experience.

Q. What savings does the Company expect to realize as a result from the changes to the retiree life program?

A. The Company expects that the change to the Company provided retiree life insurance benefits (*i.e.*, reducing the $50,000 to $25,000 for employees age 50 or older as of January 1, 2013, and eliminating the $50,000 benefit for employees under age 50 as of that date, who retire on or after January 1, 2013) will reduce annual expenses by $8.2 million.

Q. What steps has the Company taken to manage or mitigate OPEB costs related to the Retiree Health Program?

A. For the Retiree Health Program discussed above, the Company implemented a cost-sharing formula in 2008. Under the cost-sharing formula, the Company’s contribution toward program costs is limited to its contribution in the preceding year plus inflation as measured by the change in the CPI. Contributions for retirees increase if Retiree Health Program costs increase above CPI. Effective January 1, 2013, the Company’s subsidy under the cost-sharing formula were eliminated for management employees retiring under the Cash Balance pension formula. Employees under the Cash Balance pension formula who meet the eligibility requirements and enroll in the Retiree Health Program will be responsible for paying the full cost of Retiree Health coverage offered through the Company.

Q. What other steps has the Company taken to manage or mitigate OPEB costs related to the Retiree Health Program?

A. Under health care reform, the Company implemented an Employer Group Waiver Plan (“EGWP”) for Medicare-eligible retirees effective January 1, 2013, which has reduced OPEB costs attributed to the prescription drug plan offered to Medicare eligible retirees.

Q. What is an EGWP?

A. An EGWP is a Medicare Part D plan regulated by the Centers for Medicare and Medicaid Services that supplements retiree prescription drug benefits offered to retirees who are Medicare-eligible. Under the EGWP, CVS Health, the pharmacy benefits manager, contracts directly with the government prescription drug program. CVS Health will handle all administration and federal interactions and collect the RDS subsidy for our retiree drug plan.

Q. Why does the EGWP have a financial advantage for the Company?

A. With an EGWP the Company receives the benefit of lower costs attributed to the Coverage Gap Discount Program and other direct subsidies provided under the PPACA.

Q. What savings has the Company realized as a result of the EGWP?

A. The EGWP arrangement reduces plan obligations by approximately $300 million and annual expense by $40 million.

Q. Were there any initiatives with respect to OPEB that were considered and rejected?

A. No.

PENSION REFORM

Q. Please describe the Company's pension program.

A. Originally, the Con Edison Retirement Plan was a defined benefit pension plan that provided vested employees with pension benefits under different formulas, depending on their date of hire. Over time, however, the Con Edison Retirement Plan has changed. Management employees hired on or before January 1, 2001; union employees who are members of Local 3 hired on or before January 1, 2010; and union employees who are members of Local 1-2 hired on or before July 1, 2012, are covered under a traditional Final Average Pay ("FAP") pension formula based on an employee's FAP, which is the highest consecutive 48 months in the last 120 months of service. Employees may qualify for an unreduced early retirement benefit at age 55 if they have at least 30 years of service. Employees with less than 30 years of service may retire at age 55 with a slight reduction to their pension of 7.5 percent if they have at least 75 points. Pension benefits for employees retiring before age 55 are actuarially reduced.

Q. What steps has the Company taken to manage or mitigate pension costs?

A. The Company has amended the Retirement Plan to reduce future liabilities and annual costs by prospectively changing to a Cash Balance pension formula for newly hired employees. Management employees hired on or after January 1, 2001; union employees who are members of Local 3 hired on or after January 1, 2010; and union employees who are members of Local 1-2 hired on or after July 1, 2012, are now all covered under a Cash Balance pension formula instead of the FAP formula. Employees covered by the Cash Balance formula will earn a pension benefit over a 30-year career that is less costly than the benefit earned under a traditional FAP pension formula because of a lower benefit accrual rate as well as the elimination of a cost of living adjustment and subsidies for early retirement, and a 50 percent Joint and Survivor ("J&S") annuity provided to married employees.

Q. What pension change was made in the most recent contract for Local 3 members?

A. New hires who are members of Local 3 have the option to enroll in the Defined Contribution Pension ("DCP") formula or the Cash Balance Pension formula. If an employee does not make an election, the default is the DCP formula.

Q. Please describe the DCP formula.

A. The DCP formula is a "tax-qualified defined contribution retirement plan." For an employee choosing to be covered under the DCP formula, the Company will contribute each calendar quarter a "compensation credit" to that employee's Thrift Savings Plan account. The compensation credit amount is based on the employee's compensation during the quarter, age, and years of service, as shown in the following table:

Age plus years of service	Compensation Credit
Less than 35	4%
35 to 49	5%
50 to 64	6%
65 or more	7%

In addition, an employee’s compensation credit includes an additional four percent credit on compensation in excess of the Social Security Wage Base ($118,500 for 2016). Under the plan, employees direct the investment of the funds in their DCP account in an array of investment options and assume the possible investment risk and rewards associated with long-term investing. The pension contributions for employees who do not make an investment election, will be invested in the plan’s default investment fund – currently the Vanguard Target Date Fund - that assumes the employee will retire at age 65. An employee choosing the DCP formula becomes vested in the Company contribution after having completed three full years of vesting service. Employees are not permitted to receive their DCP account balance while they are employed at the Company. Upon leaving the Company, employees can elect to receive their vested DCP account balance as either a lump sum or in installment payments made for a fixed period of time. Guaranteed lifetime annuity payments are not available. We expect that the pension cost of an employee choosing the DCP formula will be slightly less than employees choosing the Cash Balance Pension formula. In addition, this change positions the Company to mitigate the risks associated with funding pension benefits for those employees choosing the DCP formula.

Q. What other actions has the Company taken to manage or mitigate pension costs?

A. For management employees under the FAP Pension formula who are under age 50 as of January 1, 2013, the Company implemented two changes that reduce pension liabilities and annual pension costs. The first change increased the age at which employees can elect to receive an unreduced early retirement benefit from age 55 to age 60. Instead of receiving an unreduced or slightly reduced pension at age 55, employees will be subject to a five percent per year reduction from age 60 to age 55. For example, an employee would be subject to a 25 percent reduction of a portion of his/her pension if he/she elects to retire at age 55 (five percent multiplied by five years). The second change applies to retiring married employees who will now be charged for a portion of the cost of the 50 percent J&S annuity on his/her pensions that accrue after January 1, 2013. Prior to the change, married employees were not charged for this benefit, the cost for which has been fully subsidized by the Company. Both pension changes apply to prospective benefits earned from January 1, 2013, until retirement.

Q. What savings does the Company expect to realize as a result of changing Local 1-2 employees hired on or after July 1, 2012, from the FAP Pension formula to a Cash Balance pension formula?

A. The Company expects that changing to a Cash Balance pension formula for union employees will initially result in some savings as new employees are hired. Larger savings are expected in the distant future as the population of employees under the Cash Balance Pension formula grows. For example, we project that from 2013 to 2022, the reduction in pension liabilities will be approximately $200 million resulting in cost savings that grow from $3 million to $48 million per year over this same period, depending on the number of Local 1-2 employees hired and retained during this ten-year period.

Q. What savings does the Company expect to realize as a result of changing the early retirement age and charging for the 50 percent J&S benefit for management employees under the FAP Pension formula who are under age 50 as of January 1, 2013?

A. As a result of these two changes, we project that the reduction in pension liabilities for the period of 2013 to 2022 will be approximately $71 million. We expect that cost savings attributed to increasing the early retirement age from age 55 to age 60 will range from $4 million to $6 million per year, and another $2 million per year savings for a portion of the 50 percent J&S benefit.

Q. Does that conclude your testimony?

A. Yes, it does.