Q. Please state your name and business address.

A. My name is Joseph Lee McCullough. My business address is: Times Square Plaza, 1500 Broadway, New York, NY 10036.

Q. By whom are you employed and in what capacity?

A. I am employed by Hewitt Associates LLC ("Hewitt", "Hewitt Associates" or "we") as a Senior Consultant. I am the leader of the Broadbased Compensation Consulting Practice in Hewitt's New York Office.

Q. Please describe your educational background.

A. I graduated from Villanova University with a Bachelor of Arts Degree in Psychology in 1967. In 1968, I earned a Master of Arts Degree in Industrial Psychology from The Ohio State University. In 1971 I received a Ph.D. in Industrial Psychology from The Ohio State University

Q. Please describe your work experience.

A. I have worked for more than 30 years as a management consultant. Prior to joining Hewitt Associates I was a Principal with Mercer Human Resource Consulting and a Partner with the Hay Group. In addition, I have also consulted at other firms, including one that I founded.

I have also served as an Adjunct Professor of Human Resource Management at the Fordham Graduate School of Business.

Q. What is the purpose of your testimony?

A. Hewitt Associates LLC was asked by Consolidated Edison Company of New York, Inc ("Con Edison", "Consolidated Edison" or the "Company") to conduct a review of its current non officer management level compensation practices. I am here to discuss that project and its findings.

Q. Please provide an overview of the project.

Con Edison asked Hewitt to conduct a review of its current non officer compensation practices. To conduct this review, which I am outlining today, we focused on 16 representative benchmark positions. Two benchmark positions were drawn from each of the eight salary sub-bands in the current non officer management level compensation structure. In total, 593 current incumbents held one of the 16 benchmark positions, out of approximately 4300 New York management level employees. The Company's compensation practices were then compared with the practices of different comparator groups of organizations. Con Edison's compensation data was effective as of April 1, 2008. Compensation survey numerical data was drawn from 2007 surveys and adjusted at Hewitt's standard rates (i.e. at an annualized rate of 3.8% for 2007 compensation data, so that the Con Edison's compensation amounts and the survey data would be timing neutral). The compensation data was not adjusted to reflect the higher than "norm" cost of living in the New York metropolitan area and/or any prevailing higher labor costs in the region.

Q. Are you sponsoring a four-page Exhibit entitled "Market Comparators"?

A. Yes.

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

A. Yes, it was.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (JLM-1)

Q. What are comparator groups?

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

Q. Where did the compensation survey data come from?

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

Q. What comparator groups were used in Exhibit __ (JLM-1)?

A. As noted on page 2, the first and largest comparator group "National Utilities" was composed of compensation data from 38 companies drawn from Hewitt's survey database. The selection of utilities for the second comparator group was guided by the list of 20 specific companies previously used by Con Edison for its executive compensation proxy peer group; Hewitt found that 14 of these companies had submitted data to the Hewitt data base for Consolidated Edison management level positions. This set of 14 organizations, listed on page 3 of the exhibit, formed the "Peer Group Companies".

Q. Why didn't Hewitt use all of the companies in the executive peer group for management level benchmarking?

A. Not all of the companies submitted management level data to our surveys. We used all of the executive peer group companies that had submitted management level data. The amount of data from these organizations was sufficient to identify peer group compensation practices.

Q. The Company provides three elements of compensation (base salary + annual variable pay + long-term incentives), how does that compare with prevailing market practice?

A. In recent years, the majority of organizations that we survey and work with have moved from a "base salary only approach" to base salary plus variable compensation. Thus, approximately 90%, of more than 1,000 organizations in Hewitt's 2007 Salary Increase Survey, reported offering broadbased variable pay. Among the reasons for this move have been: reduce fixed costs; more closely relate pay-to-performance; remain market competitive and attract and retain employees.

Such an approach is in the best interests of customers, employees and the organization because it systematically incents higher levels of performance and employee motivation, while controlling costs and tying pay to performance. Consolidated Edison's current use of three compensation elements is reasonable and consistent with market practice. Hewitt's comparative data indicates that, in addition to base salary (which all participants provide their employees, except in unusual cases) 93% of Peer Companies and 95% of the National utilities Comparator groups report annual variable pay programs. In addition, 64% of Peer Companies and 55% of National Utilities report long-term incentives. Based on the comparative data Hewitt concludes that:

1. As regards offering base salary and annual variable pay, the Company's provision of these two elements is reasonable and consistent with almost universal market practice among National Utilities and Peer Group Companies.

2. As regards offering long-term incentives, the Company's provision of this element is consistent with common practice among peer companies and National Utilities, with a slight majority offering long term incentives.

Q. Are you sponsoring a two-page Exhibit entitled "Competitive Posture-Averages by Benchmark Position vs. National Utilities"?

A. Yes.

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

A. Yes, it was.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (JLM-2)

Q. Please describe the information contained on Exhibit (JLM-2).

A. This exhibit (JLM-2) summarizes the competitive data for Consolidated Edison versus National Utility practices. The rows on this exhibit present information for individual benchmark positions. The lettered columns present the following information:

As regards Con Edison Compensation Data:

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

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

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

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

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

(F) - AVG ACT TCC - The Average Actual Total Cash Compensation (actual base salary + actual variable compensation award).

(G) - AVG TDC - The Average Total Direct Compensation (actual base salary + actual variable compensation award + the value of long term incentive).

As regards National Utility Group Base Salary Practices:

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

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

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

(K) - % Variance w/P50 - The percent difference between the median National Utility Base Salary and the median Con Edison salary for a particular benchmark position. If no data is listed for a specific position there was not enough data for that position in a particular comparator group database

As regards National Utility Group Total Cash Compensation (Base Salary + Annual Variable Pay) Practices:

(L) - P75 - The third quartile practice

(M) - P50 - The median practice

(N) - P25 - The first quartile practice

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

Compensation Practice for a particular benchmark position. If no data is listed for a specific position there was not enough data for that position in a particular comparator group database

As regards National Utility Group Total Direct Compensation (Base Salary + Annual Variable Pay + Long-Term Incentive) Practice:

(P) - P75 - The third quartile practice

(Q) - P50 - The median practice

(R) - P25 - The first quartile practice

(S) - % Variance w/P50 - The percent difference between the median National Utility Total Direct Compensation Practice and the median Con Edison Total Direct Compensation Practice for a particular benchmark position. If no data is listed for a specific position there was not enough data for that position in a particular comparator group database.

Row 17 summarizes the average position weighted variance from specific market norms. It is calculated by adding up the market averages for each benchmark position for which market data is available and the actual Con Edison average practices for the corresponding benchmark positions.

Q. How competitive are the three elements of the Company's compensation programs with National Utilities and Peer Companies?

A. Looking at Column I row 17, for example, it can be seen that Con Edison's average position weighted salaries for benchmark positions fall -3.5% below National Utility market median practices.

The table on Page 2 of the exhibit presents information summarizing the Company's competitive market posture as follows:

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

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

(C) - TARGET TCC - The % difference between a specific comparator group and Con Edison's Target Total Cash

Compensation (Base Salary + Target Annual Variable Pay) for benchmark positions.

(D) - ACTUAL TCC - The % difference between a specific comparator group and Con Edison's Actual Total Cash Compensation (Base Salary + Actual Annual Variable Pay) for benchmark positions.

(E) - ACTUAL TDC - The % difference between a specific comparator group and Con Edison's Actual Total Direct Compensation (Base Salary + Actual Annual Variable Pay + the value of Actual Long-Term Incentives) for benchmark positions.

Information is presented for both National Utilities and Peer Group companies on rows 1 and 2. Reviewing this exhibit the following can be seen:

1. The Company's salaries fall relatively close to, but consistently below, the market median (-6.3% below for Peer Group companies and -3.5% for National Utilities).
2. The Company's base salary + target bonus patterns fall somewhat below market median levels (-14.5%

versus the Peer Group comparators and -13.9% versus National Utilities).

3. The Company's base salary + actual bonus patterns are also below median (-14.1% for Peer Group Companies and -13.4% versus National Utilities).

4. Consolidated Edison's Total Direct Compensation (Base Salary + Annual Variable Pay + Long-Term Incentives). This represents the total compensation paid to employees. As regards Con Edison, this amount is conservative and falls below market median practices of both National Utilities (-25.9%) and Peer Group Companies (-24.8%).

Q. Are you sponsoring an exhibit in connection with your review of the Company's annual variable pay program?

A. Yes. I have prepared a one-page Exhibit entitled "Annual Variable Pay Comparisons"?

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

A. Yes, it was.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (JLM-3)

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

A. This exhibit contrasts Con Edison's target and actual average annual variable pay amount as a % of base salary versus Peer Group and National Utility practices. Data is presented for each of the 8 Sub-Bands. If no data is listed for a specific sub-band, there was not enough data for that sub-bands' benchmark positions in the specific comparator group survey database. As can be seen from this exhibit, the Company's target variable pay percentages are conservative and tend to fall well below market average variable pay practices. In addition, Con Edison's actual variable pay percentage amounts fall close to its' targets and also well below average market average practices.

During the course of our analysis we also reviewed the basic design of Consolidated Edison's Management Variable Pay Plan versus a comparator group of 10 organizations from the executive compensation peer group that also provided information to Hewitt's annual variable compensation measurement survey. The 10 organizations comprising the Annual variable compensation peer group are listed on page 4 of Exhibit JLM-1.

We found the Con Edison plan to be consistent with practices in the utility sector that emphasize both; Customer Satisfaction & Safety and Financial Performance.

Q. In reviewing the Company's Long-Term Incentive Plan, what were your findings?

A. Con Edison's Long-Term Incentive awards are granted based on a combination of individual and Company performance. The grants for employees in the highest management Bands (3 & 4) are made in the form of performance restricted stock. Employees must be on the active payroll at the time the stock vests, after three years, in order to receive a payout. Hewitt applied its standard LTI valuation guidelines to value the shares awarded to employees in these two Bands. For 50% of the grant the performance measure is the 3-year total shareholder return relative to the Company's peer group. The remaining 50% is based on the 3 year corporate average of the management variable pay plan. Payout is in the form of shares or cash at the end of three years.

Performance Shares:

- Three year vesting period
- Treatment of dividends - No dividends paid.
- Projected value = 68.6% of per share value

The grants for employees in the two lowest management Bands (1 & 2) are made on the basis of time-based restricted stock. Hewitt's LTI valuation guidelines reflect the inherent risk of forfeiture associated with plans of this type.

Time-based Shares:

- Three year vesting period
- Treatment of dividends - No dividends paid.
- Projected value = 92.2% of per share value

Q. Are you sponsoring a one-page Exhibit entitled "Long-Term Incentive Comparisons"?

A. Yes.

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

A. Yes, it was.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (JLM-4)

Q. Please explain the results of your findings as set forth on Exhibit (JLM-4).

A. Exhibit (JLM-4) compares the value of the Company's LTI, as a percent of salary, with both the Peer and National Utilities comparator groups at differing management sub-band levels. If no data is listed for a specific sub-band, there was not enough data for that sub-bands' benchmark positions in the specific comparator group survey database. Considering this table, it can be seen that the value of the Company's LTI awards are conservative and fall well below both Peer Group Companies (e.g., -28% for employees in Band 4) and National Utilities (e.g.,-26% to -32% for employees in Band 4).

Q. Can you summarize Hewitt's overall findings to date?

A. Hewitt's findings to date are as follows:

1. Consolidated Edison's use of three compensation program elements is reasonable and consistent with market practice.

2. The Company's current base salary practices for management level positions, approximate, but do fall consistently below, market median practices for both National Utilities (-3.5%) and Peer Companies (-6.3%).

3. Total Cash Compensation (Base Salary + Annual Variable Pay) drops somewhat below market median levels (-13.4% versus National Utilities and -14.1% Peer Group companies).

4. Total Direct Compensation (Base Salary + Annual Variable Pay + Long Term Incentives), the total compensation paid to management level employees, is conservative and falls below market median practices (-25.9% vis-à-vis National Utilities and -24.8% versus Peer Group organizations). The annual dollar impact of these shortfalls is significant:

- For a Band 4 employee with an average Total Direct Compensation of $215,000 the annual shortfall versus median National Utilities practices is $99,000 and versus Peer Companies $117,000.

- For a Band 1 employee with an average Total Direct Compensation of $74,000 the annual shortfall versus median National Utilities practices is $17,000 and versus Peer Companies $19,000.

Q. Will you be providing an update?

A. Yes, if appropriate. The Company requested that we gather additional data to benchmark and expand our review of non officer management compensation. We will update our findings based on this additional analysis if we identify compensation practices that are materially inconsistent with our testimony.

Q. Does this conclude your testimony?

A. Yes.

Market Comparators

In evaluating Con Edison's compensation practices Hewitt used three different comparator groups:

1. National Utilities
2. Peer Companies
3. Incentive Design Survey Participants–Peer companies that participated in Hewitt's Variable Compensation Measurement Survey

Market Comparators—1. National Utilities

- Hewitt's National Utilities Database is currently composed of 38 companies

Company Name
AEI Services LLC
AGL Resources Inc.
Allegheny Energy, Inc
Ameren Corporation
American Electric Power
Arkansas Electric Cooperative Corporation
Associated Electric Cooperative Inc
Black Hills Corporation
CenterPoint Energy
Cleco Corporation
CMS Energy Corporation
Constellation Energy
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Dynegy Inc.
Edison International
Entergy Corporation
Ferrellgas Partners, L.P.
FirstEnergy Corp.
Idaho Power Company
Kinder Morgan Inc
Mirant Corporation
New York Power Authority
NiSource Inc
PacifiCorp
PG&E Corporation
Portland General Electric Company
PPL Corporation
Public Service Enterprise Group, Incorporated
Reliant Energy, Inc
SCANA Corporation
Sempra Energy
Southern Company
SUEZ Energy North America, Inc.
Tennessee Valley Authority
TransAlta Corporation
TXU Corp.

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Market Comparators—2. Peer Companies

- 14 of 20 Con Edison's executive compensation peer companies were included in the comparator analysis group

Company Name
Ameren Corporation
American Electric Power
CenterPoint Energy
Constellation Energy
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Entergy Corporation
FirstEnergy Corp.
NiSource Inc.
PPL Corporation
Sempra Energy
Southern Company

Market Comparators—3. Annual Variable Pay Comparison

- 10 of 20 Con Edison's peer companies participated in Hewitt's Variable Compensation Measurement Survey

Company Name
Ameren Corporation
American Electric Power Company
DTE Energy Company
Duke Energy Corporation
Entergy Corporation
FirstEnergy Corporation
FPL Group, Incorporated
Pepco Holdings, Incorporated
PPL Corporation
Southern Company

Competitive Posture—Averages by Benchmark Position vs. National Utilities

Select Market Pricing
(Market Data Projected to 4/1/08)

					Con Edison		National Utilities Base Salary				National Utilities TCC				National Utilities TDC			
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)
POSITION	BAND	ER	MAX	AVG BASE	AVG ACT TCC	AVG TDC	P75	P50	P25	% Var w/P50	P75	P50	P25	% Var w/P50	P75	P50	P25	% Var w/P50
1. Chief Engineer	4H	$127	$235	$189	$217	$223	$236	$190	$171	-0.6%	$331	$256	$214	-15.4%	$508	$323	$240	-30.9%
2. General Manager (Electric Ops)	4H	$127	$235	$180	$212	$214	$215	$187	$176	-3.5%	$299	$249	$228	-14.7%	$460	$314	$255	-31.8%
3. Director (IS)	4L	$111	$206	$185	$213	$220	$222	$184	$169	0.4%	$311	$249	$220	-14.4%	$433	$309	$244	-28.9%
4. General Manager (Gas Ops)	4L	$111	$206	$173	$198	$204	$214	$186	$171	-7.2%	$299	$251	$223	-21.1%	$417	$312	$247	-34.6%
5. Dept Manager (HR)	3H	$98	$181	$145	$161	$164	$166	$145	$129	-0.3%	$209	$177	$151	-8.9%	$284	$216	$169	-24.0%
6. Operations Manager (Plants)	3H	$98	$181	$131	$144	$146												
7. Construction Manager	3L	$86	$159	$130	$142	$145	$153	$139	$126	-6.6%	$199	$172	$148	-17.5%	$249	$197	$160	-26.5%
8. Section Manager (Cust Ops)	3L	$86	$159	$128	$142	$143												
9. Project Auditor	2H	$75	$139	$100	$105	$106	$114	$108	$99	-6.6%	$127	$121	$103	-13.0%	$156	$136	$113	-21.9%
10. Senior Engineer	2H	$75	$139	$107	$113	$113	$105	$102	$99	4.9%	$121	$115	$104	-1.7%	$147	$129	$114	-12.6%
11. Field Operations Planner	2L	$66	$122	$105	$110	$111												
12. Senior Systems Analyst	2L	$66	$122	$88	$93	$93	$97	$93	$85	-5.0%	$103	$99	$93	-5.6%	$120	$107	$98	-13.0%
13. Accountant	1H	$58	$107	$73	$77	$78	$77	$72	$69	1.8%	$85	$80	$77	-4.2%	$95	$84	$80	-6.9%
14. Associate Engineer A	1H	$58	$107	$72	$75	$75	$90	$86	$80	-16.8%	$100	$93	$83	-19.7%	$111	$98	$86	-23.2%
15. Customer Operations Supervisor	1L	$51	$94	$75	$80	$80	$86	$80	$72	-6.2%	$93	$85	$75	-6.0%	$105	$89	$78	-10.2%
16. Investigator	1L	$51	$94	$58	$61	$61												
17. Overall Variance from Market *:							-14.5%	-3.5%	5.0%		-25.9%	-13.4%	-1.9%		-44.4%	-25.9%	-8.9%	

* Variances based on sum of Market $ vs. sum of Con Edison compensation

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Summary Competitive Posture

	(A) MARKET COMPARATORS	(B) BASE SALARY	(C) TARGET TCC	(D) ACTUAL TCC	(E) TDC
1.	National Utilities - Position Weighted	-3.5%	-13.9%	-13.4%	-25.9%
2.	Peer Group Companies (14) - Position Weighted	-6.3%	-14.5%	-14.1%	-24.8%

Annual Variable Pay Comparisons

- Con Edison's current compensation program includes annual variable pay

Con Edison Annual Variable Pay by Salary Band

	(A) CON EDISON SUB-BAND	CON EDISON (B) VARIABLE PAY TARGET %	CON EDISON (C) VARIABLE PAY ACTUAL %	PEER GROUP (D) VARIABLE PAY ACTUAL %	NATIONAL UTILITIES (E) VARIABLE PAY ACTUAL %
1.	4H	15.0%	16.3%		33-35%
2.	4L	15.0%	15.0%	25-30%	25-30%
3.	3H	10.0%	10.5%	25-30%	22-28%
4.	3L	10.0%	10.1%	20-25%	20-25%
5.	2H	4.5%	5.1%	10-15%	10-15%
6.	2L	4.5%	5.2%	7-10%	5-10%
7.	1H	4.5%	4.8%	5-8%	5-7%
8.	1L	4.5%	5.5%		5-7%

Long-Term Incentive Comparisons

- Con Edison's current compensation program includes long-term incentives

Con Edison Actual LTI% by Salary Band

	(A) CON EDISON SUB-BAND	CON EDISON (B) ACTUAL LTI %	PEER GROUP (C) ACTUAL LTI %	NATIONAL UTILITIES (D) ACTUAL LTI %
1.	4H	4-8%		35-40%
2.	4L	4-8%	32-35%	30-35%
3.	3H	4-6%	25-30%	25-30%
4.	3L	4-6%	15-20%	15-20%
5.	2H	2-4%	8-10%	5-10%
6.	2L	2-4%	4-6%	5.0%
7.	1H	1-4%	5.0%	5.0%
8.	1L	1-4%		5.0%