BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric and Gas Service.

Case 25-E-XXXX, 25-G-XXXX

January 2025

Prepared Testimony of:

Compensation/Benefits

Panel

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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
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Q. Would the members of the Compensation/Benefits Panel ("Panel") please state your names and business addresses?

A. Karlene Green, and my business address is 4 Irving Place, New York, New York 10003. Steven Ruffini, and my business address is 4 Irving Place, New York, New York 10003. Virginia Fischetti, and my business address is 800 Connecticut Avenue, 3rd Floor, Norwalk, Connecticut 06850. Joseph McDonald, and my business address is 200 Cornell Drive, Berkeley Heights, New Jersey 07922.

Q. Ms. Green, 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 Director, Benefits, Human Resources.

Q. Please briefly outline your educational and business experience.

A. I graduated from Pennsylvania State University with a Bachelor of Science degree in Labor and Industrial Relations. I received a Master of Science degree in Human Resource Management from Baruch College in 2000.

Q. Please describe your work experience.

A. I have been employed by Con Edison for 21 years. I joined Con Edison in 2004 as a Human Resources Manager with responsibilities for supporting all the Human Resources support for Electric Operations, including hiring, investigations, training, administering discipline, performance management, compensation. I have held positions of increasing responsibility including Section Manager of Testing and eLearning, Department of Manager of Labor and Wage, Assistant to the Office of the Chief Executive Officer, and Director of the Employee Wellness Center. Prior to joining Con Edison, I gained approximately ten years of experience with other companies such as the Dreyfus Corporation, Citibank, Long Island College Hospital, and the New York Presbyterian Hospital.

Q. Please generally describe your current responsibilities.

A. My current responsibilities as Director, Benefits, Human Resources, include overseeing all Company-sponsored benefit programs, such as medical, dental, prescription, and vision plans, pension, life insurance, disability, stock purchase, savings programs, 401(k), and retirement benefits.

Q. Have you previously submitted testimony in a rate case before the Public Service Commission ("Commission")?

A. Yes. I was a member of the Compensation and Benefits Panel that submitted direct testimony in Orange and Rockland Utilities, Inc.'s ("Orange and Rockland") most recent base rate cases (*i.e.*, Cases 24-E-0060 and 24-G-0061) ("2024 Orange and Rockland Rate Cases").

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

A. I am employed by Con Edison as Director, Compensation, Human Resources.

Q. Please briefly outline your educational and business experience.

A. I graduated from State University of New York, at Old Westbury in 1999. I joined Con Edison in 2009, as a Senior Analyst in Pension Management with responsibilities including the management of pension plan assets. I have held positions of increasing responsibility including Senior Financial Analyst in Pension Management, Senior Financial in Treasury Operations, and Section and Department Manager within Human Resources Compensation. Prior to my employment at Con Edison, I worked for approximately ten years in the Financial Services industry.

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

A. I am a Partner and National Practice Leader for Executive Compensation for Aon. I have worked with energy companies such as Avangrid, Dominion, PSE&G, NRG Energy Services, and Southern Company, in addition to Con Edison and Orange and Rockland.

Q. What is Aon?

A. Aon provides risk management services, insurance and reinsurance brokerage, and human resource consulting services worldwide. More information on Aon is available at aon.com.

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) in 1997, I worked as a benefit and compensation consultant for Watson Wyatt (now Willis Towers Watson) in New York. At Aon, 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 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 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 Con Edison's current electric and gas rate cases (Case 22-E-0064 and Case 22-G-0065) ("2022 Con Edison Rate Cases") and the 2024 Orange and Rockland Rate Cases.

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

A. I am a Senior Partner and Utility Industry Leader for Aon's Wealth Practice. I have worked with utilities such as PSE&G, New Jersey Natural Gas, Southern Company, Entergy, National Grid, and NiSource, in addition to Con Edison and Orange and Rockland.

Q. Please summarize your educational and professional background.

A. I am a graduate of Washington College with a degree in Mathematics. At Aon, I am a market leader in the Retirement practice and a consultant to clients on benefits and retirement issues. I specialize in the design and financing of retirement programs, pension investments, and asset-liability management, and all aspects of retirement valuation and administration consulting. I have over 25 years of experience in consulting, having spent 12 years with Hewitt Associates prior to its acquisition by Aon.

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

A. I am a Fellow of the Society of Actuaries, an Enrolled Actuary of the Joint Board, and am also a Chartered Financial Analyst. I have spoken at numerous industry conferences sponsored by organizations such as Pensions & Investments, National Association of Corporate

Treasurers, The Conference Board, Utility Pension Fund Study Group, Financial Executives International, and the MegaCap Treasurer's Alliance, as well as a number of Aon-sponsored conferences and webcasts on retirement topics.

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

A. Yes. I submitted testimony in the 2022 Con Edison Rate Cases and the 2024 Orange and Rockland Rate Cases.

PURPOSE OF TESTIMONY

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

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, respond to extreme weather, and implement the State's clean energy agenda. The Company continues to manage proactively long-term liabilities such as those related to pensions and retiree health care.

This testimony examines the overall level of employee "Benefits" and "Compensation" and demonstrates that the Company's level of benefits and compensation reflected in the revenue requirements of this filing in aggregate is market-competitive and meets the Commission's standards for assessing the overall competitiveness and reasonableness of such expenditures. The costs of the Company's benefits and compensation plans constitute reasonable business expenses that should be recoverable in rates for the reasons discussed below.

Q. What elements of the Benefits package are reflected in the revenue requirements of this filing?

A. Benefits are Active Health Benefits, vacation, life insurance, disability; Retirement Benefits including the Thrift Savings Plan ("TSP") and the Defined Contribution Pension Formula ("DCPF"); and legacy pension and Other Post-Employment Benefits ("OPEBs").

Q. What elements of Compensation are reflected in the revenue requirements of this filing?

A. Compensation includes base salary, the variable component of management pay, and long-term equity grants.

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

A. Yes. In the Commission's February 21, 2014 rate order in Con Edison's 2013 rate cases (Cases 13-E-0030, 13-G-0031, and 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. In its rate order issued June 26, 2014, in a United Water New York, Inc. rate case (Case 13-W-0295), the Commission reaffirmed that to obtain recovery of variable pay, a utility must demonstrate that the overall compensation, including the variable pay component, is reasonable relative to similarly situated companies.

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

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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 achieve at least a 50 percent matching of positions to a blended peer group of utilities and New York metropolitan employers.

Q. What does the Panel address?

A. The Panel addresses: (1) a review that the Company conducted, with the assistance of Aon, of Con Edison's total benefits and compensation package ("Review") in 2024 for non-officer management employees; (2) the Company's compensation and benefit plans for non-officer management employees; (3) officer and Board of Directors ("Board") compensation and benefit plans; (4) the Company's current Labor Contracts with International Brotherhood of Electrical Workers, AFL-CIO Local 1-2 ("Local 1-2") and Local 3 ("Local 3"); and (5) employee benefits costs.

Q. What is the purpose of the Review?

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

Company selected Aon to assist with the Review because Aon 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. The Panel describes below the Review process, methodology, and results.

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

A. Yes. Consistent with Commission direction 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. Consistent with the Commission's direction, the Company evaluated Total Benefits and Compensation relative to a blended peer group of utility companies and non-utility New York metropolitan general industry companies.

Q. What were the Review's overall findings with respect to the blended 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 the +/- ten percent range that is considered "competitive" with respect to the blended peer group.

Q. Do the rate requests in these proceedings include compensation for officers of the Company?

A. Yes. However, the rate requests reflect only certain elements of compensation for officers. The Company's compensation program for officers includes base salary, annual variable pay awards, long-term equity grants, and benefits. This 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. 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. Do the rate requests in these proceedings include compensation for members of the Board who are not employees of the Company?

A. Yes. For members of the Board who are not employees of the Company, the Company is seeking to recover in rates their Board compensation, which includes an annual retainer (that varies depending on committee assignments). These retainers are a reasonable and necessary business expense the Company must incur to attract and retain qualified, non-employee directors to oversee the Company.

Q. Please briefly address the Company's Labor Contracts with Local 1-2 and Local 3.

A. These Labor Contracts constitute fair and equitable contracts that include benefits and compensation programs that will allow the Company to continue to attract and retain qualified employees and that will reflect the needs of all stakeholders – employees, customers, and regulators – and support the long-term sustainability of the Company.

Q. Does the Panel address employee benefit expenses?

A. Yes. This direct testimony explains the forecast of employee benefit expenses for management employees and members of Local 1-2 and Local 3.

Q. Does the Panel address the impact of the COVID-19 pandemic on benefit costs?

A. Yes, and we summarize the impact here. At the onset of the COVID-19 pandemic, the self-insured medical program administered by Cigna (which represents approximately 75 percent of the Company's eligible employees), experienced lower claim levels. Claims continue to remain volatile as the direct and indirect impacts of COVID-19 mandates, medical practices, and longer-term implications on survivors are ongoing.

Q. Does the Panel expect the residual impact of the COVID-19 pandemic to result in lower claim costs for the Rate Year (*i.e.*, twelve months ending December 31, 2026) than have occurred historically?

A. No. The Company will continue to monitor this issue and address it as necessary in the update testimony.

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 active healthcare, insurance coverages, and retirement contributions);
- Base salary;
- Variable pay; and
- Long-term equity grants.

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

A. A peer group of 40 companies (the "Blended Peer Group") was used for comparison purposes, including 20 utility peers and 20 New York metropolitan general industry peers.

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

A. Yes. Please see EXHIBIT ___ (CBP–01) entitled "Blended Peer Group and Geographic Differentials."

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

A. Yes.

Q. Please describe the Blended Peer Group.

A. The 20 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 20 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, and Connecticut), and have a significant number of salaried and hourly employees located 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 40 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. Did Aon conduct this Review using the same methodology it used in previous Company rate case filings with the Commission?

A. Yes, it did.

Q. Did Aon use the same blended peer group that it used to review compensation and benefits in previous Con Edison rate case filings?

A. No. The companies in the Blended Peer Group are not identical to those used in previous Con Edison rate case filings. The need to substitute new companies into a peer group often 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.

Q. Is the number of participants in the Blended Peer Group used in the Review identical to the number of participants that Con Edison used in its most recent electric and gas base rate cases (*i.e.*, 22-E-0064, 22-G-0065)?

A. No. The number of participants in the Blended Peer Group is smaller (40, down from 50) than the Blended Peer Group used in previous rate filings.

Q. Does either the change in certain of the participants included in the Blended Peer Group, or the reduction in the overall number of participants in the Blended Peer Group, impact the overall findings of the analysis?

A. No. We continue to have a sufficiently robust sample size such that the selected companies continue to be similarly situated to the Company and maintain a balance between New York Metropolitan general industry and utility companies. The companies used for benchmarking depends on their annual survey participation and whether they meet specific criteria (*e.g.*, being a utility or located in the New York Metropolitan area).

Q. Did the Company use the Blended Peer Group for both the benefits design benchmarking and the Total Benefits and Compensation positional analysis?

A. Yes.

Q. Was the peer group data adjusted in any other way?

A. No. There was no need to adjust the peer group data because this data, as well as the Company's census data, were both effective as of 2024.

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

A. There are two components to the benefits value 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, net of employee premium contributions) 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.*, life insurance 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 at the members of the Blended Peer Group to compare how compensation-based benefit programs affect the total value of the benefits packages. 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.*, six 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-neutral basis.

Q. Please describe the process used to assess the benefit designs of Con Edison's benefits programs and the benefits programs of its peer companies.

A. The benchmarking of employee benefits design was done using Aon'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. Companies have used the Benefit Index 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 members of the Blended Peer Group. All retirement income, death, disability, health, and paid time-off benefits (such as vacation and paid holidays) offered to newly hired employees are included. 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.

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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 Pre-Retirement Benefits**: Pre-retirement benefits reviewed included hospital, medical, prescription drug, dental, and vision, and sick, short- and long-term disability, and paid vacation and holidays; and
- **All Post-Employment Benefits**: Post-employment benefits reviewed included pension, and Thrift Savings 401(k) Plan, and healthcare and life insurance benefits provided in retirement.

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

A. Yes. Please see EXHIBIT ___ (CBP-02) entitled "BENEFIT INDEX RESULTS."

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

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (CBP–02).

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 102.4.

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?

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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 (*e.g.*, annual base salary) is included in the analysis.

Q. What data sources were used for the Review?

A. Two data sources were used, both of which were applied to the Blended Peer Group: (1) the 2024 Aon Benefit Index Database; and (2) the 2024 Willis 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 and general industry members of the Blended Peer Group located outside of New York City) 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?

A. To provide a robust representation of the Company’s non-officer management employee base Aon compared a cross-section of approximately 53 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 53 percent coverage sufficient to draw valid conclusions from the Review?

A. Yes. The positions in the analysis covered various functional areas including Central Operations, Operations, Electric Operations, Gas Operations, Finance, Accounting, Customer Operations, Human Resources, Engineering, Information Resources, and Law, 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 all of Con Edison's non-officer management employees. Of the "benchmark" jobs, there was sufficient Blended Peer Group data to provide analysis for 53 percent of Con Edison's non-officer management employees.

Q. Why were some "benchmark" jobs not included in the Review?

A. For some benchmark jobs, there was insufficient data to include the positions in the Review. In performing the positional analysis Aon 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 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 ___ (CBP-03) entitled "EMPLOYEE CENSUS/POSITION MATCHING."

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

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (CBP-03).

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 ___ (CBP–04) entitled "TOTAL BENEFITS AND COMPENSATION RESULTS."

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

A. Yes.

Q. Please explain the information in EXHIBIT ___ (CBP–04).

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:

- Job Grade;
- Con Edison job title and organizational unit/department;
- Benchmark code, functional area, and 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's analysis indicate when comparing Con Edison to the Blended Peer Group?

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A. In the aggregate, Aon found Con Edison' non-officer management Total Benefits and Compensation package value to be "market competitive." Con Edison's Total Benefits and Compensation was 5.1 percent below the Blended Peer Group median (or 94.9 percent of the median). Using the average, Con Edison's total Benefits and Compensation was 6.0 percent below the Blended Peer Group average (or 94.0 percent of the average). While below the market median and average, Con Edison's total Benefits and Compensation package is considered to be within a market competitive range of plus or minus ten percent in aggregate.

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

A. Aon followed a standard methodology consistent with industry practice and that Aon used in prior Con Edison rate cases. First, Aon 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 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 aggregated these results to evaluate Con Edison's overall competitive position relative to the Blended Peer Group median and average.

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

A. Yes. Please see the EXHIBIT ___ (CBP-05) entitled "SUMMARY OF RESULTS."

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

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (CBP-05).

A. This exhibit identifies the aggregate results of the Review Aon performed, relative to both the median and average of 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 summarize the Blended Peer Group analysis findings with respect to Base Salary.

A. The base salary benchmarking result of 95.9 percent indicates that the salaries of the Con Edison positions included in the benchmarking are 4.1 percent below the median of the Blended Peer Group.

Q. Please provide a summary of the Blended Peer Group analysis findings with respect to 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 13.7 percent and the average is 13.3 percent.

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

A. Yes. Please see the EXHIBIT ___ (CBP–06), entitled "ANNUAL VARIABLE PERFORMANCE-BASED PAY COMPARISONS."

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

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A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (CBP-06).

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

Q. Please summarize your findings.

A. In summary, the compensation elements – base salary and variable pay - both lag peer groups with an overall Total Cash Compensation value of 91.4 percent as compared to the Blended Peer Group median or 50th Percentile – just within the +/- 10 percent that is considered competitive. Once the value of long-term equity and benefits are added, the Company Total Benefits and Compensation declines slightly but stays within the +/- 10 percent with an overall combined value of 90.6 percent of the benchmark companies' median. The results of the Review demonstrate that the cost of the total benefits program and compensation, including the variable and long-term equity component of non-officer management base compensation, are appropriately incurred business expenses.

COMPENSATION PROGRAM FOR NON-OFFICERS

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

A. The Company's philosophy 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 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. Has the Commission addressed standards for recovery of the variable component of management pay?

A. Yes, the Commission has addressed this topic. For example, in its *Order Denying Petitions for Rehearing and/or Clarification*, issued on November 21, 2011, in Case 10-E-0362 (pp. 5-6), the Commission clarified what it expects a utility to show to support customer funding of total compensation for its employees. First, the Commission rejected the "artificial distinction" between traditional compensation and incentive-based compensation and expressly recognized that "variable compensation and incentive plans are common management tools" to encourage improved performance and overall operations. Thus, the Commission stated that it is reasonable for a utility to present "a comparable total compensation study of similarly situated companies" that shows "total compensation including incentive compensation for a class of employees," and described any concern about the relationship of incentive plan goals to customer interests as "substantially diminished." Indeed, the Commission stated that if the plan "does not promote employee behavior" contrary to customer interests or Commission policies, then the plan "may contain financial, budgetary or other goals" that benefit both shareholders and customers "even if the relative benefits are unquantified." In other words, it would not be a sufficient ground to disallow funding in rates if, in addition to benefiting customers, the incentive plan benefits shareholders.

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

A. No. As the Commission has recognized, tying a portion of employees' base compensation to performance is commonplace both in American business generally and for public utilities as well.

Q. Please continue.

A. The variable pay component of base compensation in the Company's Management Variable Pay ("MVP") program is earned only if the Company reaches pre-set financial and operating performance goals. These goals are directly linked to specific measurable standards consistent with the Company's goal of providing safe and reliable service to customers, resilience in response to extreme weather, and implementing the State's clean energy agenda.

Q. How do the measures in the Company's variable pay program align with other companies?

A. The use of financial measures in annual incentive programs is very common. In the *2024 Annual Incentive Plan Design Survey – U.S. Highlights*, Willis Towers Watson ("WTW") surveyed over 380 organizations in the United States and found that the most common measures were those related to profitability (90 percent) and strategic business on-financial (*e.g.*, operating metrics, customer satisfaction, customer acquisition costs) (58 percent).

Q. Please describe the MVP component of base compensation as it applies to the Company's non-officer management population.

A. The MVP component of base compensation is earned only if, and to the extent that, the Company achieves pre-set performance goals that are directly linked to specific measurable standards consistent with the Company's achievement of its goals cost-effectively. These performance goals encompass employee and public safety, operational excellence, customer experience, environmental and sustainability objectives; timely completion of high priority capital projects and programs; operating budgets; and adjusted net income.

Q. Are there any management employees who do not participate in the MVP program?

A. Yes. As discussed by the Customer Energy Solutions Panel, eight employees in the Energy Efficiency Department participate in a commission-based program in lieu of the MVP program. These employees were excluded from the Company's calculation of MVP for the Rate Year.

Q. What is the eligibility requirement for all other management employees?

A. All other Con Edison management employees who demonstrate satisfactory performance are eligible for an MVP award.

Q. Please describe how the MVP component of the Company's non-officer management compensation works.

A. The "Target Fund" for the MVP component is first determined by multiplying the base salary of all eligible employees as of December 31 by their respective target percentage.

Q. Can the Target Fund be adjusted?

A. Yes, the Target Fund can be increased or decreased 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 three weighted components: performance goals (50 percent), operating budget (25 percent), and net income (25 percent). A sliding scale of 0 percent to 150 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 the three performance criteria components. Variable pay amounts awarded will vary among employees based on the target percentage for the position, and an assessment of their individual performance. An eligible employee with unsatisfactory performance will not qualify for variable pay.

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, *i.e.*, the assumption is that there is no adjustment. This amount expressed as a percentage of total cash compensation equals 8.5 percent. As indicated above, the median for the Blended Peer Group is 13.7 percent and the average is 13.3 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, 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 continue to credit customers with the difference.

Q. What happens if the results for the MVP exceed the target levels?

A. Only the target levels are included in the current rate request. Customers will not pay for any MVP performance above the target level.

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 ___ (CBP-7) entitled “Management Variable Pay Program.”

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

A. Yes.

Q. How do the three components of the MVP – performance goals, operating budget, and net income-- measure results that benefit customers?

A. The performance indicator goals address Employee and Public Safety with measures such as gas-made-safe time; Environment and Sustainability measures include measuring success of energy efficiency programs; Operational Excellence includes electric, gas and steam reliability measures; and Customer Experience measures includes call answer rates and customer satisfaction surveys. The selection of the ten measures reflects the Company’s focus on delivering to its customers safe and reliable utility service in a cost-effective manner.

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

A. Yes. Please see the EXHIBIT ___ (CBP-8) entitled “2023, 2024, and 2025 Performance Goals.”

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?

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A. To the extent that such goals are achieved, customers benefit directly. The Company's concerns for customer satisfaction, providing a high level of service, and overall safety are demonstrated by the way the variable component of management compensation is linked to particular goals.

Q. How do customers benefit from the Company attaining the Operating Budgets and Net Income goals?

A. Because Con Edison competes for capital in a capital-intensive industry, achieving net income and operating budget levels that attest to the Company's financial strength and stability benefits customers by giving the Company access to capital at a reasonable cost. If the Company did not achieve these goals, it could be more expensive for the Company to access the financial markets, and thus more expensive for customers.

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

A. The Company measures its operating budget performance based upon total dollars spent relative to target.

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

A. Yes. When it comes to the variable component of management pay, it is sound policy to use an approach that relies on a combination of targets that encourage employees to meet customer and State policy goals in a cost-effective manner. For example, focusing on operational excellence while considering budgetary concerns inevitably results in lower costs to customers. Conversely, a single-minded focus on meeting budgets without a focus on prudent business management can result in unsatisfactory customer service and unnecessary costs over time. This is why the Company balances its financial and performance goals.

Q. Please summarize your testimony regarding non-officer variable pay.

A. As we have explained, the Commission has expressly recognized that employee compensation plans may include "financial, budgetary or other goals" unless the plan promotes employee behavior contrary to customers' interests or Commission policies, and that such a plan may benefit both customers and shareholders even if the relative benefits are not quantified. Con Edison's non-officer variable pay's financial goals are not contrary to customers' interests. Indeed, as discussed above, the goals, which include the operating and capital budget, if achieved, will benefit customers over the long-run and meet the Commission's test for a recoverable cost. Nevertheless, the Company has proposed to keep variable pay subject to an asymmetrical reconciliation mechanism, *i.e.*, customers are reimbursed if Con Edison underachieves but do not have to pay more if the Company overachieves.

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

A. Equity grants are awarded to management employees who contribute to the future success and growth of the Company. The Management Development and Compensation Committee of the Company's Board ("MDC Committee"), the administrator of the equity grant program, authorizes 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 10 to 20 percent of the total number of non-officer management employees based on recommendations from their Senior Officers and an assessment of each recommended employee's past performance and potential to contribute to the Company's future success.

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

A. Equity grants are part of an overall total benefits and compensation package for non-officer management employees that is below the median compared to 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 retain quality employees critical to the Company's success. Payouts for Band 3 and 4 employees are made only after the consistent demonstration of achieving performance indicators over a three-year period. Equity grants are a component of the overall benefits and compensation package for non-officer management employees and are a necessary and reasonable business expense incurred by the Company in order to attract and retain talented employees necessary to provide safe and reliable service, respond to extreme weather events, and implement the State's clean energy agenda.

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

A. As reflected in the Other Compensation element of expense shown in Accounting Panel Exhibit ___ (AP-3), the revenue requirements reflect the following amounts for equity grants: $16 million for electric and $6 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.

Q. What are the elements of the Company's compensation program for its officers?

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 similarly situated companies.

Q. How do the benefits and compensation of the officers compare to the median?

A. Based on the Review conducted by Aon, Company officers' Total Benefits and Compensation is 3.7 percent above the Blended Peer Group median and 11.7 percent below the Blended Peer Group average.

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

A. The MDC Committee of the Board establishes, reviews, and administers the Company's officer compensation program. The MDC Committee retains Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc., as an independent consultant to provide it with information, analyses, and recommendations regarding officer compensation.

Q. How does Mercer benchmark officer compensation?

A. Mercer uses an industry peer group of publicly-traded utility companies and general industry companies to benchmark the compensation paid to all officers.

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

A. Yes. While the MDC Committee as described above establishes and approves officers' compensation, the Company instructed Aon to include officers as part of the external benchmarking of Total Benefits and Compensation of the Review.

Q. How do the benefits and compensation of the officers compare to the median?

A. Aon found that officers' Total Benefits and Compensation is 3.7 percent above the Blended Peer Group median and 11.7 percent below the Blended Peer Group average.

Q. Are Aon'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." Mercer's benchmarking also includes utility and general industry companies. Aon was able to compare the Company's officers' Total Direct Compensation with the Total Direct Compensation of the Blended Peer Group. The Aon findings indicate the Company officers' Total Direct Compensation is in line with the median of the Blended Peer Group or 100.2 percent of the Blended Peer Group but trails the average of the Blended Peer Group by 15.6 percent.

Q. Did Aon use the same blended peer group to conduct the Review of officers' benefits and compensation and the non-officer Review?

A. Yes. Aon used the Blended Peer Group for both.

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

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A. Thirty-seven of the Company's forty-seven officers were included in the Review or approximately 79 percent of the Con Edison officer management employees.

Q. Is 79 percent coverage sufficient to draw valid conclusions from the Review?

A. Yes. The officers 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 the following functional areas: Operations, Finance, Accounting, Customer Operations, Human Resources, Engineering, Information Resources, and Law. 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. As with some non-officer benchmark positions, the Blended Peer Group companies reported insufficient data to the compensation survey sources. In addition, one officer role is a non-benchmark job.

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

A. Yes. Please see EXHIBIT ___ (CBP-9) entitled "OFFICER CENSUS/POSITION MATCHING."

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

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (CBP-9).

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 EXHIBIT ___ (CBP-10) entitled "TOTAL BENEFITS AND COMPENSATION RESULTS - OFFICERS."

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

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (CBP-10).

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:

- Con Edison 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's analysis indicate when comparing Con Edison to the Blended Peer Group?

A. In the aggregate, Aon 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 3.7 percent above the Blended Peer Group median. The result is considered to be within a market competitive range of plus or minus ten percent in aggregate. When compared to the average, the result of 11.7 percent is slightly 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 analysis?

A. Yes. Please see EXHIBIT ___ (CBP-11) entitled "SUMMARY OF RESULTS - OFFICERS."

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

A. Yes.

Q. Please explain the information set forth in EXHIBIT ___ (CBP-11).

A. This exhibit identifies the aggregate results, relative to both the average and the median of the Review Aon 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 officer 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 earned under supplemental retirement plans); 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, that is, less than ten percent below median as determined by the 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, 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.

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 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

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Board's compensation program. The Committee retains 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 and equity grants.

A. Each non-employee member of the Board receives an annual retainer of $125,000, 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 $20,000. The Chair of the Safety, Environment, Operations and Sustainability Committee receives an additional annual retainer of $20,000. The Chair of the Corporate

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Governance and Nominating Committee receives an additional annual retainer of $20,000. The Audit Committee Chair receives an additional annual retainer of $30,000 and each Audit Committee member receives an additional annual retainer of $15,000. Each director is also allocated an annual equity grant of $170,000 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.

Q. How often is the compensation for non-employee Board members evaluated?

A. Mercer conducts the assessment of non-employee Board of Director compensation every two years with the Committee to align Directors' compensation with market levels.

Q. When was the most recent assessment completed?

A. Mercer conducted the most recent assessment in 2024. 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 Company's elements of Directors' compensation, including long-term equity grants, are (1) a reasonable cost of attracting and retaining qualified non-employee directors, (2) commonly included in board of directors' compensation plans, and (3) a market-based compensation package. These elements are therefore a legitimate cost of doing business that should be recovered in rates.

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. No. In order to limit the contested issues in this filing, the Company is electing not to seek recovery of the long-term equity grants provided to non-employee Board members in the Rate Year. The Company may seek to recover such grants in future proceedings.

UNION CONTRACTS

Q. What portion of the Company's work force is unionized?

A. As noted above, two unions support employees of Con Edison, Local 1-2 and Local 3. Combined, these unions represent approximately 7,800 employees or approximately 51 percent of the Company's total workforce.

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Q. What is the effective date and term of the current collective bargaining agreements with the two unions?

A. Effective June 23, 2024, the Company and Local 1-2 entered into a four-year contract that will expire on June 24, 2028. On June 16, 2021, the Company and Local 3 entered into a four-year contract that will expire on June 21, 2025.

Q. Please describe the wage increases included in each of these contracts.

A. The Local 1-2 Contract provide for a 4.5% increase in year 1, 4% increases in years 2 and 3, and a 4.25% increase in year 4. In addition, both contracts provide for escalation to the maximum pay rate for top titles following specific service and performance criteria.

Q. Did the contracts provide for any other changes in health benefits?

A. Yes. Both contracts provided for changes in employee contributions, deductibles, and co-pays for medical and prescription services over the length of the contracts.

Q. Are the health care benefits of union employees provided in the same manner as management employees?

A. Yes. The medical benefits are provided through a self-insured arrangement with Cigna acting as the claim administrator. There are also Health Management Organization ("HMO") plans available to all Con Edison employees. Prescription, vision, and dental coverage is also available.

Q. Do the unions negotiate with the Company as to their members health care plan contributions?

A. Yes. A critical part of the negotiation with the union leadership is the cost of health benefits. The unions represent the interests of their members and while the unions are keenly aware of constantly rising healthcare costs, they are clear in their intention to keep cost increases to a minimum for their members.

A. What role do plan design changes play in controlling costs for the Company's union population?

A. There are differences in the co-pay, deductibles, and other limits that develop over the process of negotiating the entire contract. While not significant, these differences do reflect the priorities of each union for their members. Plan design changes in co-pay, deductibles, and other limits are negotiated with annual increases to maintain cost sharing.

Q. Describe the retirement benefits offered to new hires of Local 1-2.

Q. New hires represented by Local 1-2 may choose which pension plan/formula they want to receive. New hires make this election within 60 days of hire and that decision is irrevocable. In addition, new hires are eligible to participate in the Thrift Savings Plan (401(k)), whereby they will receive Company-matching contributions based on their contributions and the limits outlined in the collective bargaining agreement.

Q. Can you describe the retirement choices for Local 1-2 new hires?

A. Local 1-2 employees may choose receiving their retirement benefits under the Cash Balance formula contained within the Company's defined benefit retirement plan or through the Defined Contribution Pension formula ("DCPF") contained within the Company's defined contribution Thrift Savings Plan ("TSP").

Q. Is there any difference in the benefits provided by the Company to the employee under these two retirement plans?

A. No. The formula for both plans is the same – a percentage of compensation based on each employees' age plus service ("points").

Q. Is the cost of the Cash Balance and DCPF to the Company determined in the same manner?

A. No. The accounting for the Cash Balance formula follows the accounting standard for Defined Benefit pension plans, including forecasted interest rates, demographic assumptions, asset returns, and expected retirements. For the DCPF, the cost is "pay-as-you-go," where the Company makes quarterly cash contributions to the participants' DCPF account.

Q. What retirement benefits are offered to new hires of Local 3?

A. As of June 25, 2017, new hires represented by Local 3 participate in the DCPF plan. They do not have the option of receiving their retirement benefits under the Cash Balance formula contained within the Company's defined benefit retirement plan, as described above for Local 1-2.

Q. Do both unions participate in the Thrift Savings Plan?

A. Yes, members of both unions are eligible to participate in the Thrift Savings Plan and receive a Company match for any contributions they make. The specific amounts eligible for matching and the limit for the Company contribution are part of the negotiations, with increases provided annually to encourage employee participation in the plan. Note provisional employees (currently under 100) do not receive company match.

EMPLOYEE BENEFIT EXPENSES

Q. Is the Panel sponsoring EXHIBIT ___ (CBP-12) entitled "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., ADMINISTRATIVE AND GENERAL EXPENSES-EMPLOYEE WELFARE EXPENSES" (electric) and EXHIBIT ___ (CBP-13) entitled "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., ADMINISTRATIVE AND GENERAL EXPENSES-EMPLOYEE WELFARE EXPENSES" (gas)?

A. Yes.

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

A. Yes.

Q. Please describe these exhibits.

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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 (*i.e.*, October 1, 2023 – September 30, 2024). Lines 1 through 16 show costs for the Company's employee benefit programs, and lines 18 through 22 show health care costs net of employee payroll contributions for health care benefits. Total employee welfare expenses are shown on line 24. 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 change in the Total Employee Welfare Expense from the Historic Year to the end of the Rate Year (*i.e.*, December 31, 2026).

A. Over the 15-month period between the end of the Historic Year and the end of the Rate Year, total costs for Employee Welfare Expenses are projected to increase by 15.2 percent overall or 12 percent per year, primarily due to rapidly rising costs and utilization of GLP-1 prescription drugs (a class of medications used to treat Type 2 diabetes and obesity) and an increasingly greater percentage of active employees relying on the Company's 401(k) plan and company match for retirement savings.

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 8.0 percent is used to escalate employee benefit costs that are a function of salaries and wages (4% per year). For example, the Thrift Savings 401(k) Plan provides a Company match to employees for a portion of their plan contributions; this is escalated using the labor escalation factor. Second, a non-labor escalation factor of 9.41 percent is used to escalate specific employee benefit costs that are unrelated to salaries and wages, such as stock purchase plan matching contributions and employee wellness programs. The third factor, health care costs, was derived using medical inflation rates as discussed below related to historical claims experience.

Q. Please describe the level of health care costs reported for the Historic Year.

A. For the 12 months ended September 30, 2024, Hospital & Medical Insurance costs (line 20, Exhibits CBP-12 and CPB-13) were $236,301,000.

Q. How did you project Hospital & Medical Insurance Costs for the Rate Year?

A. The Company developed the projection for the Rate Year costs using two elements: (1) the impact of continued employee migration to lower-cost plans (High Deductible and Essential Health Plans), and (2) medical inflation of six percent for the self-insured program and eight percent for the HMO plans.

Q. Did the Company make any other normalization adjustments?

A. No.

Q. Does the projection of health care costs include any program changes?

A. Yes. The projection for health care costs includes the impact of plan design changes implemented for 2025, such as increases in the amount of employee payroll contributions.

Q. Are any other impacts on health care costs anticipated in the revenue requirement?

A. With a new Presidential Administration taking office in January 2025, there is currently uncertainty as to what impact, if any, legislation enacted in the Rate Year and thereafter will have on health care costs. That said, there is an expectation that factors such as the introduction of new expensive medical technologies and drugs, as well as provider consolidation, will continue to cause health care costs to increase at a rate greater than inflation.

HEALTH CARE PROGRAMS

Q. Has the Company made any changes in its health care plans?

A. The Company made 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.

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. 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. So long as the aggregate claim costs are somewhat 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. The Company has 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 sufficient 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, state mandates as well as the additional administrative costs associated with fiduciary responsibility.

Q. What is the Company’s approach to controlling rising health care costs?

A. Con Edison is continuing to evaluate ways to control rising health care costs. In particular, Con Edison is currently evaluating the health insurance carrier marketplace so that the Company can partner with a carrier(s) (and PBM) who can deliver high quality care at the lowest possible cost and offer the most robust network to facilitate higher quality and lower cost care. In addition, Con Edison continues to evaluate the top clinical conditions that their members are facing in order to consider ways to support and provide the most cost-effective care to members.

Q. How have employees accepted the High Deductible and Essential Health Plans?

A. The introduction of these plans, especially for the management population, generated a strong response with enrollment in these plans now representing 52 percent of the management population, based on 2024 enrollment. The High Deductible Plan, and to a greater extent the Essential Health Plan, have not been as widely accepted by the union employees, mainly because the contributions for the traditional co-pay plan have been managed through the negotiation process and do not necessarily reflect the true cost of the benefit. Only 19 percent of the Local 1-2 and 17 percent of the Local 3 population participated in the High Deductible and Essential Health Plans for 2024.

Q. What drives the cost of health care?

A. Increases in health care costs are driven by many factors, including, but not limited to, the increased use of medical procedures and prescription drugs, medical provider consolidation, labor shortages, as well as the availability and projected utilization of new high-cost medical procedures, treatments, and devices and new high-cost prescription drugs.

Q. Please provide an example.

A. Similar to many other organizations, the Company has seen a significant increase in the utilization by its employees and their dependents of GLP-1s. The high cost of GLP-1 drugs are straining employer healthcare budgets as they are increasingly used for treating Type 2 diabetes and obesity. With several more GLP-1 drugs expected to enter the market by 2026, and anticipation of additional approved indications beyond diabetes and obesity for use, costs for employer health plans are likely to continue to rise.

Q. Please discuss the role of advanced medical technologies in health care costs.

A. New medical technologies raise the cost of medical services because they are not designed to compete with existing or more traditional technologies. Rather, they are designed and introduced into the market to enhance the ability of medical professionals to treat the medical conditions and save the lives of patients. For example, there are recently approved gene therapies, and more on the way. While some of these treatments can provide life-saving treatment, some of these treatments can cost millions of dollars to administer.

Cell and Gene Therapy ("CGTs") continue to emerge in the market. The currently approved CGTs are limited-distribution drugs available only through select specialty pharmacies or certified health care facilities. When considering Advance Technology treatment or the application of cell/gene therapy, genetic testing, it should be noted that when in a benefit design it may be considered experimental/not tested and pose payment, regulatory and compliance implications.

Q. Are costs for pharmaceutical solutions also increasing?

A. Yes. 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, rheumatoid arthritis, immune disorders, and endocrine-related diseases. There are also new, and often expensive, drugs that are being introduced to the market, as well as increases in costs and utilization of many other drugs.

Q. What actions has the Company taken to mitigate rising prescription costs?

A. Con Edison has various programs in place with CVS in order to mitigate prescription drug costs. For example, Con Edison has implemented a pre-authorization for GLP-1s. Con Edison also has various other programs in place such as specialty strategies like the CVS' Enhanced Specialty Guideline Management as specialty pharmacy is a key driver of costs. Con Edison continues to work with

CVS to identify programs and services that can influence the overall cost of prescription drugs for employees.

Q. Can you describe how these cost savings were achieved?

A. Yes. One of the largest components of prescription costs is specialty drugs. They represent about 50.5 percent of the annual gross cost of prescription drugs to the Company. Specialty Guideline Management was introduced to provide prior authorization (doctor’s need to receive approval to prescribe), step therapy (start with non-specialty drugs), and day-1 utilization management control (to keep close tabs on the prescribing doctor and the results achieved from the recommended treatment) to promote safe and appropriate utilization of specialty drugs both before and throughout the course of therapy.

Q. Are there other CVS programs in place that address specialty drugs?

A. Yes. The Advanced Control Specialty Formulary utilizes exclusions, new-to-market drug management, tiering strategy combined with the Specialty Guideline Management noted above to support the clinically appropriate utilization and cost-effectiveness of specialty drug therapy. Limits have also been applied to the quantity of specialty medications so their efficacy can be evaluated so that dosages do not exceed the upper limit of safe and appropriate thresholds.

Q. Has the Company introduced changes for non-specialty drugs in order to reduce prescription costs for the Company?

A. Yes. The Company has implemented prior authorization requirement for non-specialty drugs. This process defines a set of criteria by which a drug may be covered, and are in place to support the safe, effective, and appropriate utilization of medication.

Q. Have there been changes to reduce the cost of prescriptions for employees?

A. Certain preventative drugs do not require a co-pay for participants covered under the High Deducible and Essential Health Plans. This continues to help people maintain medication compliance for chronic conditions and to better control those conditions with the expectation that it will minimize health care intervention costs over the long-term, especially given increased participation by employees in high deductible health plans.

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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 plan vendors to confirm the correct processing of claims, in accordance with the plan specifications for each of the health care options. Upon completion of the audits, if there are any overpayments to health care providers, the Company will recover those overpayments. In addition, the Company continues to review annually its cost-sharing arrangement with the employees to maintain a reasonable and competitive cost-sharing level with employees.

Q. Has the Company taken steps to encourage employees to adopt healthy habits?

A. Yes. The Company continues to promote healthy behaviors using a variety of financial incentives, employee sponsored programs and educating them on the additional benefits and services available to them from Cigna and CVS. In addition, employees may receive financial incentive through the annual wellness credits if they participate in a medical screening each year.

OTHER BENEFITS

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

A. There are no significant program changes to note that were included in expense projections.

Q. Is the Company making any changes to the Group Life Insurance program since the last rate case?

A. There are no changes to note for the Group Life Insurance program since the last Con Edison rate case.

LEGACY PENSION AND POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Q. What is the status of the Company's legacy defined benefit retirement plan ("Legacy Retirement Plan")?

A. With the exception of new Local 1-2 employees who have a choice, the Legacy Retirement Plan is closed to all new employees. Local 1-2 employees that do not pro-actively elect to participate in the cash balance formula of the defined benefit retirement plan are enrolled in the defined contribution pension formula within the Thrift Savings Plan.

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Q. How many active employees are still covered by the Legacy Retirement Plan and accrue benefits under that plan?

A. As of January 1, 2024, there were 9,961 active employees in the Legacy Retirement Plan, including 3,783 (or 38 percent) covered under the Cash Balance formula.

Q. What is the demographic profile of the employees covered under the Legacy Retirement Plan?

A. The average age of the current active participants is 46.6 years with an average service of 17.3 years. For the 13,686 retirees, surviving spouses, beneficiaries, and disabled participants receiving benefits under the Legacy Retirement Plan, the average age is approximately 76 and the average annual benefit is approximately $46,800/year. There are also 1,545 former employees who are entitled to future benefits of whom 491 are entitled to traditional plan benefits with an average value of $18,000/year and 1,054 are entitled to cash balance accounts having an average value of $51,300.

Q. What is the current status of the supplemental retirement income plan ("SRIP")?

A. Because the SRIP provides management employees upon retirement with the portion of their earned retirement benefit that could not be paid under the tax-qualified plans due to federal tax law limitations, the closure of the qualified Retirement Plan to new management employees in 2017 resulted in the closure of the SRIP.

Q. Are there ongoing costs associated with the Retirement Plan and SRIP?

A. While the Retirement Plan is closed to virtually all new participants and the SRIP is completely closed, those in the plans prior to their respective closure date continue to accrue benefits under the plans. Defined benefit plans are subject to accounting treatment under ASC 715 Compensation – Retirement Benefits where the accumulated and projected cost of providing the benefits under the plans are spread out over the life of the participants – active and retired.

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. Under the Retiree Health Program, the Company offers employees who retire with at least 75 points (calculated by adding age and years of service, with each year equaling one point), and their eligible dependents, a voluntary contributory Retiree Health Program.

Q. What is included in the Retiree Health Program?

A. 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.

Q. Does the Company provide any life insurance benefits for retirees?

A. The Company provides certain retired management employees 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 employees 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 paid for by the Company.

Q. Are all employees eligible for retiree health care?

A. Yes, but only those who retire under the final-average or career average pension formula will be entitled to a contribution from the Company.

Q. Describe the population of employees who are not eligible for subsidized retiree medical coverage?

A. All employees retiring under the DCPF or the Cash Balance formula are not eligible for any retiree health benefits contributions. If they meet the eligibility requirements and enroll in the Retiree Health Program, they will be responsible for paying the full cost of Retiree Health coverage offered through the Company.

Q. What portion of the current active population is not eligible for retiree medical benefits in retirement?

A. There were 7,822 active employees covered under the Cash Balance and DCPF formula as of November 21, 2024, which represents about 55 percent of the current active employee population.

Q. What has been the increase in retiree contributions for health care benefits?

A. Retirees eligible for retiree health coverage have seen premium increases of 10 percent per year for the last several years.

Q. Were there any initiatives with respect to the Company’s OPEB programs that were considered and rejected?

A. No.

Q. Does that conclude your testimony?

A. Yes, it does.