

CONSOLIDATED EDISON INC  
Form DEF 14A  
April 11, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant  x

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**CONSOLIDATED EDISON, INC.**

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(Name of Registrant as Specified In Its Charter)

**NOT APPLICABLE**

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Letter to  
Stockholders  
Notice of 2008  
Annual Meeting and  
Proxy Statement**

**May 19, 2008**

**Con Edison Headquarters**

**4 Irving Place**

**New York, N.Y. 10003**

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Consolidated Edison, Inc.

4 Irving Place

New York, NY 10003

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*Kevin Burke*

*Chairman of the Board*

April 11, 2008

Dear Stockholders:

You are cordially invited to attend the Annual Meeting of Consolidated Edison, Inc. I hope that you will join the Board of Directors and the Company's management at the Company's Headquarters at 4 Irving Place, New York, New York, on Monday, May 19, 2008, at 10:00 a.m.

The accompanying Proxy Statement contains information about matters to be considered at the Annual Meeting. At the Annual Meeting, stockholders will be asked to vote on the election of Directors, the ratification of the appointment of independent accountants for 2008, and to approve the performance goals under the Company's long term incentive plan. In addition to the matters described above, stockholders will be asked to vote on a proposal submitted by an individual stockholder described in the attached Proxy Statement. For the reasons stated in the Proxy Statement, the Board of Directors and management recommend that stockholders vote against the stockholder proposal.

Whether or not you plan to attend the Annual Meeting, please date, sign and return the enclosed proxy in the envelope provided. It is very important that as many shares as possible be represented at the meeting. Stockholders of record may also vote their shares by telephone or by the Internet. Instructions for using the telephone and the Internet service are set forth on the enclosed proxy card.

If after voting your proxy you come to the meeting, you may vote in person even though you have previously voted your proxy.

Sincerely,

Kevin Burke

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***NOTICE OF ANNUAL MEETING OF STOCKHOLDERS***

Dear Stockholders:

The Annual Meeting of Stockholders of Consolidated Edison, Inc. will be held at the Company's Headquarters, 4 Irving Place, New York, New York, on Monday, May 19, 2008, at 10:00 a.m. for the following purposes:

- a. To elect the members of the Board of Directors as described in the Proxy Statement (attached hereto and incorporated herein by reference);
- b. To ratify the appointment of PricewaterhouseCoopers LLP as independent accountants for the year 2008;
- c. To approve the performance goals under the Company's long term incentive plan;
- d. To act on a stockholder proposal as set forth in the Proxy Statement; and
- e. To transact such other business as may properly come before the meeting, or any adjournment of the meeting.

You are cordially invited to attend the meeting. **If you hold your shares directly in your name as a stockholder of record, an admission ticket is attached to your proxy card.** If you plan to attend the Annual Meeting, please vote your proxy but keep the admission ticket and bring it with you to the meeting. If your shares are held in the name of a bank, broker or other holder of record, you must present proof of your ownership, such as a bank or brokerage account statement, to be admitted to the meeting.

**Whether or not you plan to attend the meeting in person, we urge you to vote, sign and date the enclosed proxy and return it promptly in the enclosed postage-paid envelope, or vote your proxy by telephone or on the Internet in accordance with the instructions accompanying the proxy card. We will sincerely appreciate your doing so.**

By Order of the Board of Directors,

Carole Sobin

*Secretary*

Dated: April 11, 2008

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING  
TO BE HELD ON MAY 19, 2008**

The Company's proxy statement and annual report are available on our web site at [http://www.coned.com/investor/governance\\_documents.asp](http://www.coned.com/investor/governance_documents.asp) under Financial Reports.

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**PROXY STATEMENT**

**Introduction**

This Proxy Statement is provided to stockholders of Consolidated Edison, Inc. ( Con Edison or the Company ) in connection with the 2008 Annual Meeting of Stockholders (the Annual Meeting ) and any adjournments or postponements of the Annual Meeting. The Annual Meeting will be held at the Company s principal executive offices at 4 Irving Place, New York, New York 10003, on Monday, May 19, 2008, at 10:00 a.m.

**Solicitation of Proxies**

The Proxy Statement and the accompanying proxy card are furnished in connection with the solicitation of proxies by the Board of Directors of Con Edison for use at the Annual Meeting. The Proxy Statement and the form of proxy are being mailed to stockholders on or about April 11, 2008.

The Company s Annual Report to Stockholders, which includes the consolidated financial statements and accompanying notes for the year ended December 31, 2007, and other information relating to the Company s financial condition and results of operations, also accompanies the mailing of this Proxy Statement.

This solicitation of proxies for the Annual Meeting is being made by management on behalf of the Board of Directors and will be made by mail, telephone, the Internet, facsimile and electronic transmission or overnight delivery. The Company will pay the expenses associated with the solicitation of proxies. The expenses will include reimbursement for postage and clerical expenses to brokerage houses and other custodians, nominees or fiduciaries for forwarding proxy material and other documents to beneficial owners of stock held in their names. In addition, Morrow & Co., LLC has been retained to assist in the solicitation of proxies by the means described above. The estimated cost of Morrow s services is \$20,000 plus out-of-pocket expenses.

**Record Date, Outstanding Voting Securities and Voting Rights**

The Board of Directors has established April 7, 2008, as the record date for the determination of Con Edison s stockholders entitled to receive notice of and to vote at the meeting. On the record date, there were 272,615,036 shares of Common Stock outstanding, which are entitled to one vote per share upon the proposals presented at the Annual Meeting. The holders will vote on the election of Directors, the ratification of the appointment of independent accountants, the approval of the performance goals under the Company s long term incentive plan and a stockholder proposal.

The enclosed proxy card is for the number of shares registered in your name with Con Edison, together with any additional full shares held in your name in Con Edison s Automatic Dividend Reinvestment and Cash Payment Plan. The instructions on the proxy card provide that any shares registered in your name and any full shares held for your account in the plan will be voted in the same manner.

In all matters other than the election of Directors, the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting, entitled to vote and voting on the subject matter, will be the act of the stockholders. Directors will be elected by a plurality of the votes present in person or represented by proxy at the Annual Meeting, entitled to vote and voting on the election of Directors. Abstentions and broker non-votes are voted neither for nor against, and have no effect on the vote, but are counted in the determination of the quorum.

#### **Voting and Revocation of Proxies**

All shares represented by properly executed proxies received in time for the Annual Meeting will be voted at the Annual Meeting in the manner specified by the persons giving those proxies. If the proxy is signed but no

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voting instructions are made, the shares represented by the proxy will be voted for the election of the Director nominees named herein and in accordance with the recommendations of the Board on other proposals.

Instead of submitting a signed proxy card, if you are a stockholder of record you may vote your proxy by telephone or on the Internet using the instructions set forth on the proxy card. Voting by telephone or on the Internet eliminates the need to return the proxy card. Telephone voting is not available to stockholders of record outside the United States.

If your shares are held in a stock brokerage account or by a bank or other nominee, you must vote your shares in the manner prescribed by your broker, bank or nominee. The telephone and Internet voting procedure may or may not be available to stockholders who hold their shares through a broker, bank or other nominee.

Voting by use of a proxy on the enclosed proxy card, by telephone or on the Internet does not preclude a stockholder of record from voting in person at the Annual Meeting. A stockholder of record may revoke a proxy at any time prior to its exercise by mailing to the Secretary of the Company a duly executed revocation or by submitting a duly executed proxy, telephone or Internet vote to the Company with a later date or by appearing at the Annual Meeting and voting in person. A stockholder of record may revoke a proxy by any of these methods, regardless of the method used to cast his or her previous vote. Attendance at the Annual Meeting without voting will not by itself revoke a proxy.

## **Attendance and Procedures at the Annual Meeting**

Attendance at the Annual Meeting will be limited to stockholders of record, beneficial owners of Common Stock entitled to vote at the meeting having evidence of ownership, the authorized representative (one only) of an absent stockholder, and invited guests of management. **If you plan to attend the Annual Meeting and you hold your shares directly in your name, please vote your proxy but keep the admission ticket attached to your proxy card and bring it with you to the meeting.** Stockholders who hold their shares through a broker, bank, nominee, or other custodian will need to bring a copy of a brokerage or other statement reflecting their stock ownership as of the record date. You may be asked to present valid picture identification. Any person claiming to be an authorized representative of a stockholder must, upon request, produce written evidence of the authorization. In order to assure the holding of a fair and orderly meeting and to accommodate as many stockholders as possible who may wish to speak at the Annual Meeting, management will limit the general discussion portion of the meeting to one hour and permit only stockholders or their authorized representatives to address the meeting. In addition, management will require that all signs, banners, placards, handouts and similar materials be left outside the meeting room. If you need directions to the meeting, please contact the Company's Corporate Secretary at Con Edison, 4 Irving Place, New York, New York 10003.

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**MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING**

**ELECTION OF DIRECTORS**

*(Item 1 on Proxy Card)*

Twelve Directors are to be elected at the Annual Meeting to hold office until the next Annual Meeting and until their respective successors are elected and qualified. Directors are permitted to stand for election until they reach the mandatory retirement age of 72. Of the Board members standing for election, one (Kevin Burke) is a current officer of the Company. All of the nominees were elected Directors at the last Annual Meeting, other than Messrs. Killian and Ranger who were elected to the Board of Directors, effective September 1, 2007 and February 1, 2008, respectively. A professional search firm and a non-management director, respectively, assisted the Corporate Governance and Nominating Committee in connection with its recommendation of each of Messrs. Killian and Ranger.

The Company's management believes that all of the nominees will be able and willing to serve as Directors of the Company. All of the Directors also serve as Trustees of Con Edison's subsidiary, Consolidated Edison Company of New York, Inc. ( Con Edison of New York ). Mr. Burke also serves on the Board of Con Edison's subsidiary, Orange and Rockland Utilities, Inc. ( Orange & Rockland ).

Stephen R. Volk, who has served with distinction as a Director of Con Edison since 1997 and a Trustee of Con Edison of New York since 1996, will be retiring from the Board of Directors of Con Edison and the Board of Trustees of Con Edison of New York effective May 19, 2008 and therefore will not be standing for re-election. Con Edison's Board will adopt a resolution pursuant to Con Edison's Certificate of Incorporation, and Con Edison of New York's Board will amend Con Edison of New York's By-Laws, to reduce the number of members of the companies' respective Boards from thirteen to twelve, effective May 19, 2008.

The Board of Directors held seventeen meetings in 2007. At its meetings the Board considers a wide variety of matters involving such things as the Company's strategic planning, its financial condition and results of operations, its capital and operating budgets, personnel matters, succession planning, risk management, industry issues, accounting practices and disclosure and corporate governance practices.

In accordance with the Company's Corporate Governance Guidelines, the Chair of the Corporate Governance and Nominating Committee (currently Mr. Del Giudice) serves as Lead Director and, as such, chairs the executive sessions of the non-management Directors and the independent Directors. The Company's independent Directors met once in executive session and the non-management Directors met nine times in executive session during 2007.

Shares represented by every properly signed proxy will be voted at the Annual Meeting for the election of the Director nominees as provided herein, except where the stockholder giving the proxy withholds the right to vote or instructs otherwise. If one or more of the nominees is unable or unwilling to serve, the shares represented by the proxies will be voted for the other nominees and for any substitute nominee or nominees as may be designated by the Board.

**Information About Nominees**

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The name and age of each of the nominees, the years in which each was first elected a Director of the Company and Trustee of Con Edison of New York, the principal occupation and business experience of each during the past five years, the number of shares of Common Stock beneficially owned by each as of the close of business on January 31, 2008, their directorships in other publicly held business corporations and the more significant of their directorships in charitable and educational organizations as of January 31, 2008, are set forth below, based on information provided by the nominees.

The current nominees bring to the Company the benefit of their broad expertise and experience in many diverse fields.

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**Name, Age, Length of Service as a Director and Trustee**

**and Principal Occupation and Business**

**Experience During Past 5 Years**

**Peter W. Likins, Ph.D., 71**

President *Emeritus*, University of Arizona, Tucson, AZ, since July 2006. President, University of Arizona, from July 1997 to July 2006. Dr. Likins has been a Trustee of Con Edison of New York since 1978 and a Director of Con Edison since December 1997. Director of MMC Energy, Inc.

Common Stock Shares owned: 4,803

Deferred Stock Units owned: 18,874

**Eugene R. McGrath, 66**

Chairman of the Board of Con Edison from October 1997 through February 2006. Chairman of Con Edison of New York from September 1990 through February 2006. President and Chief Executive Officer of Con Edison from October 1997 until September 2005. Chief Executive Officer of Con Edison of New York from September 1990 to September 2005. Mr. McGrath has been a Trustee of Con Edison of New York since 1987, a Director of Con Edison since October 1997 and a Director of Orange & Rockland from July 1999 until September 2005. Director or Trustee, Associated Electric & Gas Insurance Services Limited, GAMCO Investors, Inc., Schering-Plough Corporation, and the Wildlife Conservation Society. Member, National Academy of Engineering.

Common Stock Shares owned: 772,585\*

Deferred Stock Units owned: 5,052

**Gordon J. Davis, 66**

Partner at Dewey & LeBoeuf LLP, Attorneys at Law, New York, NY, the firm resulting from the merger in October 2007 of LeBoeuf, Lamb, Greene & MacRae, LLP ( LeBoeuf ) and Dewey Ballantine LLP. Mr. Davis was a Senior Partner at LeBoeuf from November 2001 to October 2007. Mr. Davis has been a Trustee of Con Edison of New York since 1989 and a Director of Con Edison since December 1997. Director or Trustee, Dreyfus Funds, Groups III, VII and IX, Phoenix Companies, Inc., Jazz at Lincoln Center, Inc. (Founding Chairman Emeritus), New York Public Library and the Studio Museum in Harlem.

Common Stock Shares owned: 401

Deferred Stock Units owned: 17,222

\* Includes, as of January 31, 2008, 550,000 shares underlying exercisable stock options. As of such date, Mr. McGrath had no unexercisable stock options that were to become exercisable, and no unvested restricted stock units that were to vest, within 60 days.

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**Name, Age, Length of Service as a Director and Trustee**

**and Principal Occupation and Business**

**Experience During Past 5 Years**

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**Ellen V. Futter, 58**

President of the American Museum of Natural History, New York, NY since November 1993. Ms. Futter has been a Trustee of Con Edison of New York since 1989 and a Director of Con Edison since December 1997. Director or Trustee, American International Group, Inc., JPMorgan Chase & Co., Inc. and NYC & Company. Manager, Memorial Sloan-Kettering Cancer Center. Fellow or member, American Academy of Arts and Sciences and Council on Foreign Relations.

Common Stock Shares owned: 2,346

Deferred Stock Units owned: 13,434

**Sally Hernandez, 55**

Practicing Attorney at Law, New York, NY since January 2008. President of East Harlem Business Capital Corporation from July 2006 to December 2007. Executive Director of City Harvest, an organization dedicated to feeding hungry people in New York NY, from August 2005 to July 2006. Ms. Hernandez was a practicing Attorney at Law, New York, NY from January 2002 to August 2005. Ms. Hernandez has been a Trustee of Con Edison of New York since 1994 and a Director of Con Edison since December 1997.

Common Stock Shares owned: 3,064

Deferred Stock Units owned: 15,446

**Michael J. Del Giudice, 65**

Senior Managing Director at Millennium Credit Markets LLC, New York, NY, an investment banking firm, since 1996, and Chairman and Senior Managing Director of Rockland Capital Energy Investments, LLC, New York, NY since 2003. Mr. Del Giudice has been a Director of Con Edison since July 1999 and a Trustee of Con Edison of New York since May 2002. Director of Barnes and Noble, Inc., Fusion Telecommunications International, Inc., Reis, Inc. and Chairman of the Governor's Committee on Scholastic Achievement. Trustee and Vice Chair, New York Racing Association.

Common Stock Shares owned: 5,129

Deferred Stock Units owned: 14,296

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**Name, Age, Length of Service as a Director and Trustee**

**and Principal Occupation and Business**

**Experience During Past 5 Years**

---

**George Campbell Jr., Ph.D., 62**

President of The Cooper Union for the Advancement of Science and Art, New York, NY since July 2000. Dr. Campbell has been a Director of Con Edison and a Trustee of Con Edison of New York since February 2000. Trustee, Rensselaer Polytechnic Institute, Montefiore Medical Center and the Commission on Independent Colleges and Universities.

Common Stock Shares owned: 2,272

Deferred Stock Units owned: 15,994

**Vincent A. Calarco, 65**

Non-Executive Chairman of Newmont Mining Corporation, Denver, CO since January 2008. Chairman, President and CEO of Crompton Corporation (now Chemtura Corporation) (specialty chemicals, polymer products and equipment), Middlebury, CT from April 1985 to July 2004. Mr. Calarco has been a Director of Con Edison and a Trustee of Con Edison of New York since September 2001. Mr. Calarco also serves as a Director of CPG International, Inc., Citadel Plastics Company, and the Chairman of the Chemical Heritage Foundation and a Trustee of Saint Raphael Healthcare System.

Common Stock Shares owned: 400

Deferred Stock Units owned: 9,577

**Kevin Burke, 57**

Chairman of the Board of Con Edison and Con Edison of New York since February 2006. President and Chief Executive Officer of Con Edison and Chief Executive Officer of Con Edison of New York since September 2005. President and Chief Operating Officer of Con Edison of New York from September 2000 until September 2005. Mr. Burke has been a Director of Con Edison, a Trustee of Con Edison of New York and a Director of Orange & Rockland since September 2005. Director or Trustee, American Gas Association, Business Council of New York State, Edison Electric Institute, Electric Power Research Institute, Energy Association, New York Botanical Garden, Partnership of New York City, YMCA of Greater New York, Inc. and United Way of New York City.

Common Stock Shares owned: 330,005\*

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\* Includes, as of January 31, 2008, 267,000 shares underlying exercisable stock options, 0 shares underlying unexercisable stock options that were to become exercisable within 60 days and 20,936 vested restricted stock units. As of such date, Mr. Burke had no unvested restricted stock units that were to vest within 60 days.



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**Name, Age, Length of Service as a Director and Trustee**

**and Principal Occupation and Business**

**Experience During Past 5 Years**

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**L. Frederick Sutherland, 56**

Executive Vice President and Chief Financial Officer of ARAMARK Corporation, Philadelphia, Pennsylvania since 1997. Mr. Sutherland has been a Director of Con Edison and a Trustee of Con Edison of New York since April 2006. Member of the Trinity Board of Visitors at Duke University, President of the Board of Trustees of People's Light and Theater, and a Board member of WHYY, a PBS affiliate.

Common Stock Shares owned: 2,000

Deferred Stock Units owned: 3,516

**John F. Killian, 53**

President of Verizon Business, Basking Ridge, New Jersey since October 2005. Senior Vice President and Chief Financial Officer of Verizon Telecom from June 2003 until October 2005. Senior Vice President and Controller of Verizon Telecom from April 2002 until June 2003. Mr. Killian has been a Director of Con Edison and a Trustee of Con Edison of New York since September 2007. Trustee of National Urban League and Providence College.

Common Stock Shares owned: 0

Deferred Stock Units owned: 1,024

**Michael W. Ranger, 50**

Senior Managing Director of Diamond Castle Holdings LLC, New York, NY since 2004. Co-Chairman of DLJ Global Energy Partners from 2002 to 2004. Mr. Ranger has been a Director of Con Edison and a Trustee of Con Edison of New York since February 2008. Mr. Ranger is also a Director of Catamount Energy Corporation and a Trustee of St. Lawrence University and a member of the Boards of The Seeing Eye, Inc. and Morristown-Beard School.

Common Stock Shares owned: 0

Deferred Stock Units owned: 375\*

The number of shares of Common Stock beneficially owned as of January 31, 2008, by Mr. Volk (who is retiring effective May 19, 2008) and each of the executive officers (other than Mr. Bram who retired effective December 31, 2007) named in the Summary Compensation Table on page 31 who are not also nominees is set forth below.

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<u>Name</u>	<u>Shares Owned**</u>
Stephen R. Volk***	4,162
John D. McMahon	232,443
Louis L. Rana	22,261
Robert Hoglund	41,340

\* Deferred Stock Units owned effective February 1, 2008.

\*\* Includes, as of January 31, 2008, shares underlying exercisable stock options and vested restricted stock units for: Mr. Volk stock options: none, restricted stock units: none; Mr. McMahon stock options: 195,000, restricted stock units: 35,000; Mr. Rana stock options: 16,000, restricted stock units: 3,476; and Mr. Hoglund stock options: 25,000, restricted stock units: none. These officers had no other restricted stock units that were to vest, and no unexercisable stock options that were to become exercisable, within 60 days of January 31, 2008.

\*\*\* Mr. Volk also owned 25,018 deferred stock units as of January 31, 2008.

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As of January 31, 2008, no Director or executive officer was the beneficial owner of any other class of equity securities of Con Edison or beneficially owned more than .28 percent of the total outstanding Common Stock. As of the same date, all executive officers and members of the Board as a group beneficially owned 1,754,212 shares of Con Edison Common Stock (including 1,229,000 shares underlying stock options that were exercisable or were to become exercisable within 60 days; 91,708 restricted stock units that were vested or were to become vested within 60 days; and 139,829 deferred stock units) representing .64 percent of Con Edison's outstanding Common Stock. Each executive officer and member of the Board held his or her shares with sole voting power and sole investment power, except for the restricted stock units and deferred stock units (the holders of which have no voting rights or investment power) and shares as to which voting power, or investment power, or both, were shared with a spouse or a relative of such person.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Directors and executive officers of the Company to file reports of ownership and changes in ownership of the equity securities of the Company and its subsidiaries with the Securities and Exchange Commission and to furnish copies of these reports to the Company, within specified time limits. Based upon its review of the reports furnished to the Company for 2007 pursuant to Section 16(a) of the Act, the Company believes that all of the reports were filed on a timely basis.

## **Board Members Attendance**

During 2007 each incumbent member of the Board attended more than 75 percent of the combined meetings of the Board of Directors and the Board Committees on which he or she served.

Directors are expected to attend the Annual Meeting. All of the then current Directors attended the 2007 annual meeting of stockholders.

## **Corporate Governance**

Con Edison's corporate governance documents, including its Corporate Governance Guidelines, the charters of the Audit, Corporate Governance and Nominating and Management Development and Compensation Committees, and the Code of Ethics are available on the Company's website at [http://www.coned.com/investor/governance\\_documents.asp](http://www.coned.com/investor/governance_documents.asp). Con Edison stockholders may obtain printed copies of these documents by contacting the Company's Corporate Secretary, Con Edison, 4 Irving Place, New York, New York 10003. The Code of Ethics applies to all Directors, officers and employees. Con Edison intends to post on its website at [http://www.coned.com/investor/governance\\_documents.asp](http://www.coned.com/investor/governance_documents.asp) amendments to its Code of Ethics and a description of any waiver from a provision of the Code of Ethics granted by the Board to any Director or executive officer of Con Edison within four business days after such amendment or waiver.

## **Related Person Transactions and Policy**

The Company has adopted a written policy for approval of transactions between the Company and its Directors, Director nominees, executive officers, greater-than-5 percent beneficial owners, and their respective immediate family members, where the amount involved in the transaction

exceeds or is expected to exceed \$100,000 in a single calendar year.

The policy provides that the Corporate Governance and Nominating Committee reviews certain transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the Committee takes into account, among other factors it deems appropriate, whether the transaction is on terms that are no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. In addition, the Board has delegated authority to the Chair of the Committee to pre-approve or ratify transactions where the aggregate

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amount involved is expected to be less than \$1 million. A summary of any new transactions pre-approved by the Chair will be provided to the full Committee for its review in connection with a regularly scheduled Committee meeting.

The Committee has considered and adopted standing pre-approvals under the policy for limited transactions with related persons. Pre-approved transactions include:

business transactions with other companies at which a related person's only relationship is as an employee (other than an executive officer), director or less-than-10 percent beneficial owner if the amount of business falls below the thresholds in the New York Stock Exchange's listing standards and the Company's Director independence standards; and

contributions to non-profit organizations at which a related person's only relationship is as an employee (other than an executive officer) or director if the aggregate amount involved is less than both \$1 million and 2 percent of the organization's consolidated gross annual revenues.

At least annually, a summary of new transactions covered by the standing pre-approvals described above will be provided to the Committee for its review.

In 2007, Ms. Futter's brother received \$154,615 for providing legal services to Con Edison of New York and will provide such legal services in 2008. The provision of these services by Ms. Futter's brother was approved and ratified by the Committee.

## **Board Members Independence**

The Board of Directors has affirmatively determined that the following Directors are independent as defined in the New York Stock Exchange's listing standards: Mr. Calarco, Dr. Campbell, Mr. Davis, Mr. Del Giudice, Ms. Hernandez, Mr. Killian, Dr. Likins, Mr. Ranger, Mr. Sutherland and Mr. Volk.

To assist it in making determinations of Director independence, the Board has adopted independence standards, which are set forth in its Corporate Governance Guidelines, available on the Company's website at <http://www.coned.com/investor/pdfs/Guidelines.pdf>. Under these standards, the Board has determined that each of the relationships below is categorically immaterial and therefore, by itself, does not preclude a Director from being independent; provided, however, that if a Director has any relationship that would be required to be disclosed as a related person transaction under Securities and Exchange Commission rules, that relationship may not be treated as categorically immaterial and must be specifically considered by the Board in assessing the Director's independence:

- (i) (A) the Director has an immediate family member who is a current employee of the Company's internal or external auditor, but the immediate family member does not participate in the firm's audit, assurance or tax compliance practice; or (B) the Director or an immediate family member was, within the last three years, a partner or employee of such a firm but no longer works at the firm and did not personally work on the Company's audit while at the firm;

- (ii)

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the Director or an immediate family member is, or has been within the last three years, employed at another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee, but the Director or the Director's immediate family member is not an executive officer of the other company and his or her compensation is not determined or reviewed by that company's compensation committee;

- (iii) the Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in any of the last three fiscal years, but the total payments in each year were less than \$1 million, or 2 percent of such other company's consolidated gross revenues, whichever is greater;

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- (iv) the Director is a partner or the owner of 5 percent or more of the voting stock of another company that has made payments to, or received payments from, the Company for property or services in any of the last three fiscal years, but the total payments in each year were less than \$1 million, or 2 percent of such other company's consolidated gross revenues, whichever is greater;
- (v) the Director is a partner, the owner of 5 percent or more of the voting stock or an executive officer of another company which is indebted to the Company, or to which the Company is indebted, but the total amount of the indebtedness in each of the last three fiscal years was less than \$1 million, or 2 percent of such other company's consolidated gross revenues, whichever is greater; and
- (vi) the Director or an immediate family member is a director or an executive officer of a non-profit organization to which the Company has made contributions in any of the last three fiscal years, but the Company's total contributions to the organization in each year were less than \$1 million, or 2 percent of such organization's consolidated gross revenues, whichever is greater.

In assessing independence, the Board considered that certain Directors (Dr. Campbell and Messrs. Davis, Killian, Sutherland and Volk) are affiliated with organizations that do business with Con Edison. Con Edison made payments for property or services to these organizations in 2007. However, in each case, the payments made by Con Edison were less than 2 percent of the recipient organization's consolidated gross revenues and fell significantly below the thresholds in paragraphs (iii) and (iv) of Con Edison's Director independence standards disclosed above.

In assessing independence, the Board also considered that Dr. Campbell and one of his family members are executive officers of, or serve in a similar capacity for, non-profit organizations that received contributions from Con Edison in 2007. In addition, the Board considered that Dr. Campbell and Mr. Davis are directors of, or serve in a similar capacity for, such non-profit organizations. Because no organization received contributions of more than \$114,000, in each case, the amount of the contributions fell significantly below the threshold in paragraph (vi) of Con Edison's Director independence standards.

**Standing Committees of the Board**

*The Audit Committee*, composed of four independent Directors (currently Mr. Calarco, Chair; Mr. Del Giudice; Mr. Killian and Mr. Sutherland), is responsible for the appointment of the independent accountants for the Company, subject to stockholder approval at the Annual Meeting. The Committee also meets with the Company's management, including Con Edison of New York's General Auditor and General Counsel, and the Company's independent accountants, several times a year to discuss internal controls and accounting matters, the Company's financial statements, filings with the Securities and Exchange Commission, earnings press releases and the scope and results of the auditing programs of the independent accountants and of Con Edison of New York's internal auditing department. Each member of the Committee is independent as defined in the New York Stock Exchange's listing standards. Con Edison's Board of Directors has determined that each Director on the Audit Committee is an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K and is independent as such term is defined in Rule 10A-3 under the Securities and Exchange Act of 1934. The Audit Committee held seven meetings in 2007.

*The Corporate Governance and Nominating Committee*, composed of five independent Directors (currently Mr. Del Giudice, Chair; Mr. Calarco; Dr. Campbell; Ms. Hernandez; and Dr. Likins), annually evaluates each Director's individual performance when considering whether to nominate the Director for re-election to the Board and is responsible for recommending candidates to fill vacancies on the Board. In addition, the Committee assists with respect to the composition and size of the Board and of all Committees of the Board. The Committee also makes recommendations to the Board as to the compensation of Board members as well as other corporate governance matters, including Board independence criteria and determinations and corporate governance guidelines.

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All of the members of the Committee are independent as defined in the New York Stock Exchange's listing standards. Con Edison's Corporate Governance Guidelines provide that the Board of Directors consists of



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a substantial majority of Directors who meet the New York Stock Exchange definition of independence, as determined by the Board in accordance with the standards described in the Guidelines under Board Members Independence beginning on page 9. Among its duties, the Committee reviews the skills and characteristics of Director candidates as well as their integrity, judgment, business experience, areas of expertise and availability for service, factors relating to the composition of the Board (including its size and structure) and the Company's principles of diversity.

The Committee retains a professional search firm to identify director candidates. The search firm assists the Committee in developing criteria for potential Board members to complement the Board's existing strengths. Based on such criteria, the firm also provides the Committee, for its review and consideration, lists of potential candidates with background information. After consulting with the Committee, the firm further screens and interviews candidates as directed by the Committee to determine their qualifications, interest and any potential conflicts of interest and provides its results to the Committee. The Committee also considers candidates recommended by stockholders. There are no differences in the manner in which the Committee will evaluate candidates recommended by stockholders. The Committee will make an initial determination as to whether a particular candidate meets the Company's criteria for Board membership, and will then further consider candidates that do. Stockholder recommendations for candidates, accompanied by biographical material for evaluation, may be sent to the Secretary of the Company. Each recommendation should include information as to the qualifications of the candidate and should be accompanied by a written statement (presented to the Secretary of the Company) from the suggested candidate to the effect that the candidate is willing to serve.

The Committee has the authority under its charter to hire advisors to assist it in its decisions. It has retained Mercer to provide information, analyses, and objective advice regarding director compensation. The Committee has directed Mercer to compare the Company's non-employee director compensation program relative to a peer group. The chief executive officer is the Chairman of the Board and together with the other Board members considers the recommendations of the Committee. The decisions may reflect factors and considerations in addition to the information and advice provided by Mercer. The Corporate Governance and Nominating Committee held six meetings in 2007.

*The Environment, Health and Safety Committee*, composed of four non-management Directors (currently Ms. Futter, Chair; Mr. Davis; Ms. Hernandez; and Dr. Likins), provides advice and counsel to the Company's management on corporate environment, health and safety policies and on such other environment, health and safety matters as from time-to-time the Committee deems appropriate; reviews significant issues relating to the Company's environment, health and safety programs and its compliance with environment, health and safety laws and regulations; and makes such other reviews and recommends to the Board such other actions as it may deem necessary or desirable to help promote sound planning by the Company with due regard to the protection of the environment, health and safety. The Environment, Health and Safety Committee held four meetings in 2007.

*The Executive Committee*, composed of Mr. Burke, the Chairman of the Board and of the Committee, and four non-management Directors (currently Mr. Del Giudice; Dr. Likins; Mr. McGrath and Mr. Volk), may exercise during intervals between the meetings of each Board all the powers vested in the Board, except for certain specified matters. No meetings of the Executive Committee were held in 2007.

*The Finance Committee*, composed of six non-management Directors (currently Mr. Volk, Chair; Mr. Davis; Ms. Hernandez; Dr. Likins; Mr. Ranger and Mr. Sutherland), reviews and makes recommendations to the Board with respect to the Company's financial condition and policies, its dividend policy, bank credit arrangements, financings, investments, capital and operating budgets, major contracts and real estate transactions and litigation and other financial matters and reviews financial forecasts. The Finance Committee held eight meetings in 2007.

*The Management Development and Compensation Committee*, composed of four independent Directors (currently Dr. Campbell, Chair; Mr. Calarco; Mr. Del Giudice and Ms. Hernandez), makes recommendations to the Board relating to officer and senior management appointments, and establishes, reviews and administers the Company's executive compensation program.



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The Committee has the authority under its charter to engage the services of outside advisors, experts and others to assist it. The Committee engages Mercer to provide information, analyses, and objective advice regarding executive compensation. In 2007, the consultant attended three Committee meetings. For a discussion of the role of the Committee and information about the Company's processes and procedures for the consideration and determination of executive compensation, see the Compensation Discussion and Analysis Report beginning on page 18 of the Proxy Statement.

In addition, the Committee also reviews and makes recommendations as necessary to provide for orderly succession and transition in the executive management of the Company and receives reports and makes recommendations with respect to minority and female recruitment, employment and promotion. It also oversees and makes recommendations to the Board with respect to compliance with the Employee Retirement Income Security Act of 1974 (ERISA), and reviews and makes recommendations with respect to benefit plans and plan amendments, the selection of plan trustees and the funding policy and contributions to the funded plans, and reviews the performance of the funded plans. Each of the members of the Committee is independent as defined in the New York Stock Exchange's listing standards. The Management Development and Compensation Committee held six meetings in 2007.

The *Operations Oversight Committee*, composed of four non-management Directors (currently Dr. Likins, Chair, Dr. Campbell, Ms. Futter and Mr. McGrath), oversees the Company's efforts relating to its electric, gas and steam operations. The Operations Oversight Committee held two meetings in 2007.

The *Planning Committee*, composed of eight non-management Directors (currently Ms. Hernandez, Chair; Mr. Calarco; Mr. Davis; Mr. Del Giudice; Ms. Futter; Dr. Likins; Mr. McGrath and Mr. Volk), reviews and makes recommendations to the Board regarding long-range planning for the Company. The Planning Committee held two meetings in 2007.

## **Compensation Committee Interlocks and Insider Participation**

Mr. Calarco, Dr. Campbell (Chair), Mr. Del Giudice, Ms. Hernandez and Mr. Salerno (who retired from the Board effective May 21, 2007) were on Con Edison's Management Development and Compensation Committee in 2007. The Company believes that there are no interlocks with the members who serve on this Committee.

## **Communications with the Board of Directors**

Interested parties may communicate directly with the members of the Board of Directors, including the non-management Directors as a group, by writing to them, in care of the Company's Corporate Secretary, Con Edison, 4 Irving Place, New York, New York 10003. The Secretary will forward all communications to the Director or the Directors indicated.

**Table of Contents****Report of the Audit Committee**

The Company's Audit Committee consisted of three independent Directors in 2007. Each member of the Audit Committee meets the qualifications required by the New York Stock Exchange and Securities and Exchange Commission. The current charter of the Audit Committee is available at [http://www.coned.com/investor/governance\\_documents.asp](http://www.coned.com/investor/governance_documents.asp).

The Audit Committee has reviewed and discussed with management the audited financial statements of the Company for the year ended December 31, 2007. The Audit Committee has also discussed with PricewaterhouseCoopers LLP ( PwC ), the Company's independent public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended.

The Audit Committee has received the written disclosures and the letter from PwC required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee has discussed with PwC its independence and qualifications. The Audit Committee also has considered whether the provision of limited non-audit services to the Company is compatible with the independence of PwC and concluded that it was.

Based on the Audit Committee's review and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission.

The Audit Committee

Vincent A. Calarco

Michael J. Del Giudice

L. Frederick Sutherland

**Fees Paid to PricewaterhouseCoopers LLP**

Fees paid or payable to PwC for services related to 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Audit Fees	\$ 4,330,500	\$ 4,131,777
Audit-Related Fees <sup>(a)</sup>	\$ 863,080	\$ 511,532

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Tax Fees	\$	\$
All Other Fees <sup>(b)</sup>	\$ 16,000	\$ 40,200
	<u>          </u>	<u>          </u>
<b>TOTAL FEES</b>	<b>\$ 5,209,580</b>	<b>\$ 4,683,509</b>
	<u>          </u>	<u>          </u>

- 
- (a) Relates to assurance and related service fees that are reasonably related to the performance of the annual audit or quarterly reviews of the Company's financial statements that are not specifically deemed Audit Services. The major items included in Audit-Related Fees in 2007 and 2006 are fees for audits of the Company's pension and other benefit plans. Additionally, in 2007 PwC reviewed the Company's energy trading processes.
- (b) Relates to permissible fees other than those described above. The major items included in All Other Fees are software-licensing and seminar fees.

The Audit Committee, or as delegated by the Audit Committee, the Chair of the Committee, approves in advance each auditing service and non-audit service permitted by applicable laws and regulations, including tax services, to be provided to the Company and its subsidiaries by its independent accountants.

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**MANAGEMENT PROPOSAL**

*(Item 2 on Proxy Card)*

**Proposal No. 2** Ratification of the Appointment of PricewaterhouseCoopers LLP ( PwC ) as Independent Accountants for the Year 2008.

At the Annual Meeting, as a matter of sound corporate governance, stockholders will be asked to ratify the selection of PwC as independent accountants for the Company for the year 2008. If the selection of PwC is not ratified, the Audit Committee will take this into consideration in the future selection of independent accountants.

PwC has acted as independent accountants for the Company for many years. The Audit Committee's charter provides that at least once every five years, the Audit Committee will evaluate whether it is appropriate to rotate the Company's independent accountants.

Before the Audit Committee determined to appoint PwC, it considered the firm's qualifications. This included a review of PwC's performance in prior years, as well as PwC's reputation for integrity and for competence in the fields of accounting and auditing. The Audit Committee also reviewed a report provided by PwC regarding its quality controls, inquiries or investigations by governmental or professional authorities and independence.

Representatives of PwC will be present at the Annual Meeting and will be afforded the opportunity to make a statement if they desire to do so and to respond to appropriate questions.

**The Board Recommends a Vote FOR Proposal No. 2.**

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Adoption of Proposal No. 2 requires the affirmative vote of a majority of the shares of Common Stock voted on the proposal at the Annual Meeting.

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**MANAGEMENT PROPOSAL**

*(Item 3 on Proxy Card)*

**Proposal No. 3** Approval of the Performance Goals under the Company's Long Term Incentive Plan

The Board of Directors recommends that shareholders approve the performance goals for performance-based incentives under the Company's Long Term Incentive Plan (the Incentive Plan) to preserve the Company's ability to deduct compensation associated with future performance-based restricted stock and performance unit awards to be made under the Incentive Plan.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) places a limit of \$1,000,000 on the amount the Company may deduct in any one year for compensation paid to its chief executive officer and each of its other four most highly-compensated executive officers. There is, however, an exception to this limit for certain performance-based compensation. Certain awards made pursuant to the Incentive Plan may constitute performance-based compensation not subject to the deductibility limitation of Section 162(m) of the Code. However, in order to continue to qualify for this exception, the shareholders must approve, every five years, the material terms of the performance goals of the Incentive Plan. Shareholders last approved the Incentive Plan's performance goals in 2003 in connection with the approval of the Incentive Plan.

**Eligibility and Participation**

Awards may be granted under the Incentive Plan to those officers, directors and employees of the Company and its subsidiaries as the plan administrator from time to time selects. The Management Development and Compensation Committee is the plan administrator with respect to awards to officers and other employees under the Incentive Plan and the Corporate Governance and Nominating Committee is the plan administrator with respect to awards to members of the Board of Directors. The approximate number of persons who currently are eligible to participate under the Incentive Plan is 4,900.

**Performance Goals**

Performance goals may be based on one or more of the following measures: net income, adjusted net income, return on equity, adjusted return on equity, return on assets, adjusted return on assets, total shareholder return, common stock fair market value, earnings before income taxes, adjusted earnings before income taxes, earnings per share, adjusted earnings per share, operating revenue, adjusted operating revenue, operating income or adjusted operating income. Performance goals may be measured solely on a corporate-wide basis or established with respect to one or more operating units, acquired businesses, partnerships or joint ventures, and may be measured on an absolute basis or relative to selected peer companies or a market index.

**Description of the Incentive Plan**

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A summary of other significant terms of the Incentive Plan is included in Appendix A to this proxy statement, and is qualified in its entirety by reference to the actual text of the Incentive Plan which was filed as Appendix A to the Company's proxy statement for the 2003 Annual Meeting of Stockholders and is incorporated herein by reference. A copy of the Incentive Plan also can be obtained upon request from the Secretary of the Company.

*Maximum Shares Available Under the Incentive Plan.* A maximum aggregate of 10,000,000 shares of Common Stock ( Shares ) were authorized under the Incentive Plan, and, of that amount, at least 6,000,000 are to be in the form of stock options or stock appreciation rights. The remaining 4,000,000 shares may be granted in the form of restricted stock, stock units and performance-based restricted stock or performance units. As of January 31, 2008, an aggregate of 2,578,885 shares of common stock, excluding adjustments for forfeited shares, remain available of which at least 81,050 may only be in the form of stock options or stock appreciation rights and the balance may be granted in a combination of restricted stock, stock units and performance-based restricted stock or performance units. The aggregate number of Shares that may be granted to a single individual shall not exceed 1,500,000.

If the performance goals are not approved by shareholders, the Incentive Plan will continue in effect; however, in accordance with Section 162(m) of the Code, the Company's ability to deduct performance-based compensation under the Plan will be limited as described above.



**Table of Contents****The Board Recommends a Vote FOR Proposal No. 3.**

Adoption of Proposal No. 3 requires the affirmative vote of a majority of the shares of Common Stock voted on the proposal at the Annual Meeting.

**Equity Compensation Plan Information**

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders			
Stock options	6,596,850	\$ 43.072	2,829,751
Restricted stock	114,505	N/A	3,425,495
Total equity compensation plans approved by security holders	6,711,355		6,255,246
Total equity compensation plans not approved by security holders	40,000	N/A	N/A
Total	6,751,355	N/A	6,255,246

For additional information about the Company's stock-based compensation, see Note M to the Company's financial statements on Form 10-K for the year-ended December 31, 2007.

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**STOCKHOLDER PROPOSAL**

*(Item 4 on Proxy Card)*

**Proposal No. 4** Mrs. Evelyn Y. Davis, Watergate Office Building, 2600 Virginia Avenue, N.W., Suite 215, Washington, D.C. 20037, who owns 200 shares of Common Stock, has submitted the following proposal:

RESOLVED: That the stockholders recommend that the Board take the necessary steps that Con Edison specifically identify by name and corporate title in all future proxy statements those executive officers, not otherwise so identified, who are contractually entitled to receive in excess of \$500,000 annually as a base salary, together with whatever other additional compensation bonuses and other cash payments were due them.

The statement made in support of this proposal is as follows:

In support of such proposed Resolution it is clear that the stockholders have a right to comprehensively evaluate the management in the manner in which the Corporation is being operated and its resources utilized. At present only a few of the most senior executive officers are so identified, and not the many other senior executive officers who should contribute to the ultimate success of the Corporation. Through such additional identification the stockholders will then be provided an opportunity to better evaluate the soundness and efficacy of the overall management.

Last year the owners of 19,595,833 shares, representing approximately 14.2% of shares voting, voted FOR this proposal.

If you AGREE, please mark your proxy FOR this proposal.

**The Board of Directors Recommends That You Vote AGAINST Proposal No. 4 for the Following Reasons:**

Disclosure of executive compensation is governed by the Securities and Exchange Commission's proxy solicitation rules. In accordance with those rules, Con Edison currently provides information on pages 18 through 49 of the Proxy Statement concerning compensation for its highest paid executive officers. All of the Company's executive officers who received in excess of \$500,000 in base salaries in 2007 are listed on the Summary Compensation Table on page 31 of the Proxy Statement. The proposal would not result in any additional disclosure in the Proxy Statement.

**The Board of Directors Recommends a Vote AGAINST Proposal No. 4.**

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Adoption of the preceding stockholder proposal (Proposal 4) requires the affirmative vote of a majority of shares of Common Stock voted on the proposal at the Annual Meeting.

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**EXECUTIVE COMPENSATION**

**REPORT OF THE MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE**

The Management Development and Compensation Committee of the Board of Directors of the Company (the *Committee*), is composed of four independent Directors. The Committee establishes, reviews and administers the Company's executive compensation program for the Chief Executive Officer and the other members of senior management, including the named executive officers listed on the Summary Compensation Table, and determines the compensation of such officers.

The Committee has reviewed and discussed the Compensation Discussion and Analysis report (the *CD&A*) for 2007 with management of the Company. Based on this review and discussion, the Committee recommended to the Board of Directors that the CD&A be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and this Proxy Statement.

Management Development and Compensation Committee:

George Campbell, Jr. (Chair)

Vincent A. Calarco

Michael J. Del Giudice

Sally Hernandez

**COMPENSATION DISCUSSION AND ANALYSIS REPORT**

**Introduction**

This section of the proxy statement provides management's discussion and analysis of the Company's 2007 executive compensation program. The discussion and analysis addresses:

- I. The overview, philosophy and objectives of the Company's compensation program;
- II. The role of the Management Development and Compensation Committee of the Company's Board of Directors (the *Committee*) and others in determining executive compensation;

- III. The Committee's actions with respect to executive compensation;
- IV. Retirement and other benefits;
- V. Stock ownership guidelines; and
- VI. Tax implications relating to the program.

**I. Compensation Program Overview, Philosophy and Objectives**

**A. Compensation Program Overview**

The compensation program consists of the following components:

Base salary;

Annual cash incentive compensation;

Long-term incentive compensation;

Retirement and welfare benefits; and

Perquisites and personal benefits.

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The program covers the Company's officers, including the following officers named in the Summary Compensation Table on page 31 (the *Named Executive Officers*):

Kevin Burke, Chairman of the Board, President and Chief Executive Officer;

Robert Hoglund, Senior Vice President and Chief Financial Officer;

Stephen B. Bram, Group President, Competitive Energy Businesses;

Louis L. Rana, President and Chief Operating Officer, Con Edison of New York; and

John D. McMahon, President and Chief Executive Officer, Orange and Rockland.

## **B. Compensation Philosophy and Objectives**

The Committee has established the following philosophy and objectives to govern the development and implementation of the Company's compensation program. There are no material differences in the Company's compensation policies for each Named Executive Officer.

### ***(i) Competitive Positioning Attraction and Retention***

The Company's compensation program is designed to assist us in attracting and retaining key executives critical to the Company's long-term success. The Committee seeks to provide base salary, target annual cash incentive awards and target long-term incentive award values that are competitive with levels of compensation provided by the Company's peer group of companies (see *Compensation Peer Group* on page 20). In addition, the compensation program provides retirement and welfare benefits, and perquisites and personal benefits that are competitive with those provided by the peer group.

### ***(ii) Pay-Performance Alignment***

The compensation program motivates our officers to help create value for the Company's shareholders. Compensation paid to our officers is aligned with the Company's performance on both a short-term and long-term basis. Awards under the Company's annual incentive plan are based on achieving financial and operational objectives critical to the performance of the Company's businesses. Awards of performance restricted stock units under the Company's long term incentive plan are based on achieving financial and operational goals and shareholder return relative to the compensation peer group.

## **II. The Role of the Committee and Others in Determining Executive Compensation**

**A. Committee's Role**

The role of the Committee is to oversee the Company's compensation and benefit plans and policies, administer its equity plans and annual incentive plan and review and approve annually all compensation relating to the Named Executive Officers. All of the decisions with respect to determining the amount or form of compensation of the Named Executive Officers under the Company's compensation program are made by the Committee.

**B. Management's Role**

The role of the Company's chief executive officer with respect to determining the amount or form of the compensation of the other Named Executive Officers is to provide his recommendations to the Committee. He is not present when the Committee determines his compensation. The chief executive officer considers the following in making his recommendations:

Individual performance of the Named Executive Officers;

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The Named Executive Officer's contribution towards the Company's long-term performance;

The scope of their individual responsibilities; and

Survey data provided by the Committee's compensation consultant.

The Company's Human Resources department also supports the Committee in its work.

**C. Compensation Consultant's Role**

The Committee has the authority under its charter to hire advisors to assist it in its compensation decisions. It has retained Mercer, its compensation consultant, to provide information, analyses, and objective advice regarding executive compensation. The Committee's decisions reflect factors and considerations in addition to the information and advice provided by Mercer. The Committee has directed Mercer to:

Assist the Committee in the development and assessment of the compensation peer group for the purposes of providing competitive market information for the design of the compensation program;

Compare the Company's chief executive officer's base salary, annual incentive and long-term incentive compensation to that of the chief executive officers of the identified peer group and broader industry;

Advise the Committee on the officers' base salaries and target award levels within the annual and long-term incentive program;

Advise the Committee on the design of the Company's annual and long-term incentive plans and also provide advice on the administration of the plans;

Brief the Committee on executive compensation trends among the Company's peers and broader industry; and

Assist with the preparation of the Compensation Discussion and Analysis for this Proxy Statement.

Mercer also periodically advises the Company's Corporate Governance and Nominating Committee on the Company's non-employee director compensation program.

**III. Committee Actions with Respect to Executive Compensation**

**A. Compensation Peer Group**



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For 2007, the Committee adopted an industry peer group of twenty publicly-traded utility companies of comparable size and scope to the Company for the purposes of providing benchmark information on compensation levels provided to our officers, as well as measuring relative shareholder returns for the vesting of performance restricted stock unit awards.

The compensation peer group consists of the following companies:

Ameren Corporation	FirstEnergy Corp.
American Electric Power Company, Inc	FPL Group, Inc.
CenterPoint Energy, Inc.	NiSource, Inc.
Constellation Energy Group, Inc.	Pepco Holdings, Inc.
Dominion Resources Inc.	PG&E Corporation
DTE Energy Company	PPL Corporation
Duke Energy Corporation	Progress Energy, Inc.
Edison International	Sempra Energy
Entergy Corporation	The Southern Company
Exelon Corporation	Xcel Energy Inc.

**Table of Contents****B. Compensation Relative to Company Peer Group Median**

In 2007, our Named Executive Officers' total direct compensation compared to our peer group median was as follows:

Name & Principal Position	Company Target Compensation Relative to Peer Group Median Target			
	Base Salary	Total Cash Compensation (Base Salary + Annual Incentive)	Long-Term Incentive Compensation	Total Direct Compensation
Kevin Burke Chairman of the Board, President and Chief Executive Officer	100%	96%	86%	89%
Other Named Executive Officers (Average)	107%	105%	42%	70%

**C. Base Salary**

A portion of each officer's annual cash compensation is paid in the form of base salary. Base salary is reviewed on an annual basis to recognize individual performance, as well as at the time of a promotion or other change in responsibilities. Merit increases normally take effect on January 1<sup>st</sup> of each year.

In setting base salary for the Company's Named Executive Officers, including the chief executive officer, the Committee considers various factors, including

Recommendations from the chief executive officer for the Named Executive Officers (other than the chief executive officer);

A general assessment of each Named Executive Officer's performance of his or her responsibilities; and

Level of base salary compared to executives holding equivalent positions in the compensation peer group.

Effective January 1, 2007, base salary merit increases for the Named Executive Officers as a group increased by an average of 4.8 percent over year-end 2006 base salaries. The 2007 base salary of each Named Executive Officer is set forth in the "Salary" column of the Summary Compensation table on page 31.

**D. Annual Incentive Compensation**

*(i) Awards for Performance*

A significant portion of the annual cash compensation paid to the officers is directly related to Company performance and factors that influence shareholder value.

Individual performance is taken into consideration in setting annual incentive compensation through the establishment by the Committee of financial and operating objectives for which the Named Executive Officers have individual and collective responsibility. In 2007, Con Edison of New York's annual incentive plan was amended to include, in addition to officers of Con Edison of New York, the President and Chief Executive Officer of Orange and Rockland, Mr. McMahon, and Con Edison's Group President, Competitive Energy Businesses, Mr. Bram. Previously, annual incentive compensation was awarded to the Named Executive Officers under separate plans. The reason for the change was to reflect the overall scope of corporate responsibilities in addition to the Named Executive Officer's organizational responsibilities.

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***(ii) Potential Awards***

For 2007, the Committee set the range of the award that each Named Executive Officer was eligible to receive under the annual incentive plan after considering various factors, including:

Recommendations from the chief executive officer for the Named Executive Officers (other than the chief executive officer);

A general assessment of each Named Executive Officer's performance of his or her responsibilities; and

Level of annual incentive compensation compared to executives holding equivalent positions in the compensation peer group.

The range of awards included threshold, target and maximum levels reflecting differing levels of achievement of the various financial and operating objectives. Awards are scaled to reflect relative levels of achievement of the objectives between the threshold, target and maximum levels. The range of each Named Executive Officer's potential award is set forth on the Grants of Plan-Based Awards table on page 32. Awards under the annual incentive plan are designed to provide a competitive level of compensation if the officers achieve the target financial and operating objectives. Over the past three years, the aggregate actual awards to the Named Executive Officers ranged from 84.7 percent to 105.3 percent of aggregate target awards. Pursuant to the terms of the annual incentive plan, the Committee has the discretion to adjust (upward or downward) the actual awards to be paid to an officer.

***(iii) Calculation of 2007 Incentive Awards***

Awards under the annual incentive plan are calculated as follows:

$$\text{Base Salary} \quad X \quad \text{Target Percentage} \quad X \quad \text{Weighting Earned}$$

*Base Salary* is the annual base salary of the officer as of the end of the year to which the award relates, and is determined as discussed under the caption *Base Salary* on page 21.

*Target Percentage* is a percentage of base salary that varies based on position. The chief executive officer's target is 100 percent; the target for the president of each of Con Edison of New York and Orange and Rockland is 80 percent; the target for the group president for competitive energy businesses is 60 percent and the chief financial officer's target is 50 percent.

*Weighting Earned* is the sum of the weightings earned for the financial and operating objectives. For each officer, target weightings totaling 100 percent are assigned to each of the officer's objectives. Weightings earned reflect achievement of the objectives and may vary from zero to 120 percent.

*(iv) Financial Objectives*

The financial objectives under the annual incentive plan were selected as those most indicative of the Company's success. For 2007, the financial objectives had adjusted net income and other financial performance components.

The *adjusted net income* component, reflecting the financial results of the Company's business for which our officers are responsible and accounting for 50 percent of each Named Executive Officer's potential award, was the adjusted Company net income, for Messrs. Burke, Heglund and Bram, and adjusted regulated net income (the total for Con Edison of New York and Orange and Rockland), for Messrs. Rana and McMahon. Adjusted net income excludes the net mark-to-market effects of the Company's competitive energy businesses and any extraordinary non-recurring items identified by the Company after the performance target had been determined. The Committee did not exclude any non-recurring items with respect to the 2007 awards.

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2007 target net income and actual adjusted net income were:

	<u>Target</u>	<u>Actual</u>
	(in millions)	
<b>Adjusted Company net income</b>	\$ 837	\$ 934
<b>Adjusted Regulated net income</b>	\$ 838	\$ 890

If adjusted net income is less than or equal to 90 percent of the target net income, no annual incentive awards are made.

The *other financial performance* component, reflecting the responsibilities of the Named Executive Officer and accounting for 20 percent of each Named Executive Officer's potential award was comprised of one or more of the Con Edison of New York and Orange and Rockland operating budgets or objectives for the competitive energy businesses relating to operations and maintenance expense, capital expenditures, dividend payout and value at risk exposure.

2007 target operating budgets and actual expenditures were:

	<u>Target</u>	<u>Actual</u>
	(in millions)	
<b>Con Edison of New York</b>	\$ 1,140	\$ 1,168
<b>Orange and Rockland</b>	\$ 171	\$ 172

**(v) Operating Objectives**

The operating objectives, accounting for 30 percent of each Named Executive Officer's potential award, were designed to encourage sustained or improved performance regarding specific matters that are important to day-to-day operations of the Company's businesses. There were numerous objectives for:

Employee safety;

Electric, gas and steam system performance;

Customer service;

Environmental performance; and

Employee development.

For the competitive businesses, there were also objectives for gross margins, retail sales and collections, financial and regulatory controls and ethical behavior.

The operating objectives chosen represent a number of key safety and performance indicators that guide the Company to serve our customers in a safe, effective, and efficient manner. These measures are recognized across our peer group and industry.

**Table of Contents****(vi) 2007 Financial and Operating Performance**

The following table shows, for each Named Executive Officer, the target weightings assigned to the financial and operating objectives and the weightings earned based on achievement of the objectives. The weightings of the subsidiaries for the chief executive officer and the chief financial officer are based on each subsidiary's relative contribution to the Company's net income.

Objectives	Chairman of the Board President and Chief Executive Officer		Senior Vice President and Chief Financial Officer		Group President, Competitive Energy Businesses		President and Chief Operating Officer		President and Chief Executive Officer, Orange and Rockland	
	Target	Earned	Target	Earned	Target	Earned	Target	Earned	Target	Earned
<b>Net Income</b>										
Adjusted Company Net Income	50%	60.0%	50%	60.0%	50%	60.0%				
Adjusted Regulated Net Income							50%	55.0%	50%	55.0%
<b>Other Financial Performance</b>										
Con Edison of New York	18%	14.4%	18%	14.4%			20%	16.0%		
Orange and Rockland	1%	0.9%	1%	0.9%					20%	18.0%
Competitive Energy Businesses	1%	1.0%	1%	1.0%	20%	20.0%				
<b>Operating Performance</b>										
Con Edison of New York	27%	29.7%	27%	29.7%			30%	33.0%		
Orange and Rockland	2%	1.4%	2%	1.4%					30%	21.0%
Competitive Energy Businesses	1%	1.1%	1%	1.1%	30%	33.0%				
<b>Total</b>	<b>100%</b>	<b>108.5%</b>	<b>100%</b>	<b>108.5%</b>	<b>100%</b>	<b>113.0%</b>	<b>100%</b>	<b>104.0%</b>	<b>100%</b>	<b>94.0%</b>

**(vii) 2007 Incentive Awards**

In January 2008, the Committee evaluated and determined whether the applicable financial and operating objectives were satisfied. In assessing performance against the objectives, the Committee considered actual results achieved against the specific targets associated with each objective and determined that the 2007 incentive awards appropriately reflected performance.



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The following table shows the calculation of the 2007 awards for each Named Executive Officer:

Name & Principal Position	Base Salary	X	Target Percentage	X	Weighting Earned*	=	2007 Award*
Kevin Burke Chairman of the Board, President and Chief Executive Officer	\$ 1,050,000		100%		108.5%		\$ 1,107,750
Robert Høglund Senior Vice President and Chief Financial Officer	\$ 561,200		50%		108.5%		\$ 296,000
Stephen B. Bram Group President, Competitive Energy Businesses	\$ 645,000		60%		113%		\$ 453,000
Louis L. Rana President and Chief Operating Officer, Con Edison of New York	\$ 620,200		80%		104%		\$ 501,000
John D. McMahon President and Chief Executive Officer, Orange and Rockland	\$ 695,000		80%		94%		\$ 523,000

\* The Committee exercised its discretion to reduce the weightings earned for the 2007 award by approximately three percent for Messrs. Burke, Høglund and Rana, and to increase the weighting earned for Mr. Bram's 2007 award by approximately four percent.

**E. Long-Term Incentive Compensation***(i) Awards for Performance*

Officers are eligible to receive equity-based awards under the Company's long-term incentive plan. The Committee determines the target long-term incentive award value for each Named Executive Officer based on various factors, including:

Recommendations from the chief executive officer for the Named Executive Officers (other than the chief executive officer);

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A general assessment of each Named Executive Officer's performance of his or her responsibilities; and

Level of long-term incentive compensation compared to executives holding equivalent positions in the compensation peer group.

### *(ii) Performance Restricted Stock Unit Awards*

It is the Committee's practice at its January meeting each year to make annual awards under the long-term incentive plan to the Company's officers and to authorize the chief executive officer to make annual awards under the plan to the Company's employees (other than officers) effective each April. In 2007, however, the Committee considered the annual award to the chief executive officer at its January meeting and, after additional consideration, made the award in February. The number of stock units awarded in January 2007 to the Named Executive Officers is shown in the Grants of Plan-Based Awards table on page 32.

For 2007, the Committee reviewed the long-term incentive compensation element of the compensation program and determined that its objective of increasing shareholder value by emphasizing the importance of relative performance would be better served by granting long-term incentive awards consisting solely of performance restricted stock units instead of a mixture of stock options and stock units as was awarded for 2006.

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The rationale for granting stock units rather than stock options included:

Lower price volatility of the Company's common stock due to an emphasis on dividends;

Changes in accounting rules that require recognition of compensation expense when stock options are granted at fair value; and

Higher perceived value among employees of long-term incentive awards consisting of restricted stock units.

The stock units provide for the right to receive one share of Company common stock (or a cash payment equal to the fair market value of one share of Company common stock) for each stock unit granted, subject to the satisfaction of certain pre-established long-term performance objectives. Officers may elect to defer the receipt of the cash value of the award into the Company's supplemental savings plan or to defer the receipt of the shares. Dividends are not paid on the units until the award vests.

***(iii) Calculation of 2007 Performance Restricted Stock Units***

Actual payouts of the stock units, if any, are calculated by a non-discretionary formula as follows:

*Award X 50% X Incentive Plan Percentage*

*plus*

*Award X 50% X Shareholder Return Percentage*

*Award* is the annual award of performance restricted stock units under the long-term incentive plan. The target award is a percentage of base salary that varies based on position. The chief executive officer's target award is 350 percent; the target award for presidents of the Company's subsidiaries is 100 percent; and the target award for each of the group president of competitive energy businesses and the chief financial officer is 65 percent.

*Incentive Plan Percentage* is the average payout under the Company's annual incentive plans over the performance period beginning on January 1, 2007 and ending on December 31, 2009. See "Annual Incentive Compensation Awards for Performance" starting on page 21.

*Shareholder Return Percentage* is the weighting earned based on the cumulative change in Company shareholder returns over the performance period compared with the compensation peer group as constituted on the date of grant. In the event that the companies that make up the peer

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group change during the performance period, the Committee will use the peer group as constituted on the date of grant (except in the case of a business combination of entities that make up the peer group, in which case the surviving entity is reflected in the peer group). The levels of awards that will be earned are:

### Ratio of Company's Shareholder Returns vs.

Compensation Peer Group	Weighting Earned
75 <sup>th</sup> or greater	150%
70 <sup>th</sup>	140%
65 <sup>th</sup>	130%
60 <sup>th</sup>	120%
55 <sup>th</sup>	110%
50 <sup>th</sup>	100%
45 <sup>th</sup>	85%
40 <sup>th</sup>	70%
35 <sup>th</sup>	55%
30 <sup>th</sup>	40%
25 <sup>th</sup>	25%
Below 25 <sup>th</sup>	0%

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Actual payout of the stock unit awards to the officers may vary from zero up to a maximum of 135 percent of such award, based on actual performance over the performance period. The maximum payout of the stock unit awards represents the weighted average of (i) the maximum payout of the stock unit awards that vest based on payouts from the annual incentive plan (120 percent), plus (ii) the maximum payout of the stock unit awards that vest based on the cumulative change in shareholder returns (150 percent).

The Committee believes that shareholder return is the performance measure that most closely helps the Company to achieve its overall compensation philosophy by aligning executive rewards with the creation of shareholder value, as articulated in our compensation philosophy. Shareholder return is balanced with the annual operating and financial measures of the annual incentive plan to further align executives' rewards with other key Company performance objectives which shareholder return does not fully capture.

The Committee may adopt different performance measures for the stock unit grants, from time to time, as it deems appropriate at the time of grant.

**(iv) Payout of 2005 Awards**

Each January, following the end of the relevant performance period for each outstanding stock unit award, the Company's achievement of the performance measures is reviewed by the Committee. The Committee evaluates and approves the Company's performance relative to the performance measures and pays out the stock units in either cash and/or shares of Company common stock (as elected by the officer) based on the attainment of such performance measures.

The following table shows, for each Named Executive Officer, the calculation of the payout with respect to the stock units for the 2005-2007 performance period:

Name & Principal Position	Award × 50%	×	Incentive Plan Percentage	+	Award × 50%	×	Shareholder Return Percentage	=	2005-2007 Payout Total
Kevin Burke Chairman of the Board, President and Chief Executive Officer	8,000		97.7%		8,000		40.0%		11,016
Robert Høglund Senior Vice President and Chief Financial Officer	1,500		97.7%		1,500		40.0%		2,066
Stephen B. Bram Group President,	5,000		106.0		5,000		40.0%		7,300

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Competitive Energy Businesses

Louis L. Rana	1,000	96.2%	1,000	40.0%	1,362
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President and Chief

Operating Officer,

Con Edison of New York

John D. McMahon	2,500	99.7%	2,500	40.0%	3,493
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President and Chief

Executive Officer, Orange and Rockland

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**IV. Retirement and Other Benefits**

**A. Retirement and Welfare Benefits**

The compensation program provides employees with a range of retirement and welfare benefits that reflects the competitive practices of the industry and assists the Company in attracting, retaining and motivating employees critical to the Company's long term success. Officers are eligible for benefits under the following Company plans:

Tax-qualified retirement plan and its related non-qualified supplemental plan;

Tax-qualified savings plan and its related non-qualified supplemental plan;

Stock purchase plan; and

Health and welfare plans.

***(i) Retirement Plans***

A tax-qualified retirement plan covers substantially all the Company's employees. All employees whose benefits under the plan are limited by the Internal Revenue Code are eligible to participate in a supplemental retirement plan. The plans are described in the narrative to the Pension Benefits table on page 35.

The estimated retirement benefits payable to the Named Executive Officers (determined on a present value basis) are set forth in the Pension Benefits table.

***(ii) Company Savings Plans***

A tax-qualified savings plan covers substantially all of the Company's employees. All employees whose benefits under the plan are limited by the Internal Revenue Code, are eligible to participate in a supplemental plan. Officers may also defer a portion of their salary into the supplemental savings plan. The plans are described in the narrative to the Nonqualified Deferred Compensation table on page 37.

Company matching contributions allocated to the Named Executive Officers under the savings plans are included in the All Other Compensation column of the Summary Compensation table on page 31.

*(iii) Stock Purchase Plan*

The stock purchase plan covers substantially all of the Company's employees and provides the opportunity to purchase shares of Company common stock. The plan is described in Note M to the financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. Company matching contributions allocated to the Named Executive Officers under the plan are included in the All Other Compensation column of the Summary Compensation table.

*(iv) Health and Welfare Plans*

Active employee benefits such as medical, dental, life insurance and disability coverage are available to all employees through the Company's flexible benefits plans. Employees contribute towards the cost of the plan by paying a portion of the premium costs on a pre-tax basis. Under the plan, employees can purchase a higher level of coverage than that provided to employees generally. The Company also provides all employees with paid-time off benefits, such as vacation and sick-leave.

Officers are eligible to participate in a supplemental medical plan. The plan supplements medical and hospital benefits provided to officers under the Company's medical program. Officers contribute towards a portion of the cost of the supplemental plan on an after-tax basis. The supplemental plan provides officers with the option to continue their participation following retirement.



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### **B. Perquisites and Personal Benefits**

Pursuant to the compensation program, the Company provides certain executive officers, including the Named Executive Officers, with limited, specific perquisites that are competitive with industry practices. The Committee reviews the level of perquisites and personal benefits annually. The Company provides the following perquisites, which are set forth in the All Other Compensation column of the Summary Compensation table on page 31:

Executive health insurance and death benefits.

Reimbursement for reasonable costs of financial and tax planning; and

A company vehicle and, in the case of Messrs. Burke and Rana, a company vehicle and driver.

### **C. Severance and Change of Control Benefits**

The compensation program provides for the payment of severance benefits upon certain types of employment terminations. Providing severance and change of control benefits assists the Company in attracting and retaining executive talent and reduces the personal uncertainty that executives are likely to feel when considering a corporate transaction. These arrangements also provide valuable retention incentives that focus executives on completing such transactions, thus, enhancing long-term shareholder value. The compensation under the various circumstances that trigger payments or provision of benefits upon termination or a change in control was chosen to be broadly consistent with prevailing competitive practices.

Officers of the Company (other than Mr. Burke) are provided benefits under the officers' severance plan. The severance benefits payable to Mr. Burke are set forth in his employment agreement, which is described in the narrative to the Potential Payments Upon Termination of Employment or Change in Control table beginning on page 42. The severance benefits payable to the Named Executive Officers are set forth in the severance plan which is described in footnote 2 to the Potential Payments Upon Termination of Employment or Change in Control table on page 45. The estimated severance benefits that each Named Executive Officer (other than Mr. Bram who retired effective December 31, 2007) would be entitled to receive are set forth in the Potential Payments Upon Termination of Employment or Change in Control tables beginning on page 41.

As set forth in greater detail in the narrative to the Potential Payments Upon Termination of Employment or Change in Control table, the Company's change of control provisions provide that payments may be made only in the event that the Named Executive Officer's employment is terminated in connection with a change of control. Upon a change in control, the vesting of long-term incentive plan grants will accelerate, whether or not the officer's employment with the Company continues. This practice eliminates the officer's incentive to terminate employment in the event of a change in control. The Committee believes that such vesting is broadly consistent with prevailing competitive practices.

### **V. Stock Ownership Guidelines**

The Company has established the following stock ownership guidelines for the Company's officers:

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Chief Executive Officer	3 X base salary
Chief Financial Officer	2 X base salary
President of Con Edison of New York	2 X base salary
President and Chief Executive Officer of Orange & Rockland	2 X base salary
Presidents of competitive energy businesses	1 X base salary
Senior Vice Presidents of Con Edison of New York	1 X base salary

The officers covered by the guidelines are expected to retain for at least one year a minimum of 25 percent of the net shares acquired upon exercise of stock options and 25 percent of the net shares acquired pursuant to vested restricted stock and restricted stock unit grants until their holdings of common stock equal or exceed their applicable ownership guidelines.

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For these purposes, officers subject to the guidelines have five years after their appointment to covered titles to meet the guidelines. In January 2008, it was determined that as of December 31, 2007, all Named Executive Officers have either met their ownership milestones or are making reasonable progress towards their milestones.

For purposes of the guidelines:

Stock ownership includes the officers' vested restricted stock or restricted stock units.

The one-year period is measured from the date the stock options are exercised or the restricted stock or restricted stock units vest, as applicable.

Net shares means the shares remaining after sale of shares necessary to pay the related tax liability and, if applicable, exercise price.

## **VI. Tax Implications**

### **A. Tax Deductibility of Pay**

Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that the Company may deduct in any one year with respect to each of the Named Executive Officers employed by the Company on the last day of the fiscal year. There is an exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements. While the Committee considers the tax impact of Section 162(m), the Committee has determined that it is appropriate to maintain flexibility in compensating Named Executive Officers in a manner intended to promote varying corporate goals, recognizing that certain amounts paid to Named Executive Officers in excess of \$1,000,000 may not be deductible under Section 162(m). For 2007, \$757,000 of the compensation paid to Mr. Burke, and \$361,000 of the compensation paid to Mr. McMahon, was not deductible for federal income tax purposes.

### **B. Nonqualified Deferred Compensation**

Section 409A of the Internal Revenue Code sets forth the tax rules for the Company's nonqualified deferred compensation arrangements. The Company believes it is operating such arrangements in good faith compliance with Section 409A and the regulations promulgated thereunder.

**Table of Contents****Summary Compensation Table**

The following table sets forth the compensation of the Company's Chief Executive Officer, Chief Financial Officer, and the other three most highly compensated executive officers who were serving as executive officers as of December 31, 2007. The positions shown in the table are the officers' positions with the Company or with the Company's principal subsidiaries, Con Edison of New York or Orange and Rockland as of December 31, 2007.

**Summary Compensation Table**

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards <sup>(1)</sup> (\$)	Option Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>(2)</sup> (\$)	Change in Pension Value and Non- Qualified Deferred	All Other Compensation <sup>(4)</sup> (\$)	Total <sup>(5)</sup> (\$)
							Earnings <sup>(3)</sup> (\$)		
Kevin Burke	2007	\$ 1,050,000		\$ 1,551,575		\$ 1,107,750	\$ 1,750,251	\$ 59,711	\$ 5,519,287
Chairman of the Board, President and Chief Executive Officer	2006	\$ 1,000,000		\$ 676,531	\$ 1,142,400	\$ 755,000	\$ 1,086,605	\$ 60,024	\$ 4,720,560
Robert Hoglund	2007	\$ 561,200		\$ 388,244	\$ 71,167	\$ 296,000	\$ 72,954	\$ 33,730	\$ 1,423,295
Senior Vice President and Chief Financial Officer	2006	\$ 535,000		\$ 456,211	\$ 71,167	\$ 229,100	\$ 67,300	\$ 35,389	\$ 1,394,167
Stephen B. Bram <sup>(6)</sup>	2007	\$ 645,000		\$ 619,365		\$ 453,000	\$ 1,448,171	\$ 56,198	\$ 3,221,734
Group President, Competitive Energy Businesses	2006	\$ 615,000	\$ 369,000	\$ 607,417			\$ 842,326	\$ 59,915	\$ 2,493,658
Louis L. Rana	2007	\$ 620,200		\$ 262,724		\$ 501,000	\$ 1,313,500	\$ 84,016	\$ 2,781,440
President and Chief Operating Officer, Con Edison of New York	2006	\$ 594,000		\$ 120,549	\$ 204,000	\$ 386,800	\$ 944,308	\$ 80,100	\$ 2,329,757
John D. McMahon	2007	\$ 695,000		\$ 315,561		\$ 523,000	\$ 900,329	\$ 48,087	\$ 2,481,977
President and Chief Executive Officer, Orange and Rockland	2006	\$ 665,000		\$ 196,600	\$ 232,560	\$ 500,000	\$ 487,792	\$ 48,045	\$ 2,129,997

**Footnotes:**

- (1) All valuations are based on applying the assumptions used for the Company's financial statements, in accordance with Statement of Financial Accounting Standards No. 123R Share-Based Payment (FAS 123R). See Note M to the financial statements in the Form 10-K. The terms applicable to the stock awards and the option awards granted for fiscal year 2007 are set forth on the Grants of Plan-Based Awards table. See page 32 of the Proxy Statement.
- (2) The amounts paid were awarded under the annual incentive plan. Represents amounts earned for 2007 and 2006, and paid in January 2008 and 2007, respectively.
- (3) Amounts do not represent actual compensation paid to the executive officers. Instead the amounts represent the aggregate change in the actuarial present value of the accumulated pension benefit based on the difference between the amounts required to be disclosed under the Pension Benefits table for the year

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indicated and the amounts reported or would have been reported under the Pension Benefits table for the previous year. For information about the assumptions used, see the Pension Benefits table on page 36 the Proxy Statement. There are no above-market or preferential earnings with respect to the non-qualified deferred compensation arrangements.

- (4) Value of each perquisite is based on the actual cost to the Company except in the case of the Company provided vehicle and the supplemental health insurance that is based on the incremental cost to the Company.

Mr. Burke received the following amounts for 2007 and 2006, respectively: \$3,884 and \$4,657 representing personal use of company provided vehicle; \$6,786 and \$7,949 in driver costs; \$16,197 and \$19,836 in life insurance; \$1,344 and \$3,432 in supplemental health insurance; and company matching contributions to the Savings Plan of \$6,750 and \$6,600 and supplemental savings plan of \$24,750 and \$17,550.

Mr. Hoglund received the following amounts for 2007 and 2006, respectively: \$0 and \$1,547 representing personal use of company provided vehicle; \$9,250 and \$9,250 in financial planning; \$5,911 and \$5,110 in life insurance; \$1,764 and \$3,432 in supplemental health insurance; and company matching contributions to the Savings Plan of \$6,719 and \$6,600 and supplemental savings plan of \$10,086 and \$9,450.

Mr. Bram received the following amounts for 2007 and 2006, respectively: \$9,270 and \$8,760 representing personal use of company provided vehicle; \$9,250 and \$9,250 in financial planning; \$17,134 and \$21,247 in life insurance; \$1,344 and \$2,208 in supplemental health insurance and company matching contributions to the Savings Plan of \$6,600 and \$6,600 and supplemental savings plan of \$12,600 and \$11,850.

Mr. Rana received the following amounts for 2007 and 2006, respectively: \$9,268 and \$7,113 representing personal use of company provided vehicle; \$35,595 and \$32,016 in driver costs; \$9,250 and \$9,250 in financial planning; \$9,953 and \$11,693 in life insurance; \$1,344 and \$2,208 in supplemental health insurance; and company matching contributions to the Savings Plan of \$6,750 and \$6,600 and supplemental savings plan of \$11,856 and \$11,220.

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Mr. McMahon received the following amounts for 2007 and 2006, respectively: \$6,810 and \$7,484 representing personal use of company provided vehicle; \$9,250 and \$9,250 in financial planning; \$9,488 and \$7,536 in life insurance; \$1,764 and \$3,432 in supplemental health insurance; and company matching contributions to the Savings Plan of \$6,750 and \$6,687 and supplemental savings plan of \$14,025 and \$13,656.

(5) Represents, for each officer, the total of amounts shown for the officer in all other columns of the table.

(6) Mr. Bram retired effective December 31, 2007.

**Grants of Plan-Based Awards Table**

The following table sets forth certain information with respect to the grant of equity plan awards and non-equity incentive plan awards awarded to the Named Executive Officers for the fiscal year ended December 31, 2007.

**GRANTS OF PLAN-BASED AWARDS**

Name & Principal Position	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			Grant Date Fair Value of Stock and Option Awards <sup>(3)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	
Kevin Burke	1/17/2007	\$ 131,250	\$ 1,050,000	\$ 1,260,000				
Chairman of the Board, President and Chief Executive Officer								\$
	2/13/2007				18,200	72,800	109,200	3,330,600
Robert Høglund	1/17/2007	\$ 35,075	\$ 280,600	\$ 336,720	2,125	8,500	12,750	\$ 396,355
Senior Vice President and Chief Financial Officer								
Stephen B. Bram	1/17/2007	\$ 48,375	\$ 387,000	\$ 464,400	2,500	10,000	15,000	\$ 466,300
Group President, Competitive Energy Businesses								
Louis L. Rana	1/17/2007	\$ 62,020	\$ 496,160	\$ 595,392	3,000	12,000	18,000	\$ 559,560
President and Chief Operating Officer								
John D. McMahon	1/17/2007	\$ 69,500	\$ 556,000	\$ 633,840	3,500	14,000	21,000	\$ 652,820
President and Chief Executive Officer, O&R								

**Footnotes:**

(1) Represents annual cash incentive award opportunity awarded under the Company's annual incentive plan.

(2) Represents performance restricted stock units for the 2007-2009 performance period granted under the Company's long term incentive plan.

(3) This column reflects the grant date value of the performance restricted stock awards in accordance with FAS 123(R).



**Table of Contents****Outstanding Equity Awards Table**

The following table sets forth certain information with respect to all unexercised options and stock awards previously awarded to the Named Executive Officers as of the fiscal year ended December 31, 2007.

**Outstanding Equity Awards at Fiscal Year-End**

Name & Principal Position	OPTION AWARDS <sup>(1)</sup>				STOCK AWARDS <sup>(2)</sup>			
	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (# Unexercisable)	Option Exercise Price (\$)	Option Expiration Date	Number of shares or units of Stock held that have not vested (#) <sup>(3)</sup>	Market Value of shares or units of Stock held that have not vested (\$)	Equity Incentive Awards: Number of unearned shares, units or other rights that have not yet vested (#)	Equity Incentive Awards: Plan Awards: Market Payout Value of unearned shares, units or other rights that have not vested (\$)
Kevin Burke	18,000		\$ 47.9375	2/22/2009	2,898.750 <sup>(4)</sup>	\$ 141,604	35,000 <sup>(5)</sup>	\$ 1,709,750
	20,000		\$ 32.5000	4/20/2010	2,841.068 <sup>(6)</sup>	\$ 138,786	72,800 <sup>(7)</sup>	\$ 3,556,280
Chairman of the Board, President and Chief Executive Officer	50,000		\$ 37.7500	4/19/2011	2,487.011 <sup>(8)</sup>	\$ 121,490		
	60,000		\$ 42.5100	4/18/2012				
	60,000		\$ 40.8100	1/23/2013				
	59,000		\$ 43.6300	2/12/2014				
		280,000 <sup>(9)</sup>	\$ 46.8800	1/19/2016				
Robert Høglund		25,000 <sup>(10)</sup>	\$ 43.7200	1/20/2015	1,421.151 <sup>(8)</sup>	\$ 69,423	3,000 <sup>(5)</sup>	\$ 146,550
		25,000 <sup>(9)</sup>	\$ 46.8800	1/19/2016			15,000 <sup>(11)</sup>	\$ 732,750
Senior Vice President and Chief Financial Officer							8,500 <sup>(7)</sup>	\$ 415,225
Stephen B. Bram	20,000		\$ 37.7500	4/19/2011			10,000 <sup>(5)</sup>	\$ 488,500
	50,000		\$ 42.5100	4/18/2012			10,000 <sup>(7)</sup>	\$ 488,500
Group President, Competitive Energy Businesses	50,000		\$ 40.8100	1/23/2013				
Louis L. Rana		16,000 <sup>(10)</sup>	\$ 43.7200	1/20/2015	849.621 <sup>(4)</sup>	\$ 41,504	6,300 <sup>(5)</sup>	\$ 307,755
		50,000 <sup>(9)</sup>	\$ 46.8800	1/19/2016	1,183.788 <sup>(6)</sup>	\$ 57,828	12,000 <sup>(7)</sup>	\$ 586,200
President and Chief Operating Officer, Con Edison of New York					1,021.452 <sup>(8)</sup>	\$ 49,898		
John D. McMahon	20,000		\$ 47.9375	2/22/2009	2,498.904 <sup>(4)</sup>	\$ 122,071	7,200 <sup>(5)</sup>	\$ 351,720



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President and Chief Executive Officer,	50,000	\$ 42.5100	4/18/2012	14,000 <sup>(7)</sup>	\$ 683,900
Orange and Rockland	50,000	\$ 40.8100	1/23/2013		
	35,000	\$ 43.6300	2/12/2014		
		40,000 <sup>(10)</sup>	\$ 43.7200	1/20/2015	
		57,000 <sup>(9)</sup>	\$ 46.8800	1/19/2016	

### Footnotes:

- (1) Represents grants made from 1998-2006. Unless otherwise noted, outstanding options are fully vested as of December 31, 2007.
- (2) Value of unvested shares or restricted stock units using the closing price of \$48.85 for a share of Company stock on December 31, 2007.
- (3) Represents mandatory deferrals of a portion of each Named Executive's annual incentive award under the annual incentive plan for 2002-2004 into phantom units of the Company's Common Stock. The deferrals fully vest on the fifth anniversary of the date that the Company paid out an annual incentive award in respect of such deferrals. Dividend equivalents are paid on each phantom unit and are reinvested in additional phantom units. Each phantom unit represents approximately one share of Company Common Stock and is settled in cash.
- (4) The annual incentive plan deferrals will fully vest on January 1, 2008.
- (5) Payment amount of the performance restricted stock units is determined as of December 31, 2008 based on satisfaction of threshold performance measures for 2006-2008 performance cycle.
- (6) The annual incentive plan deferrals will fully vest on January 1, 2009.
- (7) Payment amount of the performance restricted stock units is determined as of December 31, 2009 based on satisfaction of threshold performance measures for 2007-2009 performance cycle.
- (8) The annual incentive plan deferrals will fully vest on January 1, 2010.
- (9) The option will fully vest on January 19, 2009.
- (10) The option will fully vest on January 20, 2008.
- (11) Time-vested restricted stock will fully vest on April 1, 2009.

**Table of Contents****Option Exercises and Stock Vested Table**

The following table sets forth certain information with respect to all options exercised and stock awards vesting in 2007 for the Named Executive Officers.

**Option Exercises and Stock Vested**

Name & Principal Position	OPTION AWARDS		STOCK AWARDS	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
Kevin Burke Chairman of the Board, President and Chief Executive Officer	18,000	\$ 139,586	11,016 <sup>(3)</sup> 3,115,663 <sup>(4)</sup>	\$ 516,540 \$ 149,770
Robert Hoglund Senior Vice President and Chief Financial Officer			15,000 <sup>(5)</sup> 2,066 <sup>(3)</sup>	\$ 765,900 \$ 96,875
Stephen B. Bram Group President, Competitive Energy Businesses	16,000 16,000 20,000	\$ 106,578 \$ 20,264 \$ 247,948	15,800 <sup>(6)</sup> 7,300 <sup>(3)</sup>	\$ 771,830 \$ 342,297
Louis L. Rana President and Chief Operating Officer, Con Edison of New York	8,000 8,000 10,000 12,000	\$ 18,807 \$ 62,227 \$ 94,784 \$ 86,741	1,362 <sup>(3)</sup> 913,200 <sup>(4)</sup>	\$ 63,864 \$ 43,898
John D. McMahon President and Chief Executive Officer, Orange and Rockland	2,000 40,000	\$ 15,341 \$ 499,316	3,493 <sup>(3)</sup> 2,900,783 <sup>(4)</sup>	\$ 163,787 \$ 139,441

**Footnotes:**

- (1) The value realized on exercise was determined by calculating the difference between the market price of a share of Company common stock on the date of exercise and the exercise price of the stock option.
- (2) The value realized on vesting was determined by multiplying the number of shares acquired on vesting by the closing price of the Company's common stock on the date of vesting.
- (3) Represents vesting of 2005 performance restricted stock unit award on January 16, 2008.
- (4) Represents vesting of 2001 annual incentive plan deferrals on January 1, 2007.
- (5) Represents vesting of time-vested restricted stock on April 1, 2007.
- (6) Represents vesting of time-vested restricted stock on December 31, 2007.

**Table of Contents****PENSION BENEFITS****Retirement Plan Benefits**

The retirement plan, a tax qualified retirement plan, covers substantially all of the Company's employees. The supplemental retirement income plan provides certain highly compensated employees (including the Named Executive Officers) whose benefits are limited by the Internal Revenue Code with that portion of their retirement benefit that represents the difference between (i) the amount they would have received under the retirement plan absent IRS limitations on the amount of final average salary that may be considered in calculating pension benefits and the amount of pension benefits paid and (ii) the amount actually paid from the retirement plan. All amounts under the supplemental retirement income plan are paid out of the Company's general assets

The retirement plan and the supplemental retirement income plan (the Plans) provide pension benefits based on: (i) the participant's highest average salary for 48 consecutive months within the 120 consecutive months prior to retirement (final average salary); (ii) the portion of final average salary in excess of the Social Security taxable wage base in the year of retirement; and (iii) the participant's length of service. For purposes of the Plans, a participant's salary for a year is deemed to include any award under the Company's annual incentive plans for that year; provided that the portions of awards for plan years prior to 2005 that were required to be deferred under the annual incentive plan for a five-year period will not be included in the pension calculation if such portions are forfeited in accordance with the annual incentive plan. Participants in the Plans whose age and years of service equal 75 are entitled to an annual pension benefit for life, payable in equal monthly installments. Participants may earn increased pension benefits by working additional years. Benefits payable to a participant who retires between ages 55 and 59 with less than 30 years of service are subject to a reduction of 1 1/2 percent for each full year of retirement before age 60. Early retirement reduction factors are not applied to pensions of employees electing retirement at age 55 or older with at least 30 years of service. Each of the Named Executive Officers, other than Mr. Hoglund, is eligible to receive an unreduced early retirement benefit. The Plans provide an annual adjustment, not applicable to participants hired on or after January 1, 2001, equal to the lesser of 3 percent or 3/4 of the annual increase in the Consumer Price Index to offset partially the effects of inflation.

Mr. Hoglund's pension benefits are calculated under the Plans' cash balance formula which applies to all management employees hired on or after January 1, 2001. Under the cash balance formula, participants' benefits accrue at the end of each calendar quarter. The crediting percent, which can range from 4 percent to 7 percent, depending on the participant's age and years of service, is applied to the participant's base salary and annual incentive award (Earnings) during the quarter. In addition, a participant whose Earnings exceed the Social Security Wage Base (\$97,500 for 2007) will receive a 4 percent credit on the amount of his or her Earnings that exceed the Social Security Wage Base. The following table shows how this works:

Age and Service Points	Rate on Earnings	Plus	Rate on Earnings Above SS Wage Base
Under 35	4.00%		4.00%
35 - 49	5.00%		4.00%
50 - 64	6.00%		4.00%
Over 64	7.00%		4.00%

The cash balance account of participants, including Mr. Hoglund, is credited with interest quarterly at a rate equal to one-quarter of the annual interest rate payable on the 30-year U.S. Treasury bond, subject to a minimum annual rate of 3 percent and a maximum annual rate of 9 percent. Mr. Hoglund currently has four years of credited service under the Plans. The Company has agreed to provide Mr. Hoglund credit for an additional ten years of service in the cash balance formula. Five of the additional ten years of service will be credited after he completes ten

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years of continuous employment and the remaining five years will be credited after he completes fifteen actual years of continuous service. The portion of Mr. Hoglund's retirement benefit that is attributable to the additional years of service provided by the Company will be paid under the supplemental retirement income plan. Benefit distributions are made in the form of a lump sum payment, but participants may elect instead to receive an immediate or deferred lifetime annuity.

**Table of Contents****Pension Benefits Table**

The following table shows certain pension benefits information for each Named Executive Officer as of December 31, 2007.

<b>Pension Benefits</b>				
<b>Name &amp; Principal Position</b>	<b>Plan Name</b>	<b>Number of Years Credited Service (#)</b>	<b>Present Value of Accumulated Benefit (\$)<sup>(1)</sup></b>	<b>Payments during last fiscal year (\$)</b>
Kevin Burke	Retirement Plan	35	\$ 1,057,890	\$ 0
Chairman of the Board, President and Chief Executive Officer	Supplemental Retirement Income Plan	35	\$ 6,067,482	\$ 0
Robert Hoglund <sup>(2)</sup>	Retirement Plan	4	\$ 58,334	\$ 0
Senior Vice President and Chief Financial Officer	Supplemental Retirement Income Plan	4	\$ 152,855	\$ 0
Stephen B. Bram	Retirement Plan	45	\$ 2,248,404	\$ 0
Group President, Competitive Energy Businesses	Supplemental Retirement Income Plan	45	\$ 5,448,336	\$ 0
Louis L. Rana	Retirement Plan	39	\$ 1,207,811	\$ 0
President and Chief Operating Officer	Supplemental Retirement Income Plan	39	\$ 3,264,259	\$ 0
John D. McMahon	Retirement Plan	31	\$ 951,613	\$ 0
President and Chief Executive Officer, O&R	Supplemental Retirement Income Plan	31	\$ 3,719,798	\$ 0

**Footnotes:**

- (1) Amounts were calculated as of December 31, 2007, using the assumptions that were used for the Company's financial statements. See Note E to the financial statements in the Form 10-K for material assumptions.
- (2) Represents cash balance formula values. The cash balance formula under which Mr. Hoglund's pension benefits are valued also provides him credit for an additional five years of service if he completes ten years of continuous employment with the Company and an additional ten years of service if he completes fifteen years of continuous employment with the Company. As of December 31, 2007, he has not yet completed ten years of continuous employment with the Company.

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### **NONQUALIFIED DEFERRED COMPENSATION**

#### **Company Savings Plan**

The Savings Plan, a tax-qualified retirement plan, covers substantially all of the Company's employees. Participating employees may contribute up to 50 percent of their compensation on a before-tax basis and/or an after-tax basis, into their Savings Plan accounts. In addition, the Company matches an amount equal to 50 percent for each dollar contributed by participating employees on the first 6 percent of their regular earnings.

Pursuant to IRS rules, effective for 2007, the Savings Plan limits the additions that can be made to a participating employee's account to \$45,000 per year. Additions include Company matching contributions, before-tax contributions made by a participating employee under Section 401(k) of the Internal Revenue Code, and employee after-tax contributions.

Of those additions, the current maximum before-tax contribution is \$15,500 per year (or \$20,500 per year for certain participants age 50 and over). In addition, no more than \$225,000 of annual compensation may be taken into account in computing benefits under the Savings Plan.

#### **Supplemental Savings Plan**

Certain highly compensated employees, including the Named Executive Officers, are eligible to participate in the supplemental savings plan, a non-qualified deferred compensation plan. Together with the savings plan, the supplemental savings plan permits participating officers to defer on a before-tax basis, (i) up to 50 percent of their base salary under the supplemental savings plan, (ii) all or a portion of their annual incentive award and (iii) the cash value of any restricted stock unit awards, (including any dividend equivalents). In addition, under the supplemental savings plan the Company will credit participating employees with a Company matching contribution on that portion of their contributions that cannot be matched under the savings plan because of IRS limitations. Earnings on amounts contributed under the supplemental savings plan reflect investment in accordance with participating employees' investment elections. There were no above-market or preferential earnings with respect to the supplemental savings plan. Individuals participating in the plan may elect to have their account balances credited with a return that is benchmarked to numerous investment funds institutionally managed by the Nationwide Insurance Company. Participants may change their investment allocation once per calendar quarter. All amounts distributed from the supplemental savings plan are paid out of the Company's general assets.

Amounts deferred, if any, under the savings plan and the supplemental savings plan by the Named Executive Officers are included in the Salary and Non-Equity Incentive Plan Compensation columns of the Summary Compensation Table on page 31 of the proxy statement. Company matching contributions allocated to the Named Executive Officers under the savings plan and the supplemental savings plan are shown in the All Other Compensation column of the Summary Compensation Table on page 31 of the Proxy Statement. Amounts realized upon vesting of stock awards that were deferred into the supplemental savings plan, if any, are shown on the Value Realized on Vesting column of the Option Exercises and Stock Vested table on page 34.

**Table of Contents****Nonqualified Deferred Compensation Table**

The following table sets forth certain information with respect to nonqualified deferred compensation for each Named Executive Officer as of December 31, 2007.

**Nonqualified Deferred Compensation**

Name & Principal Position	Executive Contributions in Last FY <sup>(1)</sup> (\$)	Registrant Contributions in Last FY <sup>(2)</sup> (\$)	Aggregate Earnings in Last FY <sup>(3)</sup> (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE <sup>(4)</sup> (\$)
Kevin Burke Chairman of the Board, President and Chief Executive Officer	\$ 207,970	\$ 24,750	\$ 299,444	\$ 0	\$ 3,141,674
Robert Høglund Senior Vice President and Chief Financial Officer	\$ 20,172	\$ 10,086	\$ 10,475	\$ 0	\$ 113,315
Stephen B. Bram Group President, Competitive Energy Businesses	\$ 583,696	\$ 12,600	\$ 340,965	\$ 0	\$ 6,663,253
Louis L. Rana President and Chief Operating Officer, Con Edison of New York	\$ 67,610	\$ 11,856	\$ 26,532	\$ 0	\$ 492,702
John D. McMahon President and Chief Executive Officer, Orange and Rockland	\$ 167,491	\$ 14,025	\$ 132,231	\$ 0	\$ 1,600,686

**Footnotes:**

- (1) Amounts set forth under Executive Contributions in Last FY are reported in either (i) the Salary column of the Summary Compensation Table; (ii) the Value Realized on Vesting column of the Stock Awards section of the Options Exercised and Stock Vested table or (iii) the Non-Equity Incentive Plan Compensation or Bonus column of the Summary Compensation Table of the Company's proxy statements for its 2007 and 2008 annual meetings of stockholders, as applicable.
- (2) The amounts set forth under the Registrant Contributions in Last FY are reported in the All Other Compensation column of the Summary Compensation Table.
- (3) Represents earnings on accounts for fiscal year 2007. No amounts set forth under Aggregate Earnings in Last FY have been reported in the Summary Compensation Table, as there was no above market or preferential earnings credited to any Named Executive Officer's account.
- (4) Aggregate account balances as of December 31, 2007.

Mr. Burke's aggregate balance is comprised of: executive contributions of \$2,210,818; company matching contributions of \$106,738; and earnings of \$824,118.

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Mr. Hoglund's aggregate balance is comprised of: executive contributions of \$61,472; company matching contributions of \$30,737; and earnings of \$21,106.

Mr. Bram's aggregate balance is comprised of: executive contributions of \$4,411,113; company matching contributions of \$75,207; and earnings of \$2,176,933.

Mr. Rana's aggregate balance is comprised of: executive contributions of \$375,028; company matching contributions of \$33,196; and earnings of \$84,478.

Mr. McMahon's aggregate balance is comprised of: executive contributions of \$991,837; company matching contributions of \$81,801; and earnings of \$527,048.



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**DIRECTOR COMPENSATION**

Those members of the Board who are not employees of the Company or its subsidiaries are paid an annual retainer of \$50,000, a fee of \$1,500 for each meeting of the Board or of the Boards of its subsidiaries attended. The Lead Director receives an additional annual retainer of \$20,000.

The Chairs of the Environment, Health and Safety, Finance, Operations Oversight and Planning Committees each receive an additional annual retainer of \$5,000. The Chairs of the Corporate Governance and Nominating and Management Development and Compensation Committees each receive an additional annual retainer of \$10,000. The Audit Committee Chair receives an additional annual retainer of \$20,000, and each Audit Committee member receives an additional annual retainer of \$10,000 and a fee of \$2,000 for each meeting of the Audit Committee attended. Members of the other Committees of the Board or of the Boards of its subsidiaries receive a fee of \$1,500 for each meeting of a Committee attended. The Acting Chair of any Board Committee, at meetings where the regular Chair is absent, is paid an additional meeting fee of \$200 for any Committee meeting at which he or she presides.

The Company reimburses Board members who are not currently officers of the Company for expenses incurred in attending Board and Committee meetings. No person who serves on both the Con Edison Board and on the Board of its subsidiary, Con Edison of New York, and corresponding Committees, is paid additional compensation for concurrent service. Members of the Board who are officers of the Company or its subsidiaries receive no retainer or meeting fees for their service on the Board.

The Company has stock ownership guidelines for Directors under which each Director is to own shares with a value equal to three times the annual director retainer (not including committee and/or committee chair fees) paid to such Director during the previous fiscal year.

Members of the Board participate in the long term incentive plan. Pursuant to the long term incentive plan, each non-management Director is allocated an annual award of 1,500 deferred stock units on the first business day following each Annual Meeting. If a non-management Director is first appointed to the Board after an Annual Meeting, his or her first annual award will be prorated. All annual awards of stock units will be deferred until the Director's termination of service from the Board of Directors. At the Director's option, they may be paid at that time or further deferred for payment over a maximum of ten years. Each Director may defer all or a portion of his or her retainers and meeting fees into additional deferred stock units, which would be deferred until the Director's termination of service or, at the option of the Director and if earlier than the date of termination, for five years or more after the year in which the units were deferred. Dividend equivalents are payable on deferred stock units in the amount and at the time that dividends are paid on Con Edison's common stock and, at the Director's option, are paid in cash or invested in additional deferred stock units. All payments on account of deferred stock units will be made in shares of Con Edison common stock except that fractional stock units will be paid in cash.

Directors are eligible to participate in the stock purchase plan, which is described in Note M to the financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

**Table of Contents****Director Compensation Table**

The following table sets forth the compensation for the members of the Company's Board of Directors for the fiscal year ended December 31, 2007.

**Director Compensation**

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards<sup>(1)(2)</sup> (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Kevin Burke <sup>(3)</sup>						
Vincent A. Calarco	\$ 133,500	\$ 76,425				\$ 209,925
George Campbell, Jr.	\$ 112,500	\$ 76,425				\$ 188,925
Gordon J. Davis	\$ 96,500	\$ 76,425				\$ 172,925
Michael J. Del Giudice	\$ 152,000	\$ 76,425				\$ 228,425
Ellen V. Futter	\$ 98,500	\$ 76,425				\$ 174,925
Sally Hernandez	\$ 119,500	\$ 76,425				\$ 195,925
John F. Killian	\$ 30,121	\$ 45,940				\$ 76,061
Peter Likins	\$ 113,263	\$ 76,425				\$ 189,688
Eugene R. McGrath	\$ 84,500	\$ 76,425				\$ 160,925
Michael W. Ranger <sup>(4)</sup>						
Frederic V. Salerno <sup>(5)</sup>	\$ 46,242					\$ 46,242
L. Frederick Sutherland	\$ 113,000	\$ 76,425				\$ 189,425
Stephen R. Volk	\$ 97,000	\$ 76,425				\$ 173,425

**Footnotes:**

- (1) Each of the Directors, except Messrs. Burke, Killian, Ranger and Salerno, received an annual grant of 1,500 stock units on May 22, 2007. Mr. Killian received a pro rata annual grant of 1,000 stock units on September 1, 2007 in connection with his appointment to the Board of Directors. Pursuant to the Company's long term incentive plan and as indicated in Note M to the financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, the restricted stock units are valued in accordance with FAS 123R. The annual grant is valued at \$50.95 per share and Mr. Killian's grant was valued at \$45.94 per share.
- (2) The aggregate number of stock units outstanding for each of the Directors, and their value as of December 31, 2007, are as follows: for Mr. Burke: none; Mr. Calarco: 9,577 (\$467,836); Mr. Campbell: 15,929 (\$778,132); Mr. Davis: 17,222 (\$841,295); Mr. Del Giudice: 14,268 (\$696,992); Ms. Futter: 13,434 (\$656,251); Ms. Hernandez: 15,446 (\$754,537); Mr. Killian: 1,024 (\$50,022); Mr. Likins: 18,874 (\$921,995); Mr. McGrath: 5,052 (\$246,790); Mr. Salerno: 1,125 (\$54,956); Mr. Sutherland: 3,298 (\$161,107); and Mr. Volk: 24,887 (\$1,215,730).
- (3) Mr. Burke did not receive any director compensation because he is an officer of the Company and only non-management Directors receive director compensation.
- (4) Mr. Ranger was elected to the Board of Directors effective February 1, 2008.
- (5) On March 27, 2007, Mr. Salerno resigned from the Board of Directors effective May 21, 2007.

**Table of Contents****Potential Payments Upon Termination of Employment or Change in Control**

The Company's severance plan provides compensation to its officers in the event of certain terminations of employment or a change in control of the Company. Mr. Burke is provided such benefit pursuant to his employment agreement, dated July 22, 2005, which is for an initial term ending December 31, 2008 and automatically extends for additional one-year periods unless either he or the Company provides written notice of non-renewal 180 days prior to the expiration.

The amount of compensation that is potentially payable to each Named Executive Officer (other than Mr. Bram who retired effective December 31, 2007) in each situation is listed in the tables below. These amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the Named Executive Officers, which would only be known at the time that they become eligible for payment. The tables reflect the amount that could be payable under the severance program (or in the case of Mr. Burke his employment agreement) assuming such termination occurred at December 31, 2007, including a gross-up for certain taxes in the case of Mr. Burke in the event that any payments made in connection with a change in control would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

The following table describes the potential payments upon termination of employment or a change in control of the Company for Mr. Burke.

Executive Benefits and Payments Upon Termination <sup>(1)</sup>	Resignation without Good Reason <sup>(2)</sup>	Non-Renewal of employment agreement <sup>(3)</sup>	Retirement	Termination without Cause or resignation for Good Reason <sup>(4)</sup>	Termination for Cause	Termination without Cause or resignation for Good Reason (following a CIC) <sup>(5)</sup>	Death or Disability <sup>(6)</sup>
<b>Compensation:</b>							
Base Salary (\$1 million)	\$ 0	\$ 1,050,000	\$ 0	\$ 2,100,000	\$ 0	\$ 3,150,000	\$ 0
Short-term incentive (100% of base salary)	\$ 0	\$ 1,050,000	\$ 0	\$ 2,100,000	\$ 0	\$ 3,150,000	\$ 0
Pro-Rata Annual Incentive Award	\$ 0	\$ 1,050,000	\$ 0	\$ 1,050,000	\$ 0	\$ 1,050,000	\$ 1,050,000
<b>Long-term Incentives<sup>(7)</sup></b>							
<b>Performance restricted stock units</b>							
2006 - 2008 (performance period)	\$ 1,139,833	\$ 1,709,750 <sup>(8)</sup>	\$ 1,709,750 <sup>(8)</sup>	\$ 1,709,750	\$ 0	\$ 1,709,750 <sup>(10)</sup>	\$ 1,709,750 <sup>(8)</sup>
2007 - 2009 (performance period)	\$ 1,185,427	\$ 3,556,280 <sup>(8)</sup>	\$ 3,556,280 <sup>(8)</sup>	\$ 3,556,280	\$ 0	\$ 3,556,280 <sup>(10)</sup>	\$ 3,556,280 <sup>(8)</sup>
<b>Stock Options</b>							
Unvested and Accelerated Restricted Stock Units	\$ 551,600	\$ 551,600	\$ 551,600 <sup>(8)</sup>	\$ 551,600	\$ 0	\$ 551,600 <sup>(10)</sup>	\$ 551,600
Unvested and Accelerated Annual incentive plan deferral	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Annual incentive plan deferral	\$ 401,880 <sup>(9)</sup>	\$ 401,880	\$ 401,880 <sup>(9)</sup>	\$ 401,880	\$ 0	\$ 401,880	\$ 401,880 <sup>(9)</sup>
<b>Benefits and Perquisites:</b>							
<b>Incremental Non-qualified Pension</b>							
(supplemental retirement income plan)	\$ 0	\$ 1,146,648	\$ 0	\$ 2,293,296	\$ 0	\$ 3,439,944	\$ 0
Health Care	\$ 0	\$ 12,888	\$ 0	\$ 25,776	\$ 0	\$ 38,664	\$ 0
Life insurance Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,100,000
Accrued Vacation Pay	\$ 100,962	\$ 100,962	\$ 100,962	\$ 100,962	\$ 100,962	\$ 100,962	\$ 100,962
Outplacement	\$ 0	\$ 25,000	\$ 0	\$ 25,000	\$ 0	\$ 25,000	\$ 0
280G Tax Gross-up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,422,385	\$ 0
<b>Total:</b>	<b>\$ 3,379,702</b>	<b>\$ 10,655,008</b>	<b>\$ 6,320,472</b>	<b>\$ 13,914,544</b>	<b>\$ 100,962</b>	<b>\$ 24,596,465</b>	<b>\$ 9,470,472</b>



## **Table of Contents**

- (1) As per Mr. Burke's employment agreement his compensation is as follows: base salary for 2007 equal to \$1,050,000 ( Mr. Burke's employment agreement provides for \$925,000 base salary as adjusted by the Committee each year), target annual bonus equal to 100 percent of base salary and maximum bonus equal to 150 percent of base salary. For purposes of Mr. Burke's table above, Mr. Burke is defined as the Executive in the corresponding footnotes below.
- (2) As per Mr. Burke's employment agreement, the Executive's severance benefit pursuant to a resignation without Good Reason is equal to (i) any unpaid base salary and bonus for any completed prior fiscal year and (ii) any accrued vacation pay.
- (3) As per Mr. Burke's employment agreement, the Executive's severance benefit pursuant to a non-renewal of the employment agreement is equal to: (i) a lump sum equal to base salary and target annual bonus pro-rated through the termination date and any accrued vacation pay, (ii) a lump sum equal to the net present value of 1 additional year of service credit under the Company's pension plans (assuming compensation at the Executive's then annual rate of base salary and target annual bonus), (iii) a lump sum equal to 1x the sum of base salary and target annual bonus, (iv) 1 year continuation of health and life insurance coverage and 1 year of additional service credit toward eligibility for (but not for commencement of) retiree benefits, (v) 1 year of outplacement costs, (vi) vested amounts of all deferred compensation (includes accrued interest or earnings), and (vii) all unpaid and due amounts in other benefits required to be paid.
- (4) As per Mr. Burke's employment agreement, the Executive's severance benefit pursuant to a termination without Cause or resignation for Good Reason (before a Change in Control or CIC) is equal to: (A) the same severance benefit under a non-renewal of employment agreement, except the amounts in clauses (ii), (iii), (iv) and (v) in footnote 3 above are 2x instead of 1x and (B) the vested amounts of all unvested deferred compensation (includes accrued interest or earnings).
- (5) As per Mr. Burke's employment agreement, the Executive's severance benefit under a termination without Cause or resignation for Good Reason (on or following a CIC) is equal to the same severance benefit under a termination without Cause or resignation for Good Reason (before a CIC) except the amounts in clauses (ii), (iii), (iv) and (v) in footnote 4 above are 3x instead of 2x.
- (6) As per Mr. Burke's employment agreement, the Executive's severance benefit due to death or disability is equal to the same severance benefit under a resignation without Good Reason (except for the payment of life insurance proceeds and his pro-rata annual incentive award).
- (7) In calculating the potential payments, we assumed the Executive's date of termination is December 31, 2007 and the price per share of the Company's common stock on the date of termination is \$48.85 per share.
- (8) For disclosure purposes only, we assumed upon a non-renewal of Mr. Burke's employment agreement, retirement, death or disability the Committee took action pursuant to the long term incentive plan to fully accelerate the vesting of target performance-based equity awards and non-performance awards.
- (9) The Committee has discretion to accelerate vesting of annual incentive plan deferrals upon an employee's termination or resignation of employment. For disclosure purposes only, we have assumed that the Committee exercised its discretion to accelerate vesting of all unvested annual incentive plan deferrals held by the Executive as of December 31, 2007.
- (10) As per the long term incentive plan, in the event of a Change in Control, non-performance based stock unit awards and stock option awards fully vest on the date of such event and performance-based restricted stock unit awards vest pro-rata through the date of such event. For disclosure purposes, we assumed that the Committee took action to fully accelerate performance-based restricted stock unit awards under the long term incentive plan.

Below is a description of the assumptions used in creating the above table.

### **Non-Compete and Non-Solicitation Provisions**

As a condition to Mr. Burke's receiving the severance benefits referenced in the table above, he is bound by the terms of the non-competition and non-solicitation provisions in his employment agreement for the period of two (2) years from the date of his termination of employment for any reason (other than in connection with a non-renewal of employment in which case the period shall be one (1) year from the date of termination).

### **Equity Acceleration**

In the event of a termination of Mr. Burke's employment without Cause by the Company or a resignation by him for Good Reason (in connection with or without a Change in Control), performance-based and non-performance based awards under the long term incentive plan, including stock option awards, fully vest upon the date of termination. In the event of a termination of employment without Good Reason, a non-renewal of Mr. Burke's employment agreement or a termination due to death or disability, Mr. Burke's performance-based and non-performance based awards under the long term incentive plan vest pro-rata through the date of termination and stock option awards become fully vested. In addition, in the event of a termination of Mr. Burke's employment for any reason other than for Cause or a non-renewal of his employment agreement, stock options granted prior to April 19, 2001 remain exercisable until the third anniversary of his termination of employment and stock options granted on or after April 19, 2001 remain exercisable until the tenth anniversary of the date of grant. In the event of a termination for Cause, all unvested equity is forfeited on the date of termination.



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### **Incremental Non-Qualified Pension Amounts**

As per Mr. Burke's employment agreement, the amounts relating to the incremental non-qualified pension amounts in the above table are based on the net present value of two (2) additional years of additional service credit under the Company's pension plans following a termination without Cause or a resignation for Good Reason (three (3) additional years if such termination is in connection with a Change in Control) assuming compensation at Mr. Burke's annual salary and target incentive award, an interest rate of 4.79 percent (adjusted to 4.38 percent to reflect cost of living adjustments), the 1994 GAR mortality table projected to 2002 (50 percent male/50 percent female blend) and age 65 normal retirement. All amounts payable pursuant to an incremental non-qualified pension are assumed to be paid as a lump-sum.

### **Termination without Cause or a Resignation for Good Reason**

Mr. Burke will receive certain benefits as described in the above table if he is terminated by the Company for reasons other than Cause or by him for Good Reason. Under Mr. Burke's employment agreement, Cause is defined as termination of employment by the Company for any of the following reasons: (i) willful and continued failure by the Executive to substantially perform his duties as a CEO, (ii) a conviction of a felony or entering a plea of *nolo contendere* to a felony that has a significant adverse effect on the business of the Company, or (iii) a finding by a regulatory or judicial body that the Executive has violated the requirements of the Sarbanes-Oxley Act of 2002 or other federal or state securities laws in relation to the Company.

Under Mr. Burke's employment agreement, Good Reason is defined as a resignation by Mr. Burke for any of the following reasons: (i) any adverse change to his title, authority, duties, responsibilities or reporting lines or the assignment of any duties or responsibilities inconsistent in any respect with those customarily associated to the position of CEO, (ii) the appointment, without his consent, of any person other than the executive to the position of CEO or other position or title conferring similar status or authority, (iii) any reduction in salary, target annual bonus, target long-term incentive or retirement benefit, (iv) any requirement by the Company that his services be rendered primarily at an office or location that is more than 50 miles from his office or location as of the date of the employment agreement, (v) any purported termination of his employment for reasons not expressly permitted by his employment agreement, (vi) any failure by a successor of the Company to assume the employment agreement, or (vii) any other material breach of Mr. Burke's employment agreement by the Company that is not taken in good faith, or if taken in good faith, is not remedied by the Company promptly after receipt of notice from the Executive.

### **Termination of employment due to disability**

Under Mr. Burke's employment agreement, Mr. Burke will receive certain benefits as described in the above table if he is terminated by the Company due to a disability, which occurs if the Executive is: (i) by reason of a medically determinable physical or mental impairment that could result in death or could last for a continuous period of at least twelve (12) months (A) unable to engage in any substantial gainful activity or (B) receiving income replacement for a period of at least three (3) months under an accident and health plan covering employees by the Company, and (ii) has not been able to perform his material duties and responsibilities for six consecutive months or for more than six months within a period of twelve calendar months.

### **Payments upon Termination of Employment in Connection with a Change in Control**

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Under Mr. Burke's employment agreement, Mr. Burke will receive certain benefits as described in the above table if his termination of employment is without Cause by the Company or by him for Good Reason (six months prior to or) in connection with a Change in Control. Under Mr. Burke's employment agreement, Change in Control is defined under the Severance Program. As per the Severance Program, a Change in Control means the occurrence of any of the following events: (i) any person (within the meaning of Section 13(d) of the



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Exchange Act of 1934) is or becomes the beneficial owner, directly or indirectly of securities of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities, (ii) a majority of the number of directors who constitute the Board of Directors on the effective date of the Severance Program and any new directors who are appointed, elected, nominated or recommended by two-thirds of the directors who were in office on such effective date cease for any reason to constitute the majority of directors then serving, (iii) a merger or consolidation of the Company or any subsidiary other than (A) a merger or consolidation that would result in the voting securities outstanding immediately prior to such event continuing to represent in combination with the ownership of any trustee or fiduciary holding securities under an employee benefit plan, at least 65 percent of the combined voting power of securities of the Company or surviving entity or parent outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities, (iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (other than a sale or disposition by the Company of all or substantially all assets to an entity of which at least 75 percent of the combined voting power of the securities owned by shareholders of the Company are in the same proportions as their prior ownership before the sale). A Change in Control does not occur by virtue of the consummation of any transaction or series of transactions immediately following which record holders of the Company's common stock prior to such event continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such event.

**280G Tax Gross-Up**

Under Mr. Burke's employment agreement, in the event Mr. Burke receives any payment or distribution from the Company in connection with a Change in Control, he may be subject to certain excise taxes pursuant to Section 280G of the Internal Revenue Code (Section 280G). The Company has agreed to reimburse Mr. Burke for all excise taxes that are imposed on him under Section 280G and any income and excise taxes that are payable by him as a result of any reimbursements by the Company for Section 280G excise taxes. The total Section 280G tax gross-up amount in the table above assumes that Mr. Burke is entitled to full reimbursement by the Company of (i) any excise taxes that are imposed upon him as a result of such payment, (ii) any income and excise taxes imposed upon Mr. Burke as a result of the Company's reimbursement of the excise tax amount and (iii) any additional income and excise taxes that are imposed upon Mr. Burke as a result of the Company's reimbursement of any excise or income taxes. The calculation of the Section 280G gross-up amount in the above table is based upon a Section 280G excise tax rate of 20 percent, a 35 percent federal income tax rate, a 1.45 percent Medicare tax rate, a 6.85 percent state income tax rate, a Change in Control date of December 31, 2007 and a closing price of \$48.85 per share of the Company's common stock on December 31, 2007.

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The following table describes the potential payments upon termination of employment or a change in control of the Company for Mr. Hoglund.

Executive Benefits and Payments Upon Termination <sup>(1)</sup>	Resignation for any Reason (prior to CIC) or Resignation without Good Reason (following a CIC)		Retirement	Termination without Cause <sup>(2)</sup>	Termination for Cause	Termination without Cause or resignation for Good Reason (following a CIC) <sup>(3)</sup>	Death or Disability
	<b>Compensation:</b>						
Base Salary (\$561,200)	\$ 0	\$ 0	\$ 0	\$ 561,200	\$ 0	\$ 1,122,400	\$ 0
Short-term incentive (50% of base salary)	\$ 0	\$ 0	\$ 0	\$ 280,600	\$ 0	\$ 561,200	\$ 0
Pro-Rata Annual Incentive Award	\$ 0	\$ 0	\$ 0	\$ 280,600	\$ 0	\$ 280,600	\$ 0
<b>Long-term Incentives<sup>(4)</sup></b>							
Performance restricted stock units							
2006 - 2008 (performance period)	\$ 0	\$ 146,550 <sup>(5)</sup>	\$ 146,550 <sup>(5)</sup>	\$ 146,550 <sup>(5)</sup>	\$ 0	\$ 146,550 <sup>(7)</sup>	\$ 146,550 <sup>(5)</sup>
2007 - 2009 (performance period)	\$ 0	\$ 415,225 <sup>(5)</sup>	\$ 415,225 <sup>(5)</sup>	\$ 415,225 <sup>(5)</sup>	\$ 0	\$ 415,225 <sup>(7)</sup>	\$ 415,225 <sup>(5)</sup>
<b>Stock Options</b>							
Unvested and Accelerated	\$ 0	\$ 177,500 <sup>(5)</sup>	\$ 177,500 <sup>(5)</sup>	\$ 177,500 <sup>(5)</sup>	\$ 0	\$ 177,500 <sup>(7)</sup>	\$ 177,500 <sup>(5)</sup>
<b>Restricted Stock Units</b>							
Unvested and Accelerated	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 732,750 <sup>(7)</sup>	\$ 732,750 <sup>(5)</sup>
Annual incentive plan deferral	\$ 69,423 <sup>(6)</sup>	\$ 69,423 <sup>(6)</sup>	\$ 69,423	\$ 69,423	\$ 0	\$ 69,423	\$ 69,423 <sup>(6)</sup>
<b>Benefits and Perquisites:</b>							
<b>Incremental Non-qualified Pension</b> (supplemental retirement income plan)	\$ 0	\$ 0	\$ 0	\$ 80,100	\$ 0	\$ 160,200	\$ 0
Health Care	\$ 0	\$ 0	\$ 0	\$ 18,634	\$ 0	\$ 37,268	\$ 0
Life insurance Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,122,400
Accrued Vacation Pay	\$ 43,169	\$ 43,169	\$ 43,169	\$ 43,169	\$ 43,169	\$ 43,169	\$ 43,169
Outplacement	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 0	\$ 25,000	\$ 0
280G Tax Gross-up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total:</b>	<b>\$ 112,592</b>	<b>\$ 851,867</b>	<b>\$ 851,867</b>	<b>\$ 2,098,001</b>	<b>\$ 43,169</b>	<b>3,771,285</b>	<b>\$ 2,707,017</b>

- (1) Assumes the compensation of Mr. Hoglund is as follows: base salary for 2007 equal to \$561,200 and an annual bonus equal to 50 percent of base salary. For purposes of Mr. Hoglund's table above, Mr. Hoglund is defined as the Executive in the corresponding footnotes below.
- (2) As per the Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries (the *Severance Program*), the Executive's severance benefit pursuant to a termination without Cause (before a CIC) is equal to: (i) a lump sum equal to base salary and annual target bonus pro-rated through the termination date and any accrued vacation pay, (ii) a lump sum equal to the net present value of 1 additional year of service credit under the Company's pension plans (assuming compensation at Executive's then annual rate of base salary and target annual bonus), (iii) a lump sum equal to 1x the sum of the Executive's then base salary and target annual bonus, (iv) 1 year continuation of health and life insurance coverage and 1 year of additional service credit toward eligibility for (but not for commencement of) retiree benefits, (v) 1 year of outplacement costs, (vi) vested amounts of all deferred compensation (includes accrued interest or earnings) and (vi) all unpaid and due amounts in other benefits required to be paid.
- (3) As per the Severance Program, the Executive's severance benefit under a termination without Cause (on or following CIC) is equal to the same severance benefit under a termination without Cause (before CIC) as described in footnote 2 above except the amounts in clauses (ii), (iii), and (iv) are 2x instead of 1x.
- (4) In calculating the potential payments, we assumed the Executive's date of termination is December 31, 2007 and the price per share of the Company's common stock on the date of termination is \$48.85 per share.
- (5) For disclosure purposes, we assumed that upon termination (other than a termination for Cause or a resignation without Good Reason), Retirement, death or disability the Committee took action pursuant to the long term incentive plan to fully accelerate the vesting of target performance-based awards and non-performance awards.
- (6) The Committee has discretion to accelerate the vesting of any unvested annual incentive plan deferrals upon an employee's termination or resignation of employment. For disclosure purposes, we assumed that the Committee exercised its discretion to accelerate vesting.
- (7)

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As per the long term incentive plan, in the event of a Change in Control, non-performance based stock unit awards and stock option awards fully vest on the date of such event and performance-based restricted stock unit awards vest pro-rata through the date of such event. For disclosure purposes, we assumed that the Committee took action to fully accelerate performance-based restricted stock unit awards under the long term incentive plan.

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Below is a description of the assumptions that were used in creating the tables for Messrs. Hoglund, Rana and McMahon.

### **Equity Acceleration**

As per the long term incentive plan, in the event of a Termination, resignation, retirement, death or Disability, the Committee has discretion to determine the terms of the stock option awards and performance-based restricted stock awards (including, without limitation, to accelerate the vesting of unvested awards). Unless otherwise provided in the applicable long term incentive plan award agreement, in the event of a retirement, death or Disability, restricted stock awards vest pro-rata through the date of termination on termination date.

As per the long term incentive plan, in the event of a Change in Control (as described below), stock unit awards, restricted stock awards, stock option awards, stock appreciation awards fully vest on the date of such event. In the event of a Change in Control, performance-based restricted stock awards vest pro-rata through the date of such event.

For the purposes of the long term incentive plan: (i) a Termination means a resignation or discharge from employment, except death, disability or retirement, (ii) retirement means resignation on or after age 55 with at least 5 years of service, (iii) Disability means an inability to work in any gainful occupation for which the person is reasonably qualified by education, training or experience because of a sickness or injury for which the person is under doctor's care, and (iv) Change in Control has the same meaning as such term is used in the Severance Program.

### **Incremental Non-Qualified Pension Amounts**

As per the Severance Program, the amounts relating to the incremental non-qualified pension amounts in the above tables are based on the net present value of one additional year of additional service credit under the Company's pension plans following a termination without Cause or a resignation for Good Reason (two additional years if such termination is in connection with a Change of Control) assuming compensation at the Executive's annual salary and target award, an interest rate of 4.79 percent (adjusted to 4.38 percent to reflect cost of living adjustments), the 1994 GAR mortality table projected to 2002 (50 percent male/50 percent female blend) and age 65 normal retirement. All amounts payable pursuant to an incremental non-qualified pension are assumed to be paid as a lump-sum.

### **Termination without Cause or a Resignation for Good Reason**

As per the Severance Program, the Executive will receive certain benefits as described in the table above if he is terminated by the Company for reasons other than Cause or by him for Good Reason (following a Change of Control). A termination is for Cause if it is for any of the following reasons: (i) willful and continued failure to substantially perform his duties, (ii) a conviction of a felony or entering a plea of *nolo contendere* to a felony that has a significant adverse effect on the business of the Company, or (iii) a willful engaging in illegal conduct or in gross misconduct materially and demonstrably injurious to the Company.

As per the Severance Program, a resignation for Good Reason occurs if the Executive resigns for any of the following reasons: (i) any decrease in base compensation, target bonus or material decrease in benefits in effect prior to effective date of the Severance Program (except uniform

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decreases affecting similarly situated employees), (ii) any failure by the Company to comply with material provisions of the Severance Program, (iii) a requirement by Company for the Executive to be based more than 50 miles from the location the Executive is employed prior to the Change of Control, (iv) any purported termination by the Company of the Executive's employment (except as expressly permitted by the Severance Program), (v) any failure by the Company to comply with the assumption provision in the Severance Program, or (vi) the assignment of any duties materially inconsistent in any respect with the Executive's position, authority, duties or responsibilities in effect immediately prior to the Change of Control or any other action by the Company resulting in significant diminution in position, authority, duties or responsibilities.

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### **Payments upon Termination of Employment in Connection with a Change of Control**

As per the Severance Program, the Executive will receive certain benefits as described in the above table if his termination of employment is without Cause by the Company or by him for Good Reason following a Change of Control. A Change of Control means the occurrence of any of the following: (i) any person (within the meaning of Section 13(d) of the Exchange Act of 1934) is or becomes the beneficial owner, directly or indirectly of securities of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities, (ii) a majority of the number of directors who constitute the Board of Directors on the effective date of the Severance Program and any new directors who are appointed, elected, nominated or recommended by two-thirds of the directors who were in office on such effective date cease for any reason to constitute the majority of directors then serving, (iii) a merger or consolidation of the Company or any subsidiary other than (A) a merger or consolidation that would result in the voting securities outstanding immediately prior to such event continuing to represent in combination with the ownership of any trustee or fiduciary holding securities under an employee benefit plan, at least 65 percent of the combined voting power of securities of the Company or surviving entity or parent outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities, (iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition of the Company of all or substantially all of the Company's assets (other than a sale or disposition by the Company of all or substantially assets to an entity of which at least 75 percent of the combined voting power of the securities owned by shareholders of the Company are in the same proportions as their prior ownership before the sale). A Change in Control does not occur by virtue of the consummation of any transaction or series of transactions immediately following which record holders of the Company's common stock prior to such event continues to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such event.

### **Section 280G**

As per the Severance Program, in the event an Executive receives any payment or distribution from the Company in connection with a Change in Control, he may be subject to certain excise taxes pursuant to Section 280G of the Internal Revenue Code ( "Section 280G" ). If any such payment by the Company to any of the Executives subjects the Executive to such taxes and the Executive would receive a greater net after-tax amount if the payment were reduced to avoid such taxation, the aggregate present value of amounts payable to the Executive pursuant to this Severance Program will be reduced (but not below zero) to the extent it does not trigger taxation under Section 4999 of the Internal Revenue Code. As per the long term incentive plan, any stock option award for which the exercise price is greater than fair market value or the Company's common stock may be cancelled if such cancellation would reduce or eliminate any such excise taxes under Section 4999 of the Code.

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The following table describes the potential payments upon termination of employment or a change in control of the Company for Mr. Rana.

Executive Benefits and Payments Upon Termination <sup>(1)</sup>	Resignation for any Reason (prior to CIC) or Resignation without Good Reason (following a CIC)	Retirement	Termination without Cause <sup>(2)</sup>	Termination for Cause	Termination without Cause or resignation for Good Reason (following a CIC) <sup>(3)</sup>	Death or Disability
<b>Compensation:</b>						
Base Salary (\$620,200)	\$ 0	\$ 0	\$ 620,200	\$ 0	\$ 1,240,400	\$ 0
Short-term incentive (80% of base salary)	\$ 0	\$ 0	\$ 496,160	\$ 0	\$ 992,320	\$ 0
Pro-Rata Annual Incentive Award	\$ 0	\$ 0	\$ 496,160	\$ 0	\$ 496,160	\$ 0
<b>Long-term Incentives<sup>(4)</sup></b>						
Performance restricted stock units						
2006-2008 (performance period)	\$ 0	\$ 307,775 <sup>(5)</sup>	\$ 307,775 <sup>(5)</sup>	\$ 0	\$ 307,775 <sup>(7)</sup>	\$ 307,775 <sup>(5)</sup>
2007-2009 (performance period)	\$ 0	\$ 586,200 <sup>(5)</sup>	\$ 586,200 <sup>(5)</sup>	\$ 0	\$ 586,200 <sup>(7)</sup>	\$ 586,200 <sup>(5)</sup>
Stock Options						
Unvested and Accelerated	\$ 0	\$ 180,580 <sup>(5)</sup>	\$ 180,580 <sup>(5)</sup>	\$ 0	\$ 180,580 <sup>(7)</sup>	\$ 180,580 <sup>(5)</sup>
Restricted Stock Units						
Unvested and Accelerated	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Annual incentive plan deferral	\$ 149,230 <sup>(6)</sup>	\$ 149,230 <sup>(6)</sup>	\$ 149,230	\$ 0	\$ 149,230	\$ 149,230 <sup>(6)</sup>
<b>Benefits and Perquisites:</b>						
Incremental Non-qualified Pension						
(supplemental retirement income plan)	\$ 0	\$ 0	\$ 862,704	\$ 0	\$ 1,725,407	\$ 0
Health Care	\$ 0	\$ 0	\$ 12,888	\$ 0	\$ 25,776	\$ 0
Life insurance Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,240,400
Accrued Vacation Pay	\$ 59,635	\$ 59,635	\$ 59,635	\$ 59,635	\$ 59,635	\$ 59,635
Outplacement	\$ 0	\$ 0	\$ 25,000	\$ 0	\$ 25,000	\$ 0
280G Tax Gross-up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total:</b>	<b>\$ 208,865</b>	<b>\$ 1,283,420</b>	<b>\$ 3,796,532</b>	<b>\$ 59,635</b>	<b>\$ 5,788,483</b>	<b>\$ 2,523,820</b>

- (1) Assumes the compensation of Mr. Rana is as follows: base salary for 2007 equal to \$620,200, target annual bonus equal to 80 percent of base salary. For purposes of Mr. Rana's table above, Mr. Rana is defined as the Executive in the corresponding footnotes below.
- (2) As per the Severance Program, the Executive will be provided with the same benefits as set forth for Mr. Hoglund.
- (3) As per the Severance Program, the Executive will be provided with the same benefits as set forth for Mr. Hoglund.
- (4) In calculating the potential payments, we assumed the Executive's date of termination is December 31, 2007 and the price per share of the Company's common stock on the date of termination is \$48.85 per share.
- (5) For disclosure purposes, we assumed that upon Termination (other than a termination for Cause or a resignation without Good Reason), Retirement, death or disability the Committee took action to fully accelerate the vesting of target performance-based awards and non-performance awards.
- (6) The Committee has discretion to accelerate vesting of any unvested annual incentive plan deferrals upon an employee's termination or resignation of employment. We assumed that the Committee has exercised its discretion to accelerate vesting.
- (7) As per the long term incentive plan, in the event of a Change in Control, non-performance based stock unit awards and stock option awards fully vest on the date of such event and performance-based restricted stock unit awards vest pro-rata through the date of such event. For disclosure purposes, we assumed that the Committee is taking action to fully accelerate performance-based restricted stock unit awards under the long term incentive plan.

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The following table describes the potential payments upon termination of employment or a change in control of the Company for Mr. McMahon.

Executive Benefits and Payments Upon Termination <sup>(1)</sup>	Resignation for any Reason (prior to CIC) or Resignation without Good Reason (following a CIC)	Retirement	Termination without Cause <sup>(2)</sup>	Termination for Cause	Termination without Cause or resignation for Good Reason (following a CIC) <sup>(3)</sup>	Death or Disability
<b>Compensation:</b>						
Base Salary (\$695,000)	\$ 0	\$ 0	\$ 695,000	\$ 0	\$ 1,390,000	\$ 0
Short-term incentive (80% of base salary)	\$ 0	\$ 0	\$ 556,000	\$ 0	\$ 1,112,000	\$ 0
Pro-Rata Annual Incentive Award	\$ 0	\$ 0	\$ 556,000	\$ 0	\$ 556,000	\$ 0
<b>Long-term Incentives<sup>(4)</sup></b>						
Performance restricted stock units						
2006 2008 (performance period)	\$ 0	\$ 351,720 <sup>(5)</sup>	\$ 351,720 <sup>(5)</sup>	\$ 0	\$ 351,720 <sup>(7)</sup>	\$ 351,720 <sup>(5)</sup>
2007 2009 (performance period)	\$ 0	\$ 683,900 <sup>(5)</sup>	\$ 683,900 <sup>(5)</sup>	\$ 0	\$ 683,900 <sup>(7)</sup>	\$ 683,900 <sup>(5)</sup>
Stock Options						
Unvested and Accelerated	\$ 0	\$ 317,490 <sup>(5)</sup>	\$ 317,490 <sup>(5)</sup>	\$ 0	\$ 317,490 <sup>(7)</sup>	\$ 317,490 <sup>(5)</sup>
Restricted Stock Units						
Unvested and Accelerated	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Annual incentive plan deferral	\$ 122,071 <sup>(6)</sup>	\$ 122,071 <sup>(6)</sup>	\$ 122,071	\$ 0	\$ 122,071	\$ 122,071 <sup>(6)</sup>
<b>Benefits and Perquisites:</b>						
Incremental Non-qualified Pension						
(supplemental retirement income plan)	\$ 0	\$ 0	\$ 519,885	\$ 0	\$ 1,039,770	\$ 0
Health Care	\$ 0	\$ 0	\$ 17,842	\$ 0	\$ 35,684	\$ 0
Life insurance Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,390,000
Accrued Vacation Pay	\$ 80,192	\$ 80,192	\$ 80,192	\$ 80,192	\$ 80,192	\$ 80,192
Outplacement	\$ 0	\$ 0	\$ 25,000	\$ 0	\$ 25,000	\$ 0
280G Tax Gross-up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total:</b>	<b>\$ 202,263</b>	<b>\$ 1,555,373</b>	<b>\$ 3,925,100</b>	<b>\$ 80,192</b>	<b>\$ 5,713,827</b>	<b>\$ 2,945,373</b>

- (1) Assumes the compensation of Mr. McMahon is as follows: base salary for 2007 equal to \$695,000, target annual bonus equal to 80 percent of base salary. For purposes of Mr. McMahon's table above, Mr. McMahon is defined as the Executive in the corresponding footnotes below.
- (2) As per the Severance Program, the Executive will be provided with the same benefits as set forth for Mr. Hoglund.
- (3) As per the Severance Program, the Executive will be provided with the same benefits as set forth for Mr. Hoglund.
- (4) In calculating the potential payments, we assumed the Executive's date of termination is December 31, 2007 and the price per share of the Company's common stock on the date of termination is \$48.85 per share.
- (5) For disclosure purposes, we assumed that upon Termination (other than a termination for Cause or a resignation without Good Reason), Retirement, death or disability the Committee took action to fully accelerate the vesting of target performance-based awards and non-performance awards.
- (6) The Committee has discretion to accelerate vesting of any unvested annual incentive plan deferrals upon an employee's termination or resignation of employment. We assumed that the Committee has exercised its discretion to accelerate vesting.
- (7) As per the long term incentive plan, in the event of a Change in Control, non-performance based stock unit awards and stock option awards fully vest on the date of such event and performance-based restricted stock unit awards vest pro-rata through the date of such event. For disclosure purposes, we assumed that the Committee is taking action to fully accelerate performance-based restricted stock unit awards under the long term incentive plan.



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**CERTAIN INFORMATION AS TO INSURANCE AND INDEMNIFICATION**

No stockholder action is required with respect to the following information that is included to fulfill the requirements of Sections 725 and 726 of the Business Corporation Law of the State of New York.

Effective December 2, 2007, the Company purchased Directors and Officers ( D&O ) Liability insurance for a one year term providing for reimbursement, with certain exclusions and deductions, to: (a) Con Edison and its subsidiaries for payments they make to indemnify Directors, Trustees, officers and assistant officers of Con Edison and its subsidiaries, (b) Directors, Trustees, officers and assistant officers for losses, costs and expenses incurred by them in actions brought against them in connection with their acts in those capacities for which they are not indemnified by Con Edison or its subsidiaries and (c) Con Edison and its subsidiaries for any payments they make resulting from a securities claim. The insurers are: AIG Excess Liability Insurance International Ltd., Associated Electric & Gas Insurance Services Limited, Allied World Assurance Company, Ltd., Arch Insurance Company, Continental Casualty Company, Federal Insurance Company, Illinois National Insurance Company, Platte River Insurance Company, Twin City Fire Insurance Company, U.S. Specialty Insurance Company, X.L. Insurance (Bermuda) Ltd., X.L. Specialty Insurance Company and Zurich American Insurance Company. The total cost of the D&O Liability insurance for one year from December 2, 2007 amounts to \$5,620,801. The Company also purchased from Associated Electric & Gas Insurance Services Limited, Arch Insurance Company, Axis Insurance Company, Great American Insurance Company, Illinois National Insurance Company, St. Paul Mercury Insurance Company, RLI Insurance Company, U.S. Specialty Insurance Company and Zurich American Insurance Company, additional insurance coverage for one year effective January 1, 2008, insuring the Directors, Trustees, officers, and employees of Con Edison and its subsidiaries and certain other parties against certain liabilities which could arise in connection with fiduciary obligations mandated by ERISA and from the administration of the employee benefit plans of the Company and its subsidiaries. The cost of such coverage was \$847,774.

**STOCKHOLDER PROPOSALS FOR THE 2009 ANNUAL MEETING**

In order to be included in the proxy statement and form of proxy relating to the Company's 2009 annual meeting of stockholders, stockholder proposals must be received by the Company at its principal offices at 4 Irving Place, New York, New York 10003, Attention: Corporate Secretary, by December 13, 2008.

Under the Company's By-laws, written notice of any proposal to be presented by any stockholder or any other person to be nominated by any stockholder for election as a Director must be received by the Secretary of the Company at its principal executive office not less than 70 days nor more than 90 days prior to the anniversary date of the previous year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is first publicly announced or disclosed less than 80 days prior to the date of the meeting, such notice must be given not more than 10 days after such date is first announced or disclosed.

**DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS**

If you are the beneficial owner, but not the record holder, of the Company's shares, your broker, bank or other nominee may determine to deliver only one copy of the Company's proxy statement and annual report to multiple stockholders who share an address unless that nominee has received contrary instructions from one or more of the stockholders. The Company will deliver promptly, upon written or oral request, a separate copy of the proxy statement and annual report to a stockholder at a shared address to which a single copy of the documents was delivered. A stockholder who wishes to receive a separate copy of the proxy statement and annual report, now or in the future, should submit their request to the Company by telephone at (212) 460-4322 or by submitting a written request to the Company's Corporate Secretary, Con Edison, 4 Irving Place, New York, New York 10003. In addition, stockholders of record who share an address and who are receiving multiple copies



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of proxy materials and annual reports and wish to receive a single copy of such materials in the future should contact the Company by telephone or write to the Company's Corporate Secretary. Beneficial owners who share an address and who are receiving multiple copies of proxy materials and annual reports and wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee.

**OTHER MATTERS TO COME BEFORE THE MEETING**

Management intends to bring before the meeting only the election of Directors and Proposal Nos. 2 and 3 and knows of no matters to come before the meeting other than the matters set forth herein, including Proposal No. 4 by a stockholder. If other matters or motions come before the meeting, it is the intention of the persons named in the accompanying form of proxy to vote such proxy in accordance with their judgment on such matters or motions, including any matters dealing with the conduct of the meeting.

**Please vote, sign and date the enclosed proxy card and mail it promptly in the enclosed postage-paid envelope, or vote your proxy by telephone or on the Internet in accordance with the instructions set forth on the proxy card. Your vote is important.** If you are a registered stockholder planning to attend the meeting, please check the appropriate box on the proxy card and retain the top portion of the card as your admission ticket.

By Order of the Board of Directors,

Carole Sobin

Secretary

New York, NY

April 11, 2008

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**Appendix A**

Description of the Company's Long Term Incentive Plan

*Purpose.* In February 2003, the Board of Directors established, and in May 2003 the Company's shareholders approved the Company's Long Term Incentive Plan (the "Incentive Plan"). The Board of Directors believes that the Incentive Plan is an important tool to advance the interests of the Company and its shareholders by providing long term incentives to those persons with significant responsibility for the success and growth of the Company; by strengthening the Company's ability to attract and retain qualified persons of superior talent, ability and achievement to serve as directors, officers, and in other management positions; and to promote their ownership of a greater equity interest in the Company, thereby aligning their interests more closely with the interests of the Company's stockholders. The Incentive Plan also provides the ability to award long-term incentives that qualify for federal income tax deduction. The complete text of the Incentive Plan was filed as Appendix A to the Company's proxy statement for its 2003 Annual Meeting of Stockholders and is incorporated herein by reference. A copy of the Incentive Plan also can be obtained upon request from the Secretary of the Company.

*Maximum Shares Available Under the Incentive Plan.* A maximum aggregate of 10,000,000 shares of Common Stock ( "Shares" ) were authorized under the Incentive Plan, and, of that amount, at least 6,000,000 are to be in the form of stock options or stock appreciation rights. The remaining 4,000,000 shares may be granted in the form of restricted stock, stock units and performance-based restricted stock or performance units. As of January 31, 2008, an aggregate of 2,578,885 shares of common stock, excluding adjustments for forfeited shares, remain available of which at least 81,050 may only be in the form of stock options or stock appreciation rights and the balance may be granted in a combination of restricted stock, stock units and performance based restricted stock or performance units. The aggregate number of Shares that may be granted to a single individual shall not exceed 1,500,000.

The Committees administering the Incentive Plan, in their sole discretion, may increase the number of Shares available under the Incentive Plan, or may change the number of kind of Shares that may be delivered under the Incentive Plan or the number or kind of Shares that are subject to outstanding awards (and the exercise price per Share), in the event of any change in the number of outstanding Shares or share price by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of equity securities or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other similar change or corporate transaction or event that affects the Shares. If an award made under the Incentive Plan is forfeited, cancelled, terminated or expires without being exercised in whole or in part, or settled in cash, any Shares subject to the award will again be available for future awards under the Incentive Plan. Additionally, Shares used to pay the exercise price or that are withheld in satisfaction of applicable tax withholding obligations will again be available for future awards under the Incentive Plan.

*Term of the Incentive Plan.* Awards may be made under the Incentive Plan until May 19, 2013, which is the ten-year anniversary of the date of original stockholder approval. The Incentive Plan will remain in effect until all matters relating to the payment of outstanding awards have been settled.

*Administration.* The Management Development and Compensation Committee of the Board of Directors is the plan administrator for Company officers and other employees eligible to participate in the Incentive Plan and the Corporate Governance and Nominating Committee of the Board of Directors is the plan administrator for Company Directors. The two plan administrators are referred to jointly as the "Incentive Plan Administrator." The selection, grant and establishment of the terms of Awards remain the duties of the Incentive Plan Administrator, except that the Board must approve any award to Directors.

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The Incentive Plan gives the Incentive Plan Administrator broad authority to determine the persons to whom, and the times at which, awards will be granted or lapse under the Incentive Plan, the types of awards to be granted, the number of shares of Common Stock to be covered by each award, and all other terms and conditions for awards granted under the Incentive Plan. The Incentive Plan provides that the Incentive Plan Administrator may not reduce the exercise price of an option after it is granted other than in the event of a change in the number

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of outstanding Shares or Share price by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of equity securities or other distribution.

The Incentive Plan Administrator may at any time designate one or more of its members or any officer or Director of the Company or its subsidiaries to perform the administrative duties of the Incentive Plan. The Incentive Plan Administrator's determinations under the Incentive Plan are final, conclusive and binding on all parties including the Company, its stockholders, Incentive Plan participants, and their respective estates and beneficiaries.

*Participation.* Directors and officers and other eligible employees of the Company and its subsidiaries designated by the relevant Incentive Plan Administrator are eligible for the award grants under the Incentive Plan subject to the limitations of the aggregate number of Shares available for award under the Incentive Plan and other conditions imposed by the Incentive Plan. Approximately 4,900 employees, including officers, and the non-management Directors are potentially eligible for awards under the Incentive Plan. In determining whether to make grants, the Incentive Plan Administrator takes into consideration the eligible person's present and potential contribution to the success of the Company and other factors as the Incentive Plan Administrator may deem proper and relevant. The benefits or amounts that will be received by or allocated to each of the participants under the Incentive Plan are not determinable except for the annual grant of 1,500 deferred stock units to each of the Company's non-management Directors (see *Stock Unit Grants to Directors* below).

*Awards.* Under the Incentive Plan, the following types of awards can be granted from time-to-time by the Incentive Plan Administrator:

*Stock Unit Grants to Directors.* Each non-management Director of the Company participating in the Incentive Plan is granted 1,500 Stock Units on the first business day after each annual meeting. If a Director is first appointed as a member of the Board after the annual meeting, his or her first annual grant of Stock Units will be pro-rated. A Stock Unit is an unsecured obligation of the Company that represents the economic equivalent of a share of Company Common Stock. The Board of Directors, upon recommendation of the Corporate Governance and Nominating Committee, may change the annual grant.

Stock Units granted to Directors are deferred until the Director's separation from service as a member of the Board. In addition, a Director may voluntarily defer any portion or all of his or her Board compensation and have the deferred amounts credited as additional Stock Units under the Incentive Plan that will be deferred until the Director's separation from service or, at the option of the Director, for five years, or more, after the year in which the units were deferred, if earlier. Deferred Stock Units are paid in a lump sum following the Director's separation from service unless the Director elects an alternative distribution schedule.

Dividend equivalents are paid on the Stock Units in the Incentive Plan and may, at the Director's option, be invested in additional Stock Units. All payments of Stock Units are made in the equivalent number of shares of Common Stock. Non-officer Directors of the Company are not eligible for other awards under the Incentive Plan.

*Stock Unit Grants to Officers and Employees.* Stock Units may be granted to any eligible officer or other employee at the sole discretion of the Incentive Plan Administrator. The Stock Units may be granted without the payment of consideration by the Incentive Plan participant. At the time a Stock Unit award is granted, the Incentive Plan Administrator will establish such terms and conditions as, in its sole discretion, it deems appropriate.

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*Stock Options.* The Incentive Plan Administrator may grant stock options to eligible officers or other employees from time-to-time without the payment of consideration subject to the limitations set forth in the Incentive Plan. Stock options will be subject to the terms and conditions set forth in the Incentive Plan and established by the Incentive Plan Administrator and, in the case of Qualified Stock Options, with the provisions of the Internal Revenue Code applicable to incentive stock options (see *Federal Income Tax Consequences Resulting from Stock Options* below). The option price will be set by the Incentive Plan Administrator at the time of the grant, but, except in the limited circumstances described in the next sentence, may not be less than 100 percent of the fair market value of a common share on the date the option is granted, which is the closing price of

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a share of common stock on the day prior to the stock option grant. In the event that the Company acquires another corporation, the Incentive Plan Administrator would be able to set an exercise price for substitute options in the acquired corporation's stock that would preserve, but not be greater than, the economic value of the acquired company's options being given up as a result of the acquisition. The period during which and the manner in which an option may be exercised will be fixed by the Incentive Plan Administrator, provided, that no option shall be exercisable after the expiration of ten years from the date such option is granted. The Incentive Plan Administrator may settle the exercise of an option granted under the Incentive Plan by payment of shares of Common Stock, cash, or by a combination of both. The Incentive Plan prohibits reductions of the exercise price of stock option grants other than in the event of a change in the number of outstanding shares or share price by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of equity securities or other distribution.

*Restricted Stock.* The Incentive Plan Administrator may grant awards of shares of Common Stock to eligible officers or other employees bearing restrictions ( Restricted Stock ) prohibiting a recipient's sale, transfer or pledge of the Restricted Stock until the expiration of the applicable restriction period. The Incentive Plan Administrator may also impose such other restrictions and conditions on the Restricted Stock as it deems appropriate. At the time that the Restricted Stock is granted, the Incentive Plan Administrator will establish a restriction period applicable to the grant of not less than one or more than ten years. Restricted Stock issued to participants who terminate their employment during the restriction period is subject to forfeiture or payout in accordance with the terms of the Incentive Plan.

*Performance-Based Restricted Stock and Performance Units.* The Incentive Plan Administrator may establish awards based on performance target(s) relative to the applicable Business Criteria (as defined in the Incentive Plan) to be achieved within a period that the Incentive Plan Administrator sets. The applicable performance target(s) and period will be consistent with the terms of the Incentive Plan and, if Proposal No. 3 is approved by stockholders, Section 162(m) of the Internal Revenue Code. The Incentive Plan Administrator will also establish the applicable number of shares of Performance-Based Restricted Stock or Performance Units that are the subject of the award. In the event that Performance-Based Restricted Stock is granted, the Incentive Plan Administrator will establish a restriction period applicable to such stock of not less than one or more than ten years. Performance Units are payable in cash or shares of Common Stock or in a combination of cash and shares, as determined in the Incentive Plan Administrator's sole discretion. The Incentive Plan Administrator will also have the sole discretion to determine the standard or formula pursuant to which each participant's performance-based award shall be calculated, whether all or any portion of the amount so calculated will be paid even if the performance targets are achieved within the performance period, and the specific amount (if any) to be paid to each participant, subject in all cases to the terms, conditions and limits of the Incentive Plan. To this same extent, the Incentive Plan Administrator may at any time establish (and, once established, rescind, waive or amend) additional conditions and terms of payment of Awards (including but not limited to the achievement of other financial, strategic or individual goals, which may be objective or subjective) as it may deem desirable in carrying out the purposes of the Incentive Plan. The Incentive Plan Administrator may not, however, increase the maximum amount permitted to be paid to any individual under the Incentive Plan or pay awards under the provisions of the Incentive Plan if the established performance target(s) have not been satisfied. Performance-Based Restricted Stock or Performance Units granted to participants who terminate their employment during a performance period are subject to forfeiture or payout in accordance with the terms of the Incentive Plan.

*Stock Appreciation Rights.* The Incentive Plan Administrator may grant awards of stock appreciation rights to eligible officers or other employees in conjunction with an option or as a separate award. Stock appreciation rights are rights to the excess of the fair market value of shares of Common Stock on the date of exercise over the fair market value on the date of the grant. Stock appreciation rights will be subject to such terms and conditions not inconsistent with the Incentive Plan as the Incentive Plan Administrator may impose. The Incentive Plan Administrator may direct the payment in settlement of a stock appreciation right to be in cash or shares of Common Stock or a combination of both. Alternatively, the Incentive Plan Administrator may permit the participant to elect to receive cash in full or partial settlement of the stock appreciation right. To the extent that a



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stock appreciation right issued pursuant to an option granted under the Incentive Plan is exercised, the option will be deemed to have been exercised, and will not be deemed to have lapsed.

*Dividend Equivalents.* The Incentive Plan Administrator may grant awards of dividend equivalents in conjunction with stock units, options, separately awarded stock appreciation rights or Performance Units. No consideration is payable by the participant as a result of the grant. Each dividend equivalent will entitle the participant to receive an amount equal to the dividend actually paid with respect to a Share of Common Stock on each dividend payment date from the date of the grant to the date the dividend equivalent lapses as set forth in the Incentive Plan. Dividend equivalents may be invested in additional shares of Common Stock or stock units as determined by the Incentive Plan Administrator. The Incentive Plan Administrator, in its sole discretion, may direct the payment of such amount at such times and in such form and manner as determined by the Incentive Plan Administrators.

*Accelerated Award.* Notwithstanding anything in the Incentive Plan to the contrary, upon the happening of a *Change in Control*, as that term is defined in the Incentive Plan, a participant in the Incentive Plan is entitled to an accelerated payout or accelerated option or exercise period as set forth in the Incentive Plan with respect to any previously granted Award.

*Tax Withholding.* The Company or its subsidiaries may withhold any applicable federal, state or local taxes at such time and upon such terms and conditions as required by law or determined by the Company or its subsidiaries. Subject to compliance with any requirements of applicable law, the Incentive Plan Administrator may permit or require a participant to have any portion of any withholding or other taxes payable in respect to a distribution of shares of Common Stock satisfied through (i) the payment of cash by the participant to the Company or a subsidiary, (ii) the withholding of amounts due the participant from other compensation, (iii) the retention by the Company or a subsidiary of shares, or delivery of previously owned shares of the participant having a fair market value equal to the withholding amount, or (iv) the canceling of any number of shares issuable in an amount sufficient to reimburse the Company or its subsidiaries for the amount it is required to withhold.

### *Federal Income Tax Consequences Resulting from Stock Options*

Under the Incentive Plan, the Company may grant Qualified Stock Options, which are *incentive stock options* within the meaning of Section 422 of the Internal Revenue Code, and Non-qualified Stock Options, which are not *incentive stock options* within the meaning of Section 422 of the Code.

*Qualified Stock Options.* Upon the grant or exercise of a Qualified Stock Option, no income will be recognized by the optionee for federal income tax purposes, and the Company will not be entitled to any deduction. The shares that are acquired by the Qualified Stock Option are taxed at capital gains tax rates when the optionee sells the stock if the following requirements are met: (1) the optionee remains an employee of the Company or its subsidiaries from the time the Qualified Stock Option is granted until three months before the option is exercised; and (2) once the Qualified Stock Option has been exercised and the stock purchased, the optionee does not sell the shares within two years from the date the Qualified Stock Option was granted or within one year from the date the option was exercised and the shares were purchased. No deduction will be allowed to the Company if the holding periods are satisfied.

If the optionee sells the shares before the required period, gain on the sale is treated as ordinary income (compensation) and the Company will be entitled to a corresponding deduction. Gain, for this purpose, is an amount equal to the lesser of (i) the excess of the fair market value of the shares on the date of exercise over the exercise price or (ii) the excess of the amount realized upon such disposition over the exercise price. The gain is recognized for the tax year in which the sale occurs.



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In determining whether shares have been held for the required period, each share of Common Stock sold is treated separately. If the optionee is treated as having received ordinary income, a federal income tax deduction for the same amount will be allowed to the Company in the same year. Exercise of a Qualified Stock Option may subject the optionee to the alternative minimum tax.

*Non-Qualified Stock Options.* Upon the grant of a Non-qualified Stock Option, no income will be recognized by the optionee, and the Company will not be entitled to any deduction. Upon the exercise of a Non-qualified Stock Option, the optionee will realize compensation taxable as ordinary income in an amount equal to the difference between the exercise price and the fair market value of the shares on the date of exercise, and the Company will be entitled to a corresponding federal income tax deduction in the same year.

*Other Tax Consequences*

The foregoing discussion is not a complete description of the federal income tax aspects of options granted under the Incentive Plan. In addition, administrative and judicial interpretations of the application of the federal income tax laws are subject to change. Furthermore, the foregoing discussion does not address state or local tax consequences.

The Incentive Plan is not qualified under Section 401(a) of the Code.

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X **Votes must be indicated** **Please sign, date and return the proxy card promptly using the enclosed envelope.** Please **..**

**(x) in Black or Blue ink.** Mark Here

for Address

Change **SEE REVERSE SIDE**

**The Board of Directors Recommends a Vote FOR Proposals 1, 2 and 3.**

<p>1. ELECTION OF DIRECTORS <b>FOR</b> all nominees listed <b>WITHHOLD *EXCEPTIONS</b> 2. Ratification of appointment of independent accountants.</p> <p>(except as marked to <b>AUTHORITY</b> to vote for all nominees</p> <p>the contrary below)</p> <p><b>Nominees:</b></p> <p>01 - K. Burke</p> <p>02 - V.A. Calarco</p> <p>03 - G. Campbell, Jr. <b>.. .. .</b></p> <p>04 - G.J. Davis</p> <p>05 - M.J. Del Giudice</p> <p>06 - E.V. Futter</p>	<p><b>FOR</b> <b>AGAINST</b> <b>ABSTAIN</b></p> <p><b>.. .. .</b></p>
<p>07 - S. Hernandez</p> <p>08 - J.F. Kilian</p> <p>09 - P.W. Likins</p> <p>10 - E.R. McGrath</p> <p>11 - M.W. Ranger</p> <p>12 - L.F. Sutherland</p>	<p><b>FOR</b> <b>AGAINST</b> <b>ABSTAIN</b></p> <p><b>.. .. .</b></p>

**(INSTRUCTION: To withhold authority to vote for any individual nominee, mark the EXCEPTIONS**

**box and write that nominee's name in the space provided below.)**

\*Exceptions \_\_\_\_\_

**The Board of Directors Recommends a Vote AGAINST the**

**Following Stockholder Proposal 4.**

4. Additional compensation information. **FOR** **AGAINST** **ABSTAIN**  
**.. .. .**

**SEE REVERSE FOR ADMISSION TICKET. THIS TICKET**

**ADMITS ONLY THE NAMED**

**SHAREHOLDER(S).**

I will Attend the **YES**  
**..**

Annual Meeting

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

**(Please sign exactly as name or names appear hereon. Full title of one signing in representative capacity should be clearly designated after signature. Names of all joint holders should be written even if signed by only one.)**

⤴ FOLD AND DETACH HERE ⤴

**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING**

**BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK**

**INTERNET AND TELEPHONE VOTING IS AVAILABLE UNTIL 5 PM EST SUNDAY, MAY 18, 2008.**

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner

as if you marked, signed and returned your proxy card.

**INTERNET**

**TELEPHONE**

<http://www.eproxy.com/ed>

**1-866-580-9477**

**OR**

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

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**CONSOLIDATED EDISON, INC.**

**COMMON STOCK**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Kevin Burke, Michael J. Del Giudice and Peter W. Likins and each or any of them with power of substitution, proxies to vote all stock of the undersigned (including any shares held through the Company's Automatic Dividend Reinvestment and Cash Payment Plan) at the Annual Meeting of Stockholders on Monday, May 19, 2008 at 10:00 a.m. at the Company's Headquarters, 4 Irving Place, New York, NY or at any adjournments thereof, as specified on the reverse side in the election of Directors and on the proposals, all as more fully set forth in the proxy statement, and in their discretion on any matters that may come before the meeting.

Your vote for the election of Directors may be indicated on the reverse side. Nominees are: 01 - K. Burke, 02 - V.A. Calarco, 03 - G. Campbell, Jr., 04 - G.J. Davis, 05 - M.J. Del Giudice, 06 - E.V. Futter, 07 - S. Hernandez, 08 - J.F. Killian, 09 - P.W. Likins, 10 - E.R. McGrath, 11 - M.W. Ranger and 12 - L.F. Sutherland.

**THIS PROXY WILL BE VOTED AS DIRECTED ON THE REVERSE SIDE, BUT IF NO CHOICE IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES FOR DIRECTORS LISTED ABOVE (PROPOSAL 1) AND FOR PROPOSALS 2 AND 3 AND AGAINST PROPOSAL 4.**

**(Continued and to be marked, dated and signed, on the other side)**

Address Change (Mark the corresponding box on the reverse side)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Û FOLD AND DETACH HERE Û

**ADMISSION TICKET**

**Annual Meeting of Shareholders**

of

**CONSOLIDATED EDISON, INC.**

**MONDAY, MAY 19, 2008 10:00 a.m.**

**4 Irving Place**

**New York, NY 10003**

*This ticket admits only the named shareholder(s). Please bring this admission ticket and a proper form of identification with you if attending the meeting.*

**YOUR VOTE IS IMPORTANT!**

**Whether or not you plan to attend the Annual Meeting, please promptly vote by telephone, through the internet or by completing and returning the attached proxy card. Voting early will not prevent you from voting in person at the Annual Meeting if you wish to do so. Your proxy is revocable in accordance with the procedures set forth in the proxy statement.**