

LA_2, Schedule 2A
Case 08-E-0539

CPB IRs Relied on in Schultz Testimony

CPB 6

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB1
Date of Response: 05/23/2008
Responding Witness: Robert Hoglund

Question No. :6

Please provide a copy of any studies or analyses conducted by the Company or on its behalf since 2003, that compares or contrasts: (a) the total cost to Con Edison of D&O insurance with the cost paid by other utilities; (b) changes over time in the total cost to Con Edison of D&O insurance with that paid by other utilities; (c) the deductibles in Con Edison's D&O insurance coverage with that provided by other utilities; and/or (d) the total coverage provided by its corporate D&O insurance program with that provided by other utilities.

Response:

- (a) & (b) - The utility industry benchmarks extensively on the topics of coverage issues, limits and deductibles, but does not share costs on insurance premiums. The Tower's Perrin survey is the only public data of which we are aware. It reports premium data only as an average cost.
- (c) The Towers Perrin survey also indicates that historically 90 % or more of respondents report having no deductible for individuals, which supports our practice of having no deductible for the \$50 million coverage for individuals extended by our current D & O policy. The latest survey also noted that for entities with over \$10 billion in assets (this includes all industries, and is not specific to utilities), the median corporate deductible was \$5 million and the average deductible was \$8.382 million. We increased our corporate deductible in 2003 from \$1 million to \$5 million.
- (d) We periodically compare our D & O insurance limits with other comparable utilities during the renewal and marketing process. Attached are the results of the three surveys that we performed during the period covered by this question. See Attachment RH-___. The identities of the specific utilities that we included in our analysis in these years have been deleted because the data was shared with us confidentially.

CPB 6
Attachment

D&O Limits of Other Large Utilities - 2004

Company	Limit	Market Cap as of 11/12 (\$, in billions)	Limit as a % of Market Cap
Utility A	\$350 Million	21.2	1.65%
Utility B	\$325 Million	11.3	2.88%
Utility C	\$300 Million	18.7	1.60%
Utility D	\$300 Million	13.7	2.19%
Utility E	\$300 Million	23.5	1.28%
Utility F	\$250 Million	15.5	1.61%
Utility G	\$250 Million	9.5	2.63%
Utility H	\$250 Million	17.1	1.46%
Utility I	\$225 Million	15.2	1.48%
Utility J	\$200 Million	7.2	2.77%
Utility K	\$170 Million	12.8	1.33%
Utility L	\$165 Million	7.2	2.29%
Utility M	\$160 Million	6.8	2.35%
Utility N	\$150 Million	3.0	5.00%
Utility O	\$150 Million	5.8	2.59%
Utility P	\$150 Million	2.6	5.78%
Utility Q	\$150 Million	9.3	1.61%
Utility R	\$150 Million	7.5	2.00%
Utility S	\$100 Million	12.8	0.78%
Utility T	\$100 Million	7.9	1.27%
Utility U	\$100 Million	2.3	4.34%
Utility V	\$100 Million	13.6	0.74%
Con Edison	\$250 Million	10.3	2.43%

D&O Limits of Other Large Utilities - 2005

Company	Limit	Market Cap as of 11/28 (in billions)	Limit as a % of Market Cap
Utility A	\$350 Million	25.3	1.38%
Utility D	\$350 Million	34.4	1.02%
Utility B	\$325 Million	14.5	2.24%
Utility H	\$325 Million	24.6	1.32%
Utility C	\$300 Million	27.2	1.10%
Utility E	\$300 Million	25.9	1.16%
Utility G	\$280 Million	11.3	2.48%
Utility F	\$250 Million	29.2	0.86%
Utility I	\$225 Million	14.7	1.53%
Utility J	\$200 Million	9.6	2.08%
Utility R	\$200 Million	11.2	1.79%
Utility W	\$200 Million	14.7	1.36%
Utility L	\$185 Million	7.9	2.34%
Utility S	\$175 Million	15.4	1.14%
Utility K	\$170 Million	17.1	0.99%
Utility M	\$160 Million	7.6	2.11%
Utility N	\$150 Million	3.6	4.16%
Utility O	\$150 Million	6.0	2.50%
Utility P	\$150 Million	2.5	6.00%
Utility T	\$150 Million	11.4	1.32%
Utility V	\$150 Million	14.0	1.07%
Utility Q	\$150 Million	14.8	1.01%
Utility U	\$100 Million	4.2	2.38%
Con Edison	\$300 Million	11.3	2.65%

D&O Limits of Other Large Utilities - 2006

Company	Limit	Market Cap as of 11/15 (\$, in billions)	Limit as a % of Market Cap
Utility A	\$350 Million	39.4	0.89%
Utility D	\$350 Million	39.4	0.89%
Utility B	\$325 Million	16.3	1.99%
Utility C	\$300 Million	28.4	1.06%
Utility E	\$300 Million	26.8	1.12%
Utility G	\$280 Million	11.9	2.35%
Utility F	\$250 Million	35.9	0.70%
Utility I	\$225 Million	18.3	1.23%
Utility J	\$200 Million	11.9	1.68%
Utility V	\$200 Million	15.7	1.27%
Utility R	\$200 Million	14.2	1.41%
Utility W	\$200 Million	14.9	1.34%
Utility L	\$185 Million	8.3	2.22%
Utility S	\$175 Million	18.6	0.94%
Utility K	\$170 Million	21.3	0.80%
Utility M	\$160 Million	9.1	1.76%
Utility N	\$150 Million	3.6	4.17%
Utility O	\$150 Million	7.2	2.08%
Utility T	\$150 Million	13.0	1.15%
Utility Q	\$150 Million	16.5	0.30%
Utility P	\$125 Million	4.1	3.05%
Utility U	\$100 Million	4.9	2.04%
Utility H	confidential	26.7	-
Con Edison	\$300 Million	12.3	2.44%

CPB 12

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB4
Date of Response: 07/25/2008
Responding Witness: Hoglund

Question No. :12

Refer to page 3 of Robert Hoglund's testimony. The witness states that "The Company needs the insurance to attract qualified officers and directors". Would the Company continue to provide the same level of coverage for officer's and directors if the Commission determined that some or all of the cost for Director's and Officer's insurance was not the responsibility of ratepayers? If no, explain what the Company would do.

Response:

Corporate officer and director indemnification and the corporation's related D&O insurance are virtually universal practice among large, public companies. Con Edison, like other large companies, carries D&O insurance because it indemnifies its directors and officers for their exposure to D&O claims and litigation as a result of their corporate service. Because of the number of verdicts and settlements against corporations in the hundreds of millions of dollars in recent years, the current level of risk transfer to the insurance companies is a prudent and responsible course of action. Therefore, the Company would continue the D&O coverage at the current level in order to protect the corporation.

As indicated above, the company does not establish insurance levels based upon customer funding levels and considers such insurance to be a necessary and legitimate business expense. Accordingly, although the Company would necessarily continue this expense if full funding is not provided, this response should not be read to indicate that the Company would not fully pursue its legal rights to just and reasonable rates that provide for its legitimate costs of doing business.

CPB 13

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB4
Date of Response: 07/25/2008
Responding Witness: Hoglund

Question No. :13

Refer to page 5 of Robert Hoglund's testimony. The witness states that by 2002 the average defense and settlement costs climbed to \$24 million. Explain why the Company is required to maintain \$300 million of coverage as opposed to \$200 million or \$100 million, if \$24 million was the average cost of litigation.

Response:

In recent years, there have been settlements with plaintiffs or judgments against public corporations in the hundreds of millions of dollars. Please see the attached 2008 listing by RiskMetrics of the top 100 securities class action settlements. A simple average of claims experience does not accurately depict the range of potential outcomes in a given litigation. It is prudent to transfer some of the risk of defense costs as well as settlements and adverse judgments to stable and reputable insurers.

The 2007 Survey of Director's and Officer's Liability Insurance Purchasing and Claims trends issued by Towers Perrin reported that organizations with greater than \$10 billion of assets are more susceptible to claims, generate a greater frequency of claims, and are more prone to multiple claims. In its study Towers Perrin also concluded that the utility industry is most susceptible to D & O claims.

Companies typically assess the amount of their D & O insurance limits as a function of their equity market capitalization and assets. Con Edison's equity market capitalization is \$10.6 billion with assets of \$28.7 billion. Our D&O coverage represents only 2.8% of our equity market capitalization.

Also, we periodically benchmark our D&O insurance limits with other comparable utilities. This information was previously supplied in response to CPB 6.

CPB 13
Attachment

Top 100 Settlements Report

Rank	Case Name	Court	Settlement Year	Total Settlement Amount
1	Enron Corp.	S.D. Tex.	2007	\$7,230,500,000
2	WorldCom, Inc.	S.D.N.Y.	2005	\$6,156,100,670
3	Tyco International, Ltd	D. N.H.	2007	\$3,200,000,000
4	Cendant Corp.	D. N.J.	2000	\$3,186,500,000
5	AOL Time Warner, Inc.	S.D.N.Y.	2006	\$2,500,000,000
6	Nortel Networks Corp. I	S.D.N.Y.	2006	\$1,142,775,308
7	Royal Ahold, N.V.	D. Md.	2006	\$1,100,000,000
8	Nortel Networks Corp. II	S.D.N.Y.	2006	\$1,074,265,298
9	McKesson HBOC Inc.	N.D. Cal.	2008	\$1,042,500,000
10	Lucent Technologies, Inc.	D. N.J.	2003	\$667,000,000
11	Cardinal Health, Inc.	S.D. Ohio	2007	\$600,000,000
12	BankAmerica Corp.	E.D. Mo.	2004	\$490,000,000
13	Dyegy, Inc.	S.D. Tex.	2005	\$474,050,000
14	Adelphia Communications Corp.	S.D.N.Y.	2006	\$460,000,000
14	Raytheon Company	D. Mass.	2004	\$460,000,000
16	Waste Management Inc. II	S.D. Tex.	2003	\$457,000,000
17	Global Crossing, Ltd.	S.D.N.Y.	2007	\$447,800,000
18	HealthSouth Corp.	N.D. Ala.	2007	\$445,000,000
19	Federal Home Loan Mortgage Corp. (Freddie Mac)	S.D.N.Y.	2006	\$410,000,000
20	Qwest Communications International, Inc.	D. Colo.	2006	\$400,000,000
21	Cendant Corp. (PRIDES)	D. N.J.	2006	\$374,000,000
22	Delphi Corp.	E.D. Mich.	2008	\$322,350,000
23	Rite Aid Corp.	E.D. Pa.	2003	\$319,580,000
24	Williams Companies, Inc.	N.D. Okla.	2007	\$311,000,000
25	Bristol-Myers Squibb Co.	S.D.N.Y.	2004	\$300,000,000
25	DaimlerChrysler AG	D. Del.	2003	\$300,000,000
25	Oxford Health Plans Inc.	S.D.N.Y.	2003	\$300,000,000
28	El Paso Corp.	S.D. Tex.	2007	\$285,000,000
29	3Com Corp.	N.D. Cal.	2001	\$259,000,000
30	Waste Management Inc.	N.D. Ill.	1999	\$220,000,000
31	Tenet Healthcare Corp.	C.D. Cal.	2006	\$216,500,000
32	Sears, Roebuck & Co.	N.D. Ill.	2006	\$215,000,000
33	CMS Energy Corp.	E.D. Mich.	2007	\$200,000,000

Rank	Case Name	Court	Settlement Year	Total Settlement Amount
34	Safety-Kleen Corp. (Bondholders)	D. S.C.	2006	\$197,622,944
35	MicroStrategy, Inc.	E.D. Va.	2001	\$192,500,000
36	Motorola, Inc.	N.D. Ill.	2007	\$190,000,000
37	Bristol-Myers Squibb Co.	D. N.J.	2006	\$185,000,000
38	Dole Food Company, Inc.	California Superior Court	2003	\$172,000,000
39	Digex Inc.	Delaware Chancery Court	2001	\$165,000,000
40	Dollar General Corp.	M.D. Tenn.	2002	\$162,000,000
41	Bennett Funding Group, Inc.	S.D.N.Y.	2003	\$152,635,000
42	AT&T Wireless Tracking Stock	S.D.N.Y.	2006	\$150,000,000
42	Broadcom Corp.	C.D. Cal.	2005	\$150,000,000
44	TXU Corp.	N.D. Tex.	2005	\$149,750,000
45	Sumitomo (Copper Trading) Corp.	S.D.N.Y.	2001	\$149,250,000
46	Charter Communications, Inc.	E. D. Mo.	2005	\$146,250,000
47	Sunbeam Corp.	S.D. Fla.	2002	\$140,995,187
48	Refco, Inc.	S.D.N.Y.	2007	\$140,000,000
49	Electronic Data Systems Corp.	E. D. Tex.	2006	\$137,500,000
50	Informix Corp.	N.D. Cal.	1999	\$136,500,000
51	Computer Associates International, Inc.	E.D.N.Y.	2003	\$133,551,000
52	Doral Financial Corp.	S.D.N.Y.	2007	\$130,000,000
53	Edward D. Jones & Co., L.P.	E.D. Mo. / Missouri Circuit Court	2007	\$127,500,000
54	Mattel, Inc.	C.D. Cal.	2003	\$122,000,000
55	Lernout & Hauspie Speech Products N.V.	D. Mass.	2005	\$120,520,000
56	Bank One Corp. (First Chicago NBD)	N.D. Ill.	2005	\$120,000,000
56	Deutsche Telekom AG	S.D.N.Y.	2005	\$120,000,000
56	Conseco, Inc.	S.D. Ind.	2002	\$120,000,000
59	The Interpublic Group of Companies, Inc.	S.D.N.Y.	2004	\$115,000,000
60	Ikon Office Solutions, Inc.	E.D. Pa.	2000	\$111,380,000
61	CVS Corp.	D. Mass.	2005	\$110,000,000
61	DPL Inc. (Federal Class Settlement)	S.D. Ohio	2003	\$110,000,000
63	Prison Realty Trust Inc.	M.D. Tenn.	2001	\$104,129,480
64	Homestore.com, Inc.	C.D. Cal.	2007	\$103,421,216
65	Symbol Technologies, Inc.	E.D.N.Y.	2004	\$102,000,000
66	American Express Financial Advisors	S.D.N.Y.	2007	\$100,000,000
66	AT&T Corp.	D. N.J.	2005	\$100,000,000
66	Honeywell International, Inc.	D. N.J.	2004	\$100,000,000

Rank	Case Name	Court	Settlement Year	Total Settlement Amount
69	Cisco Systems, Inc.	N.D. Cal.	2006	\$99,250,000
70	Fleming Companies, Inc.	E.D. Tex.	2005	\$93,950,000
71	CIGNA Corp.	E.D. Pa.	2007	\$93,000,000
72	Gemstar-TV Guide International, Inc.	C.D. Cal.	2005	\$92,500,000
72	Boeing Co.	W.D. Wash.	2002	\$92,500,000
74	OM Group, Inc.	N.D. Ohio	2005	\$92,400,000
75	New York Life Insurance Co.	S.D. Fla.	1996	\$90,000,000
76	IZ Technologies, Inc.	N.D. Tex.	2005	\$87,750,000
77	Legato Systems Inc.	N.D. Cal.	2002	\$85,000,000
78	FirstEnergy Corp.	N.D. Ohio	2004	\$84,900,000
79	Real Estate Associates Limited Partnership	C.D. Cal.	2003	\$83,000,000
80	Aetna Inc.	E.D. Pa.	2000	\$82,500,000
81	Hanover Compressor Co.	S.D. Tex.	2007	\$82,000,000
82	Priceline.com, Inc.	D. Conn.	2007	\$80,000,000
82	Xcel Energy, Inc.	D. Minn.	2005	\$80,000,000
84	Philip Services Corp.	S.D.N.Y.	2007	\$79,750,000
85	VeriSign, Inc.	N.D. Cal.	2007	\$78,000,000
85	Vesta Insurance Group, Inc.	N.D. Ala.	2002	\$78,000,000
85	Medaphis Corp.	N.D. Ga.	1998	\$78,000,000
88	Krispy Kreme Doughnuts, Inc.	M.D. N.C.	2007	\$75,000,000
88	Reliant Resources, Inc.	S.D. Tex.	2006	\$75,000,000
88	Elan Corp., plc	S.D.N.Y.	2005	\$75,000,000
88	ImClone Systems Inc.	S.D.N.Y.	2005	\$75,000,000
88	Alcatel Alsthom S.A.	E.D. Tex.	2001	\$75,000,000
93	AT&T Corp. (Salomon Analyst)	S.D.N.Y.	2006	\$74,750,000
94	First BanCorp	D. P.R.	2007	\$74,250,000
95	Network Associates, Inc.	N.D. Cal.	2004	\$70,000,000
95	Sotheby's Holdings Inc.	S.D.N.Y.	2001	\$70,000,000
97	Telxon Corp.	N.D. Ohio	2005	\$67,900,000
98	St. Paul Travelers Companies, Inc.	D. Minn.	2005	\$67,500,000
99	Reliance Acceptance Group Inc.	D. Del.	2002	\$65,985,000
100	Providian Financial Corp.	N.D. Cal.	2004	\$65,000,000
100	Service Corp. International, Inc.	S.D. Tex.	2004	\$65,000,000

*** "Settlement Year" for cases that include multiple settlements reflects the most recent settlement.

*** Settlements that have the same amount are given the same ranking

*** To be eligible for the Top 100 Settlements, cases must have been filed after January 1, 1996 and the settlement must have been approved by the Court.

CPB 15

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB4
Date of Response: 07/25/2008
Responding Witness: Hoglund

Question No. :15

Refer to page 5 and 6 of Robert Hoglund's testimony and to Exhibit__ (RH-1). Provide any additional documents the two companies provided to the Company that would substantiate that the costs and coverage were comparable.

Response:

No additional documents were provided by Marsh or Willis during the preparation of the testimony. Attached are three additional emails that were provided subsequent to submission of the testimony.

CPB 15
Attachment

Lynch, Joseph M. - Insurance

From: Michael.A.Devine@marsh.com
Sent: Monday, April 21, 2008 2:53 PM
To: Lynch, Joseph M. - Insurance
Subject: Fw: D & O INSURANCE PROGRAM

Some general benchmarking info.
M.A.D.

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----- Forwarded by Michael A Devine/NYC-NY/US/Marsh/MMC on 04/21/2008 02:52 PM -----

Cathy
Cummins/NYC-NY/US
/Marsh/MMC

04/21/2008 02:31
PM

Michael A
Devine/NYC-NY/US/Marsh/MMC@MMC

To

CC

Heather
Partridge/NYC-NY/US/Marsh/MMC@MMC

Subject

Re: Fw: D & O INSURANCE PROGRAM
(Document link: Michael A Devine)

Mike, we looked at our benchmarking data from two angles, companies with between \$9 - 15 billion in market cap (Con Ed has \$11.25 billion), as well as compared to other utility clients.

Companies with between \$9 - 15 billion in market cap Average Limit (including Side A): \$140MM Median Limit (including Side A): \$125 MM Side-A limit: Average \$43 MM Side-A limit: Median \$30 MM

Average primary premium: \$39.6 / MM
Median primary premium: \$35.0 / MM

Fortune 500 Utility Companies
Average Limit (including Side A): \$187 MM Median Limit (including Side A): \$160 MM Side-A limit: Average \$12.7 MM Side-A limit: Median \$11.7 MM

Average primary premium: \$36.0 / MM
Median primary premium: \$35.2 / MM

Let me know if you have any questions. Regards,

Cathy Cummins
Managing Director, FINPRO
Marsh USA Inc.
1166 Avenue of the Americas
New York, NY 10036
Phone: (212) 345-8707
Fax (212) 345-3706

Lynch, Joseph M. - Insurance

From: Cathy.Cummins@marsh.com
Sent: Tuesday, July 15, 2008 10:04 AM
To: Lynch, Joseph M. - Insurance
Cc: Heather.Partridge@marsh.com; Michael.A.Devine@marsh.com
Subject: Re: RATE TESTIMONY

Joe, the peer data was based on 25 publicly traded commercial companies (non-financial institutions) with a market cap of between \$9 billion and \$15 billion.

Cathy Cummins
Managing Director, FINPRO
Marsh USA Inc.
1166 Avenue of the Americas
New York, NY 10036
Phone: (212) 345-8707
Fax (212) 345-3706

Lynch, Joseph M. - Insurance

From: Seto, Danny [seto_da@willis.com]
Sent: Tuesday, July 15, 2008 3:02 PM
To: Lynch, Joseph M. - Insurance
Cc: Jacqmin, Pete
Subject: FW: Rate CASE Interagotory

D&O Pricing Trends

In respect of your request to provide average pricing per million on our portfolio of D&O clients, the difficulty is adjusting the average premium per million for the self insured retention taken on the program. There is a great variance in the level of SIR's taken by insureds, with the range falling between a low of \$100,000 to a high of \$15 million on the Corporate Reimbursement provisions. With this caveat I trust that you find the premium information useful.

We have reviewed a total of 61 accounts placed by Willis in the Directors and Officers insurance market or accounts where we have access to coverage information from our partner markets. These include 24 Utility accounts, 28 Energy Accounts and nine Fortune 500 accounts. All of these companies have revenue income in line with that of Consolidated Edison of New York, with a variance of \$1 billion either way.

The Utility peer group includes companies with power generation, transmission and distribution operations. We have also included transmission or distribution only companies, as the risk distribution is similar in this area of the business.

Under the Energy sector we have included the larger upstream exploration and production (E&P) companies as well as downstream refinery and gas transportation and distribution operations. The Fortune 500 companies selected for benchmarking are those companies that have reasonably significant sales and market capitalization which dictate the type of program structure that might be considered comparable to that of Consolidated Edison Company.

The primary layer limit ranges from a low of \$10 million to a high of \$25 million. Based on our analysis the average premium per million of primary limit ranges from \$36,450 per million for programs with a primary limit of \$25 million to \$38,925 for programs with a primary layer limit of \$10 million. Consolidated Edison of New York utilize AEGIS as its current lead market, and the cost per million comes in at \$36,916 per million. This compares very favorably with it is peer group and is well within the banding of our portfolio analysis.

Dave

Utility Practice
Willis Americas
100 Matsonford Road
Radnor, PA 19087-4582

Tel. 610-254-7451 Direct
Tel. 610-964-8700
Fax 610-254-5600
Cell 484-437-0454

CPB 17

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB4
Date of Response: 07/25/2008
Responding Witness: Hoglund

Question No. :17

Refer to page 3 of Robert Hoglund's testimony. The witness states that "The Company needs the insurance to attract qualified officers and directors". Does the Company have any studies or documentation that would support this statement and that would support the Company's and/or officer's and director's need for \$300 million of coverage? If so, provide that support.

Response:

As to whether the Company needs D&O insurance to attract qualified officers and directors, I refer you to page 3, lines 8-21 and page 4, lines 11-13 of my testimony. The Towers Perrin Study there referred to is a public document and is accessible on the internet. This information was also provided in CPB 3.

As to studies and documentation for \$300 million of coverage, this information was provided previously in response to CPB 6.

CPB 27 REV

Company Name: Con Edison

Case Description:

Case: 08-E-0539

Response to CPB Interrogatories – Set CPB5

Date of Response: 07/29/2008

Responding Witness:

Question No. :27Rev

Did Mr. McCullough's analysis take into consideration benefits offered by the different utilities? If not, why not?

Response:

This study focused on the compensation practices of Con Edison versus other representative utilities.

This study did not include the benefits offered, since Con Edison did not ask Hewitt to include benefits in the scope of the study. However, it is significant to note that, due to the complexity of converting benefits to dollar values, the overwhelming majority of cash compensation analyses do not include an associated systematic analysis of benefit plans.

CPB 29

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB5
Date of Response: 07/28/2008
Responding Witness: McCullough

Question No. :29

Refer to Exhibit__ (JLM-3). In making the comparison of variable pay on this exhibit was there any consideration given for the amount of variable pay and/or incentive pay that was allowed into rates for the respective peer group companies and/or the national utilities group. If so, provide all analysis that shows how the compensation levels were adjusted for variable pay and/or incentive pay not allowed in rates in the respective jurisdictions where the comparable companies operate.

Response:

Compensation amounts reported in the surveys used by Hewitt reflect the amounts awarded to employees.

These amounts do not distinguish the amount of variable pay and/or incentive pay that were allowed into rates by survey participants.

Hewitt did not adjust compensation levels for variable pay and/or incentive pay on the basis of whether they were allowed in rates.

CPB 46

Company Name: Con Edison

Case Description:

Case: 08-E-0539

Response to CPB Interrogatories – Set CPB6

Date of Response: 07/29/2008

Responding Witness: Tai Group

Question No. :46

Refer to page 30, lines 1-2 of the pre filed testimony. Provide for each year 2003-2007 the number of eligible employees whose rating was unsatisfactory and that did not receive variable pay.

Response:

The following table shows the number of eligible employees that did not receive variable pay.

Year	# of Employees
2007	87
2006	82
2005	101
2004	72
2003	94

CPB 47

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB6
Date of Response: 07/29/2008
Responding Witness: Tai Group

Question No. :47

Refer to page 31, lines 16-17 of the pre filed testimony. Provide for each year 2003-2007 the return on equity achieved before and after expensing incentive and variable pay (show the calculation) and the return on equity allowed (Note: For years with different allowed ROE show the calculation of the blended rate).

Response:

See the attached Excel file for the calculation of return on equity before and after adjustments for the incentive and variable pay expenses for the years 2003-2007. The incentive/variable pay expenses include incentive payment made to the Company officers under the Executive Incentive Plan, equity awarded to officers and non-officers under the Long Term Incentive Plan and Variable Pay granted to management employees.

Consolidated Edison Company of New York, Inc.
Summary of Return on Equity
(Thousands of Dollars)

Year	Rate Base	Operating Income (A)	ROE	Allowed Threshold (B)	Adjusted Operating Income (C)	Adjusted ROE
2003	8,735,178	763,704	12.02%	12.06%	767,682	12.13%
2004	9,225,328	730,558	10.39%	11.86%	738,341	10.56%
2005	9,610,913	823,645	11.65%	11.50%	831,076	11.81%
2006	10,414,852	838,516	10.57%	11.40%	849,486	10.80%
2007	11,665,720	973,248	11.30%	11.40%	979,659	11.42%

(A) Operating income is net of incentives and/or penalties as per the rate agreement with the PSC.

(B) These rates are blended due to rate year covers the period from April 1 to March 31 of the following year.

(C) Operating income is adjusted by expenses related to incentive compensation and variable pay per page 2.

Consolidated Edison Company of New York, Inc.
Summary of Incentive Compensation and Variable Pay Expense
(\$000)

Year	Electric O&M				Net of Income Taxes
	EIP	LTIP	Variable Pay	Total	
2003	\$ 3,221	\$ 3,395	\$ 8,164	\$ 6,616	\$ 3,978
2004	4,880	8,064	7,129	12,944	7,783
2005	5,761	6,598	12,833	12,359	7,431
2006	4,967	13,278	8,083	18,245	10,970
2007	4,893	5,724	14,733	10,617	6,411
Total	\$ 23,722	\$ 37,059	\$ 50,942	\$ 60,781	

CPB 49

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB7
Date of Response: 07/31/2008
Responding Witness: Reyes

Question No. :49

Refer to Exhibit__ (HJR-1), Page 1. Provide for the test year, the program change and the rate year column the average number of employees included in the cost in total and for Health Insurance on its own.

Response:

See CPB 55 for the average number of employees.

For health insurance costs, the number of participants as of February 2008 was used to project the costs for the rate year ending March 31, 2010. The number of participants was 13,377. For the other costs, we used the actual 12 months ended December 2007 and projected forward using the escalation factors noted in the exhibit.

CPB 50

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB7
Date of Response: 07/31/2008
Responding Witness: Reyes

Question No. :50

Refer to pre filed testimony at page 7, lines 13-15. Based on the response regarding programs being offered would it be correct to conclude that the estimate for the rate year has not factored in any new cost savings? If the response is no, provide a summary of any future cost savings factored in and the show the calculation of those savings.

Response:

Yes. While the Company is introducing some new programs in the rate year, any savings associated with these programs would be expected to occur over the long term and would not be experienced in the rate year.

CPB 54

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB7
Date of Response: 07/31/2008
Responding Witness: Accounting Panel/Reyes

Question No. :54

Provide by year for the years 2003-2007 and the rate year ended March 31, 2010 the average number of employees by employee group.

Response:

Please see response to CPB 55 for the average number of employees by employee group for the years 2003-2007. Other than employees associated with program changes, as noted on page 77 of the Accounting Panel's testimony, the Company started with the number of employees on the rolls at December 31, 2007 and assumed a 1 percent productivity factor to get to the number of employees for the rate year. See Exhibit __ (AP-5, Schedule 3).

**Consolidated Edison Company of New York, Inc.
 Human Resource
 2003- 2008**

<u>Average</u>	<u>Management</u>	<u>Weekly</u>	<u>Temporary Employees</u>	<u>Total</u>
2003	4,138	8,621	48	12,807
2004	4,162	8,328	26	12,516
2005	4,274	8,679	31	12,983

<u>2006</u>	<u>Management</u>	<u>Weekly</u>	<u>Temporary Employees</u>	<u>Total</u>
January	4,366	8,816	54	13,236
February	4,369	8,796	52	13,217
March	4,381	8,843	50	13,274
April	4,404	8,864	54	13,322
May	4,409	8,886	50	13,345
June	4,430	8,876	133	13,439
July	4,492	8,878	137	13,507
August	4,515	8,842	126	13,483
September	4,518	8,846	90	13,454
October	4,536	8,883	63	13,482
November	4,552	8,855	61	13,468
December	4,533	8,905	62	13,500
Average	4,459	8,858	78	13,394

<u>2007</u>	<u>Management</u>	<u>Weekly</u>	<u>Temporary Employees</u>	<u>Total</u>
January	4,540	8,909	59	13,508
February	4,558	8,933	58	13,549
March	4,585	8,974	55	13,614
April	4,593	8,961	56	13,610
May	4,601	8,996	60	13,657
June	4,604	8,968	184	13,756
July	4,632	8,986	197	13,815
August	4,654	9,038	177	13,869
September	4,666	9,066	126	13,858
October	4,673	9,096	97	13,866
November	4,685	9,075	90	13,850
December	4,675	9,109	95	13,879
Average	4,622	9,009	105	13,736

Consolidated Edison Company of New York, Inc.
Human Resource
2003- 2008

<u>2008</u>	<u>Management</u>	<u>Weekly</u>	<u>Temporary Employees</u>	<u>Total</u>
January	4,667	9,123	99	13,889
February	4,684	9,094	98	13,876
March	4,700	9,152	102	13,954
April	4,737	9,135	100	13,972
May	4,742	9,174	91	14,007
June	4,759	9,197	213	14,169
July				0
August				0
September				0
October				0
November				0
December				0
Average	4,715	9,146	117	6,989

CPB 55

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to CPB Interrogatories – Set CPB7
Date of Response: 07/31/2008
Responding Witness: Accounting Panel/Reyes

Question No. :55

Provide by month for the years 2006, 2007 and for January 2008 through June 2008 the actual number of employees by employee group.

Response:

The attached schedule reflects the actual number of employees by employee group by month for the years 2006, 2007 and for the period January 2008 through June 2008.

CPB 55
Attachment

**Consolidated Edison Company of New York, Inc.
 Human Resource
 2003- 2008**

<u>Average</u>	<u>Management</u>	<u>Weekly</u>	<u>Temporary Employees</u>	<u>Total</u>
2003	4,138	8,621	48	12,807
2004	4,162	8,328	26	12,516
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July	4,492	8,878	137	13,507
August	4,515	8,842	126	13,483
September	4,518	8,846	90	13,454
October	4,536	8,883	63	13,482
November	4,552	8,855	61	13,468
December	4,533	8,905	62	13,500
Average	4,459	8,858	78	13,394

<u>2007</u>	<u>Management</u>	<u>Weekly</u>	<u>Temporary Employees</u>	<u>Total</u>
January	4,540	8,909	59	13,508
February	4,558	8,933	58	13,549
March	4,585	8,974	55	13,614
April	4,593	8,961	56	13,610
May	4,601	8,996	60	13,657
June	4,604	8,968	184	13,756
July	4,632	8,986	197	13,815
August	4,654	9,038	177	13,869
September	4,666	9,066	126	13,858
October	4,673	9,096	97	13,866
November	4,685	9,075	90	13,850
December	4,675	9,109	95	13,879
Average	4,622	9,009	105	13,736

Consolidated Edison Company of New York, Inc.
Human Resource
2003- 2008

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April	4,737	9,135	100	13,972
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June	4,759	9,197	213	14,169
July				0
August				0
September				0
October				0
November				0
December				0
Average	4,715	9,146	117	6,989