

Company Name: Con Edison
Case Description: Con Edison Electric, Gas & Steam Rate Cases
Case: 13-E-0030, 13-G-0031, 13-S-0032

Response to DPS Interrogatories – Set DPS-28
Date of Response: 04/04/2013
Responding Witness: Compensation and Benefits Panel

Question No. :0387

Subject: Variable Pay (Electric, Gas, Steam) - 1) On pg 72 of the Electric, Gas and Steam Compensation & Benefits Panel testimonies the Company discusses the benefits of the variable pay component of management pay. Further, the Company indicates that if the full amount of the variable pay component recoverable from customers is not paid out the Company proposes to credit customers with all unpaid amounts. a. Explain whether the Company is proposing a symmetrical or an asymmetrical deferral related to the variable pay component of it management pay. b. Explain whether the Company is proposing to credit customers with the difference between the total amount variable pay included in rates and the actual amounts paid out including the amounts charged to capital. c. For the last five fiscal years provide the total amount variable pay that was budgeted to be paid out and the total amount variable pay that was actually paid out.

Response:

a. Explain whether the Company is proposing a symmetrical or an asymmetrical deferral related to the variable pay component of it management pay.

Response: The Company is proposing an asymmetrical deferral: if the pre-established performance goals are not fully achieved, and the full amount of variable pay recoverable from customers is not paid out, the Company proposes to credit customers with the difference. The Company is not seeking recovery of variable pay to the extent the Company pays out more than 100 percent for exceeding the pre-established performance goals.

b. Explain whether the Company is proposing to credit customers with the difference between the total amount variable pay included in rates and the actual amounts paid out including the amounts charged to capital.

Response: The amounts to be deferred as “variable pay underruns” in the Company’s true-up proposal would be the portion charged to expense for performance targets that are not achieved or paid out. That said, the total amount to be deferred for the benefit of customers would include variations between the actual costs charged to capital and the levels included in the projected net plant balances. Those amounts would be captured in the asymmetrical Net Plant Reconciliation, discussed in Company witness Muccilo’s testimony starting on page53.

Company Name: Con Edison
Case Description: Con Edison Electric, Gas & Steam Rate Cases
Case: 13-E-0030, 13-G-0031, 13-S-0032

Response to DPS Interrogatories – Set DPS-3
Date of Response: 03/06/2013
Responding Witness: Compensation and Benefits Panel

Question No. :0013.9

Subject: Management Benefit Programs and Compensation – Regarding the variable component of management base pay and its relationship to performance goals as described on p. 61, line 1 – 62, line 18 of the testimony, indicate how incentives related to promotional opportunities within Con Edison relate to the performance target based incentives included in the variable pay component of the management compensation package.

Response:

Achievement of customer service and operational efficiency goals are considered along with several other factors in promotional opportunities. Depending on the position, an individual's ability to manage others, communicate effectively, or be recognized as a subject matter expert are examples of other considerations usually taken into account for promotional opportunities. The reason promotional opportunities are not sufficient to retain personnel is that the practice in the market has shifted. As employees move up in companies, the market practice places a larger emphasis on performance-based compensation. For a clear demonstration of this, please refer to the Panel's testimony on pages 47-48 and specifically in Exhibit __ (AH C/BP-5), which shows higher variable pay component targets for Utility Peer Group.

Utilities generally place a higher level of compensation on postretirement benefits to retain employees with the skills required to provide our customers with safe and reliable service as demonstrated by the average years of service upon retirement. The average length of service for Con Edison retirees for the calendar year 2012 was 37.1 years .

•