CONSOLIDATED EDISON INC
Form DEF 14A
April 04, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under §240.14a-12

CONSOLIDATED EDISON, INC.

(Name of Registrant as Specified In Its Charter)

NOT APPLICABLE

(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:

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

(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):

(4) Proposed maximum aggregate value of transaction:

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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:

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

(3) Filing Party:

(4) Date Filed:

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Consolidated Edison, Inc.

4 Irving Place

New York, NY 10003

Kevin Burke

Chairman of the Board

April 4, 2013

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 20, 2013, 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 2013, the approval of the Company s Long Term Incentive Plan, and the approval, on an advisory basis, of named executive officer compensation. In addition to the matters described above, stockholders will be asked to vote on a proposal submitted by a stockholder described in the attached Proxy Statement.

Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. It is very important that as many shares as possible be represented at the meeting.

Sincerely,

Kevin Burke

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Consolidated Edison, Inc.

4 Irving Place

New York, NY 10003

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 20, 2013, at 10:00 a.m. for the following purposes:

a. To elect as the members of the Board of Directors the twelve nominees named 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 2013;

c. To approve the Company s Long Term Incentive Plan;

d. To approve, on an advisory basis, named executive officer compensation;

e. To act on a stockholder proposal as set forth in the Proxy Statement; and

f. To transact such other business as may properly come before the meeting, or any adjournment or postponement of the meeting.

Whether or not you plan to attend the meeting in person, we urge you to vote your shares of Company Common Stock by telephone, by Internet or by completing and returning a proxy card or a voter instruction form so that your shares will be represented at the Annual Meeting.

By Order of the Board of Directors,

Carole Sobin

Vice President and Corporate Secretary

Dated: April 4, 2013

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

STOCKHOLDERS MEETING TO BE HELD ON MONDAY, MAY 20, 2013

The Company s Proxy Statement and Annual Report are available at

***www.conedison.com/investorreports*.**

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PROXY STATEMENT

QUESTIONS AND ANSWERS

PROXY MATERIALS

What are the proxy materials?

The proxy materials (Proxy Materials) include the following:

The Proxy Statement.

The Annual Report to Stockholders of Consolidated Edison, Inc. (Con Edison or the Company), which includes the consolidated financial statements and accompanying notes for the year ended December 31, 2012, and other information relating to the Company s financial condition and results of operations.

If you received the Proxy Materials by mail, they also include a proxy card or a voter instruction form for use at the 2013 Annual Meeting of Stockholders (the Annual Meeting).

Why am I receiving the Proxy Materials?

The Proxy Materials are provided to stockholders of the Company on or about April 4, 2013, in connection with the solicitation of proxies by the Board of Directors of Con Edison for use at the Annual Meeting and any adjournments or postponements of the Annual Meeting. As a stockholder, you are invited to attend the Annual Meeting and to vote on the items of business described in this Proxy Statement. The Proxy Materials include information that we are required to provide to you under the rules of the Securities and Exchange Commission. We are providing the Proxy Materials to our stockholders by mail, e-mail, or in accordance with the Securities and Exchange Commission s Notice and Access rule.

Why did I receive the Proxy Materials in the mail?

We are providing some of our stockholders, including stockholders who have previously requested to receive paper copies of the Proxy Materials, with paper copies of the Proxy Materials. You may also access the Proxy Materials and vote online at the Internet address provided on the proxy card or the voter instruction form. If you do not want to receive paper copies of proxy materials on an on going basis, please follow the instructions for Internet voting on your proxy card or voter instruction form.

Why did I receive e-mail delivery of the Proxy Materials?

We are providing e-mail delivery of the Proxy Materials to those stockholders who have previously elected electronic delivery. Those stockholders should have received an e-mail containing a link to the website where those materials are available and a link to the proxy voting website.

Why did I receive a Notice of Internet Availability of Proxy Materials?

To reduce the environmental impact of our Annual Meeting, we are providing the Proxy Materials over the Internet. As a result, we are sending many of our stockholders a Notice of Internet Availability of Proxy Materials (the Notice of Internet Availability) instead of a paper copy of the Proxy Materials. All stockholders receiving the Notice of Internet Availability may access the Proxy Materials over the Internet and request a paper copy of the Proxy Materials by mail. Instructions on how to access the Proxy Materials over the Internet, to vote online, and to request a paper copy may be found in the Notice of Internet Availability. In addition, the Notice of Internet Availability contains instructions on how you may request delivery of proxy materials in printed form by mail or electronically on an ongoing basis.

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Can I request a paper copy of the Proxy Statement and Annual Report?

The Company s Proxy Statement and Annual Report are available on our web site at *www.conedison.com/investorreports*. **A copy of these materials is also available without charge upon written request to the Company s Vice President and Corporate Secretary, Con Edison, 4 Irving Place, New York, New York 10003.**

I share an address with another stockholder, and we received only one copy of the Proxy Materials. How may I obtain an additional copy?

If you are a registered holder of Company Common Stock, Computershare may deliver only one copy of the Proxy Materials or Notice of Internet Availability to multiple stockholders who share an address unless Computershare has received contrary instructions.

If you hold your Company Common Stock through a broker, bank, or other financial institution (broker), your broker may deliver only one copy of the Proxy Materials or Notice of Internet Availability to multiple stockholders who share an address unless contrary instructions are received.

The Company will deliver promptly, upon written or oral request, a separate copy of the Proxy Materials or Notice of Internet Availability to a stockholder at a shared address to which a single copy of the documents was delivered.

Stockholders who wish to receive additional copies of the Proxy Materials or Notice of Internet Availability, and stockholders who share an address and wish to receive a single copy of the Proxy Materials or Notice of Internet Availability on an on going basis, should submit the request to the Company by telephone (212-460-4322) or by mail to the Company s Vice President and Corporate Secretary, Con Edison, 4 Irving Place, New York, New York 10003.

Who pays the cost of soliciting proxies for the Annual Meeting?

The Company will pay the expenses associated with the solicitation of proxies. The solicitation of proxies is being made by mail, telephone, the Internet, facsimile, electronic transmission, or overnight delivery. The expense associated with the solicitation of proxies will include reimbursement for postage and clerical expenses to brokerage houses and other custodians, nominees or fiduciaries for forwarding Proxy Materials and other documents to beneficial owners of stock held in their names. Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902, has been retained to assist in the solicitation of proxies. The estimated cost of Morrow s services is $22,000 plus out-of-pocket expenses.

VOTING AND RELATED MATTERS

What is the record date?

The Board of Directors has established March 22, 2013 as the record date for the determination of Con Edison s stockholders entitled to receive notice of and to vote at the Annual Meeting.

How many votes do I have?

You are entitled to one vote on each proposal presented at the Annual Meeting for each outstanding share of Company Common Stock you owned on the record date.

How many votes can be cast by all stockholders entitled to vote at the Annual Meeting?

One vote on each proposal presented at the Annual Meeting for each of the 292,877,246 shares of Company Common Stock that were outstanding on the record date.

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How many votes must be present to hold the Annual Meeting?

To constitute a quorum to transact business at the Annual Meeting, the holders of a majority of the shares entitled to vote at the Annual Meeting, or 146,438,624, must be present in person or by proxy. We urge you to vote by proxy even if you plan to attend the Annual Meeting, so that we will know as soon as possible that enough votes will be present to hold the meeting. Abstentions and broker non-votes are counted in the determination of the quorum.

How does the Board of Directors recommend that I vote?

Item of Business	**Board s Voting Recommendation**
Election of the twelve Director nominees	FOR EACH NOMINEE
Ratification of the appointment of independent accountants	FOR
Approve the Company s Long Term Incentive Plan	FOR
Advisory vote to approve named executive officer compensation	FOR
Stockholder proposal	AGAINST

What vote is required to approve each item of business?

The twelve nominees for Director named in this Proxy Statement receiving a majority of the votes cast at the meeting in person or by proxy shall be elected (meaning the number of shares voted for a Director nominee must exceed the number of shares voted against that Director nominee), subject to the Board s policy regarding resignations by Directors who do not receive a majority of for votes.

The affirmative vote of a majority of the votes cast at the meeting in person or by proxy shall be required to approve the Company s Long Term Incentive Plan (meaning the number of shares voted for the plan must exceed the number of shares voted against the plan). Under New York law, abstentions and broker non-votes, are voted neither for nor against, and have no effect on the vote. Under New York Stock Exchange rules, approval of this proposal requires the affirmative vote of a majority of votes cast, which includes abstentions, at the meeting in person or by proxy, and also requires that the total votes cast (including abstentions) represent over 50 percent of all shares entitled to vote on this proposal.

In all other matters, 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.

Except as discussed above, 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.

How do I vote?

You can vote whether or not you attend the Annual Meeting. Stockholders have a choice of voting over the Internet, by telephone, by mail using a proxy card or voter instruction form, or in person at the Annual Meeting.

If you received a printed copy of the Proxy Materials, please follow the instructions on your proxy card or voter instruction form. Your proxy card or voter instruction form provides information on how to vote over the Internet, by telephone, or by mail.

If you received a Notice of Internet Availability, please follow the instructions on the notice. The Notice of Internet Availability provides information on how to vote over the Internet, by telephone, or by mail.

If you received an e-mail notification, please click on the link provided in the e-mail notification and follow the instructions on how to vote over the Internet or by telephone.

If you are a registered holder of the Company s Common Stock, you may also vote in person at the Annual Meeting.

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To help us reduce the environmental impact of our meeting, we ask that you vote through the Internet or by telephone, both of which are available 24 hours a day. To ensure that your vote is counted, please remember to submit your vote by the date and time indicated on your Notice of Internet Availability, proxy card or voter instruction form, as applicable.

If my shares are held by my broker, can my shares be voted if I don t instruct my broker?

The Securities and Exchange Commission has approved a New York Stock Exchange rule that affects the manner in which your broker may vote your shares. **Your broker may not vote on your behalf for the election of directors or compensation-related matters or the shareholder proposal, unless you provide specific voting instructions to your broker. For your vote to be counted, you need to communicate your voting decisions to your broker, in the manner prescribed by your broker, before the date of the Annual Meeting.**

If you have any questions about this rule or the proxy voting process in general, please contact the broker where you hold your shares. The Securities and Exchange Commission also has a website (*www.sec.gov/spotlight/proxymatters.shtml*) with more information about your rights as a stockholder.

If I am a registered holder of Company Common Stock, what if I don t vote for one or more of the matters listed on my proxy card?

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 you return a signed proxy without indicating voting instructions your shares will be voted as follows:

for the election of the twelve Director nominees,

for the ratification of the appointment of independent accountants,

for the Company s Long Term Incentive Plan,

for the advisory vote to approve named executive officer compensation, and

against the stockholder proposal.

Can I change my vote?

Yes, depending on how your shares of Company Common Stock are held, you may change your vote by sending in a new, properly executed proxy card or voter instruction form with a later date, or by casting a new vote by Internet or telephone, or by sending a properly executed written notice of revocation to the Company s Vice President and Corporate Secretary at Con Edison, 4 Irving Place, New York, New York 10003. Check the instructions on your Notice of Internet Availability, proxy card or voter instruction form for information regarding your specific revocation options. If you are a registered holder of Company Common Stock, you may also change your vote by appearing at the Annual Meeting and voting in person. Attendance at the Annual Meeting without voting will not by itself revoke a proxy.

ANNUAL MEETING INFORMATION

What is the location, date, and time 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 20, 2013, at 10:00 a.m.

Where can I find directions to the Annual Meeting?

Directions to the Annual Meeting are available on our website at *www.conedison.com/investorreports*.

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Who can attend the Annual Meeting?

Attendance at the Annual Meeting will be limited to holders of Company Common Stock on March 22, 2013, the record date, the authorized representative (one only) of an absent stockholder, and invited guests of management.

Do I need a ticket to attend the Annual Meeting?

Yes, you will need an admission ticket or proof of ownership of Company Common Stock on the record date to enter the meeting.

- If you received a printed copy of the Proxy Materials and you are a registered holder of Company Common Stock, your proxy card serves as your admission ticket to the Annual Meeting.

- If you received a printed copy of the Proxy Materials and you hold your shares through a broker, please bring to the Annual Meeting a copy of a brokerage or other statement reflecting your stock ownership as of the record date.

- If you received a printed copy of the Proxy Materials and you hold your shares through an employee plan, please bring to the Annual Meeting a copy of a statement reflecting your stock ownership as of the record date.

- If you received a Notice of Internet Availability, that Notice of Internet Availability serves as your admission ticket to the Annual Meeting.

- If you received an e-mail notification, please access the Proxy Materials by clicking on the link provided in the e-mail notification and follow the instructions for downloading a copy of your admission ticket.

You may be asked to present valid picture identification to gain entrance to the Annual Meeting. Any person claiming to be an authorized representative of a stockholder must, upon request, produce written evidence of the authorization.

Are there any special attendance procedures?

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 and permit only stockholders or their authorized representatives to address the meeting. No signs, banners, placards, handouts, cameras, recording equipment and similar items may be brought to the meeting room. Recording of the Annual Meeting is prohibited. Suitcases, briefcases, packages, and other items may be subject to inspection.

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MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

ELECTION OF DIRECTORS

(Proposal No. 1)

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. See *The Board of Directors* on pages 19 to 25. 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.

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).

Shares represented by every properly executed proxy will be voted at the Annual Meeting for or against the election of the Director nominees as specified by the stockholder giving the proxy. If one or more of the nominees is unable or unwilling to serve, the shares represented by the proxies will be voted for any substitute nominee or nominees as may be designated by the Board.

The Board Recommends a Vote FOR Proposal No. 1.

Election of each of the twelve Director nominees requires the Director to receive a majority of the votes cast at the meeting in person or by proxy to be elected (meaning the number of shares voted for a Director nominee must exceed the number of shares voted against that Director nominee), subject to the Board s policy regarding resignations by Directors who do not receive a majority of for votes.

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RATIFICATION OF THE APPOINTMENT OF INDEPENDENT ACCOUNTANTS

(Proposal No. 2)

At the Annual Meeting, as a matter of sound corporate governance, stockholders will be asked to ratify the selection of PricewaterhouseCoopers LLP (PwC) as independent accountants for the Company for the year 2013. 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.

The Audit Committee 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. See *Report of the Audit Committee* and *Fees Paid to PricewaterhouseCoopers LLP* on pages 35 to 36.

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.

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

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APPROVAL OF THE COMPANY S LONG TERM INCENTIVE PLAN

(Proposal No. 3)

Introduction

At its February 21, 2013 meeting, the Board of Directors unanimously adopted the Long Term Incentive Plan, an equity compensation plan providing long term incentive awards to officers, employees and non-employee directors of the Company and its affiliates, subject to the approval of the Company s stockholders at the Annual Meeting. The Long Term Incentive Plan was considered by the Management Development and Compensation Committee and the Corporate Governance and Nominating Committee (together, the Committees) in consultation with Mercer, their compensation consultant, and was approved by the Committees at their February 20, 2013 meetings. In addition, the Company discussed the material terms of the Long Term Incentive Plan with several of its institutional shareholders.

If approved by the Company s stockholders, the Long Term Incentive Plan will become effective on May 20, 2013. Existing awards under the Company s current equity incentive plan, the Consolidated Edison, Inc. Long Term Incentive Plan, which was initially approved by shareholders in May 2003 (the 2003 Long Term Incentive Plan) and subsequently reapproved by stockholders for purposes of Section 162(m) of the Internal Revenue Code (the Code) in May 2008, will remain in full force and effect in accordance with its terms. No new awards will be made under the 2003 Long Term Incentive Plan after May 19, 2013 (which is ten years after the date of the annual meeting at which the Company s stockholders approved the plan).

Timing of Proposal

The Company has not requested that stockholders approve an equity compensation plan to provide long term incentive awards since the 2003 Long Term Incentive Plan. Under the terms of the 2003 Long Term Incentive Plan, the Company may not make any awards after May 19, 2013. The Company requests that stockholders approve the Long Term Incentive Plan and authorize 5,000,000 shares of Company Common Stock to continue to grant equity awards to officers, employees, and non-employee directors. The Long Term Incentive Plan is a key pay-for-performance component of the Company s compensation program and the Company s primary vehicle for granting equity-based compensation to its employees in management positions. Approximately 5,000 management employees of the Company were eligible to participate in the 2003 Long Term Incentive Plan. For each of the past five years, over 1,000 employees received a long term incentive award under the plan. See *Compensation Program Overview, Philosophy and Objectives Pay-Performance Alignment and Target Total Direct Compensation Mix* on pages 40 to 41.

Stockholder approval of the Long Term Incentive Plan is required under the rules of the New York Stock Exchange. In addition, stockholder approval is necessary to provide the Management Development and Compensation Committee with the flexibility to grant certain awards that may qualify as qualified performance-based compensation under Code Section 162(m).

Description of the Long Term Incentive Plan

The following is a summary of the material terms of the Long Term Incentive Plan. Capitalized terms used in this summary have the meaning set forth in the Long Term Incentive Plan. The complete text of the Long Term Incentive Plan is set forth in Appendix A to this Proxy Statement, and stockholders are urged to review it together with the following information, which is qualified in its entirety by reference to Appendix A.

Purpose. The Board of Directors believes that the Long Term Incentive Plan is an important tool to (i) advance the interests of the Company and its stockholders by providing long term incentives to those persons with significant responsibility for creating value for stockholders, (ii) strengthen the Company s ability to attract, motivate and retain qualified persons of superior talent, ability and achievement to serve as directors, officers, and in other management positions critical to the long-term success of the Company, and (iii) further the ownership interests of key personnel in the shares of Company Common Stock, thereby aligning their long-term interests more closely with those of the Company s stockholders.

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Maximum Shares of Company Common Stock Available Under the Long Term Incentive Plan. The Long Term Incentive Plan covers a maximum of 5,000,000 shares of Company Common Stock. The 5,000,000 shares of Company Common Stock authorized under the Long Term Incentive Plan is 1.7% of the Company s outstanding shares as of December 31, 2012. Code Section 162(m) requires, among other things, that the maximum number of shares awarded to specified executive officers under the Long Term Incentive Plan must be approved by stockholders in order for the awards to be eligible for treatment as qualified performance-based compensation and not be subject to the $1 million limitation on deductibility for compensation paid to such officers. In addition, Code Section 422 requires, among other things, that the maximum number of incentive stock options awarded to employees be approved by stockholders in order for the awards to be eligible for treatment as incentive stock options. Accordingly, the maximum number of shares of Company Common Stock that may be subject to awards, including without limitation, incentive stock options, granted to an individual officer or employee in any calendar year is 750,000 shares of Company Common Stock, plus any shares of Company Common Stock that were available for issuance in any prior calendar year but were not covered by awards. Shares of Company Common Stock delivered under the Long Term Incentive Plan may be (i) authorized but unissued shares, (ii) treasury shares, (iii) shares purchased on the open market or by private purchase, or (iv) any combination thereof.

The closing price of a share of the Company s Common Stock on the New York Stock Exchange on March 15, 2013 was $59.17.

Any share of Company Common Stock covered by an award (or portion of an award) that is forfeited, cancelled, terminated or expired without being exercised in whole or in part, or that is settled without the delivery of shares of Company Common Stock, shall again be available for the grant of new awards. The number of shares of Company Common Stock that are tendered by a participant or withheld by the Company to pay the exercise price of an award or to satisfy a participant s tax withholding obligations in connection with the exercise or settlement of an award will not be available for the grant of new awards.

Dilution and Other Adjustments. In the event of any change in the number of outstanding shares of Company Common Stock or share price by reason of any stock split, reverse stock split, spinoff, split-off, partial or complete liquidation, 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 shares of Company Common Stock, the Committees may equitably adjust the number of shares that may be delivered under the Long Term Incentive Plan, or the number or kind of shares which are subject to outstanding awards and the exercise price per share relating thereto.

Term of the Plan. If approved by stockholders at the 2013 annual meeting, awards may be granted under the Long Term Incentive Plan for up to a period of ten years, unless earlier terminated by the Board of Directors. The Long Term Incentive Plan will continue in effect until all matters relating to the payment of outstanding awards and administration of the plan have been settled.

Administration. Generally, the Management Development and Compensation Committee is the Plan Administrator of the Long Term Incentive Plan, and administers the awards and award documents for officers and other eligible employees and the Corporate Governance and Nominating Committee is the Plan Administrator of the Long Term Incentive Plan, and administers the awards and award documents for non-employee directors.

The Plan Administrator has full power and authority to (i) take all actions and make all determinations to interpret, construe or implement the terms and conditions of the plan, any award or any award document; (ii) make all rules, regulations and take such other actions and make such other determinations which the Plan Administrator deems to be necessary or advisable for the administration of the plan, any award or any award document; (iii) modify, amend, extend or renew outstanding awards, or accept the surrender of outstanding awards and substitute new awards; and (iv) correct any defect, supply any omission or reconcile any inconsistency in the plan,

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any award or any award document. The Plan Administrator may not effect a repricing of any Stock Option or Stock Appreciation Right without the approval of the Company s stockholders. In addition, no Stock Option or Stock Appreciation Right may be repurchased or otherwise cancelled in exchange for cash or other property if the exercise price of the Stock Option or the grant price of the Stock Appreciation Right is equal to or less than the fair market value of a share of Company Common Stock at the time of such repurchase or exchange without the approval of the Company s stockholders. The full Board of Directors must approve any awards to non-employee directors. In no event will the Plan Administrator effect the payment of dividends or dividend equivalents on any unearned performance-based awards or other equity-based awards.

Any determinations, approvals or actions that are performed or taken by the Board of Directors, the Plan Administrator or a Committee (or their respective delegates or assigns) in connection with the Long Term Incentive Plan are final, conclusive and binding on all parties, including the Company, its stockholders, participants, their respective estates and beneficiaries.

Participation. Approximately 5,000 employees of the Company and its affiliates, including officers, and non-employee directors are potentially eligible for awards under the Long Term Incentive Plan. Officers and other eligible employee of the Company and its affiliates may be designated by the Management Development and Compensation Committee to participate in the Long Term Incentive Plan with respect to one or more awards under the plan. Any director of the Company or its affiliates, who is not also an officer or employee may also be designated by the Corporate Governance and Nominating Committee to receive an award under the Long Term Incentive Plan.

The benefits or amounts that will be received by or allocated to participants under the Long Term Incentive Plan are not determinable except for the annual grant of deferred stock units to each of the Company s non-employee directors (see Stock Unit Grants to Non-Employee Directors below).

Awards. The types of awards that can be granted under the Long Term Incentive Plan are set forth below. Awards are subject to the terms and conditions of the plan and such other terms and conditions that may be established by the Plan Administrator.

Stock Unit Grants to Non-Employee Directors. A Stock Unit is an unsecured obligation of the Company that represents the economic equivalent of a Share. Each non-employee director participating in the Long Term Incentive Plan will be granted an annual award of Stock Units with a fair market value of $105,000 on the first business day after an annual meeting. If a non-employee director is first appointed as a member of the Board of Directors after the date of an annual meeting, he or she will be granted a pro rated award of Stock Units. The Board of Directors, upon recommendation of the Corporate Governance and Nominating Committee, may from time-to-time change the annual award of Stock Units, including, but not limited to, changing the methodology, form, timing, amount or such other terms and conditions as the Board of Directors may determine. The maximum number of shares of Company Common Stock that may be subject to awards granted in any calendar year to a non-employee director is 10,000 shares of Company Common Stock.

Stock Units granted to non-employee directors are automatically deferred and credited to a non-employee director s Stock Unit account and are paid in a single one-time payment of shares of Company Common Stock within 60 days following a director s separation from service, unless the non-employee director elected to receive some or all of his or her Stock Units on another date.

Dividend Equivalents are earned on Stock Units awards until no Stock Units remain in a non-employee director s Stock Unit account and are automatically deferred and paid in a single one-time payment of shares of Company Common Stock within 60 days following the non-employee director s separation from service, unless the non-employee director elected to receive some or all of his or her Dividend Equivalents on another date or in cash.

Non-employee directors are not eligible for any other awards under the Long Term Incentive Plan.

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Stock Unit Grants to Officers and Eligible Employees. The Management Development and Compensation Committee may grant Stock Units to any officer or other eligible employee. Each Stock Unit represents the economic equivalent of one share of Company Common Stock payable in cash or shares.

Stock Options. The Management Development and Compensation Committee may grant incentive stock options within the meaning of Code Section 422, and non-qualified stock options to officers or other eligible employees. The exercise price per Share underlying a Stock Option will be determined by the Management Development and Compensation Committee, 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 share of Company Common Stock on the date the Stock Option is granted. In the event that the Company acquires another company, the exercise price per share of Company Common Stock underlying a Stock Option that is a substitute award will be determined in accordance with Code Section 409A and other applicable laws and may be less than the fair market value of a share of Company Common Stock on the date of grant. No Stock Option shall be exercisable after the expiration of ten years from its grant date. The Management Development and Compensation Committee may settle the exercise of a Stock Option granted under the Long Term Incentive Plan by delivering shares of Company Common Stock, cash, or by a combination of both. The holder of a Stock Option has the rights of a stockholder only with respect to shares of Company Common Stock which have been issued.

Restricted Stock. The Management Development and Compensation Committee may grant awards of shares of Company Common Stock to officers or other eligible employees bearing restrictions (Restricted Stock) prohibiting the sale, transfer, pledge or hypothecation of the Restricted Stock until the expiration of the applicable restriction period. At the time that a Restricted Stock award is granted, the Management Development and Compensation Committee will establish a restriction period applicable to such award which will be not less than one and not more than ten years.

Performance-Based Restricted Stock and Performance Units. The Management Development and Compensation Committee may determine whether any award granted to officers or other eligible employees should qualify as qualified performance-based compensation as defined in Code Section 162(m). Such performance-based awards (Performance-Based Restricted Stock or Performance Units) will be subject to performance target(s) with respect to one or more applicable Business Criteria consisting of Adjusted EBIT, Adjusted EPS, Adjusted Net Income, Adjusted Operating Income, Adjusted Operating Revenues, Adjusted Return on Assets, Adjusted Return on Equity, EBIT, EPS, Fair Market Value, Net Income, Operating Criteria, Operating Income, Operating Revenues, Return on Assets, Return on Equity, and Total Shareholder Return. Operating Criteria may consist of one or more of the following criteria: (i) collections; (ii) customer service; (iii) economic development; (iv) electric, gas, and/or steam system performance; (v) employee development; (vi) safety; (vii) environmental performance, financial, regulatory controls, and business development goals; (viii) gross margins; and (ix) retail sales.

The Management Development and Compensation Committee will establish (i) the performance target(s) relative to the applicable Business Criteria, (ii) the applicable performance period, and (iii) the applicable initial value or target number of shares of Company Common Stock of Performance-Based Restricted Stock or Performance Units that are subject to the award. Performance Based Restricted Stock is payable in shares of Company Common Stock. Performance Units are payable in cash or shares of Company Common Stock or in a combination of cash and shares, as determined by the Management Development and Compensation Committee. In the event that Performance-Based Restricted Stock award is granted, the Management Development and Compensation Committee will establish a restriction period applicable to such award, which will be no less than one nor more than ten years.

The Management Development and Compensation Committee may determine the standard or formula pursuant to which a performance-based award will be calculated, whether all or any portion of the amount so calculated will be paid or reduced, and the specific amount (if any) to be paid, subject in all cases to the terms, conditions and limits of the Long Term Incentive Plan. The Management Development and Compensation Committee may not increase the maximum amount permitted to be paid to any individual under the Long Term Incentive Plan or pay awards if the applicable performance target(s) have not been met.

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Stock Appreciation Rights. Stock Appreciation Rights are rights to the settlement in cash, shares of Company common stock, or a combination thereof, of the excess of the fair market value of shares of Company Common Stock on the date of exercise over their fair market value on the date of grant. The Management Development and Compensation Committee may grant awards of Stock Appreciation Rights to any officers or other eligible employees, in conjunction with a Stock Option or independent of a Stock Option. The Management Development and Compensation Committee may provide that payment of a Stock Appreciation Right will be in cash or shares of Company Common Stock or a combination thereof. To the extent that a Stock Appreciation Right granted in conjunction with a Stock Option is exercised, such Stock Option will be deemed to have been exercised, and will not be deemed to have lapsed. To the extent that a Stock Appreciation Right is granted independent of a Stock Option, each Stock Appreciation Right payment (in cash or shares of Company Common Stock or a combination thereof) will be equal to the excess of the fair market value of one share on the date of exercise over the fair market value of one share at the date of grant of the Stock Appreciation Right, times the number of shares of Company Common Stock subject to the Stock Appreciation Right (or portion thereof) which is exercised.

Dividend Equivalents. The Management Development and Compensation Committee may grant awards of Dividend Equivalents in conjunction with Stock Units or Performance Units. 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 until the date the Dividend Equivalent lapses. Dividend Equivalents may be invested in additional shares of Company Common Stock or Stock Units as determined by the Management Development and Compensation Committee. No dividend equivalents may be granted in connection with, or related to, stock options or Stock Appreciation Rights.

Other Equity-Based Awards. The Management Development and Compensation Committee may also grant equity-based or equity-related awards not described above.

Change in Control. In the event that (i) a Change in Control occurs and (ii) a participant (other than a non-employee director participant) incurs a termination without cause or a resignation for good reason on or before the second anniversary of a Change in Control (a CIC Separation from Service), the participant will be entitled to the following:

(i) A participant will be entitled to an accelerated payout of any Stock Units or Restricted Stock, pro rated based on the number of months that have elapsed from the date of grant up to and including the date of the CIC Separation from Service.

(ii) Any Stock Options or Stock Appreciation Rights that are outstanding and not vested upon the occurrence of a CIC Separation from Service will vest on a prorated basis, based on the number of months that have elapsed from the date of grant up to and including the date of the CIC Separation from Service.

(iii) A participant will be entitled to an accelerated payout of any outstanding Performance-Based Restricted Stock or Performance Units, prorated based on the number of months of the performance period that have elapsed from the Date of Grant up to and including the date of the CIC Separation from Service, and assuming that the performance targets were achieved at target levels.

In the event that a Change in Control occurs, a non-employee director participant will be entitled to an accelerated payout of the balance of his or her Stock Unit account.

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Recoupment. Any award granted to an officer of the Company is subject to the Company s recoupment policy, as may be amended from time to time, or any Company recoupment policies or procedures that may be required under applicable laws.

Tax Withholding. The Company has the authority to withhold, or require a participant to remit to the Company prior to issuance or delivery of any shares of Company Common Stock or cash, an amount sufficient to satisfy the minimum statutory amount required by any applicable federal, state or local taxes, and other withholding requirements associated with any award.

Certain Restrictions. Unless otherwise determined by the Committees or as required by applicable law, no award will be transferable other than by will or by the laws of descent and distribution.

Amendment and Termination of the Long Term Incentive Plan. The Committees may at any time alter, amend, suspend or terminate the Long Term Incentive Plan, any award document or any award, in whole or in part except as provided by applicable law or stock exchange rule that require stockholder approval for certain amendments. No action may materially adversely affect a participant s rights with respect to previously granted awards without his or her consent.

U.S. Federal Income Tax Consequences

The following is a general summary as of the date of this proxy statement of the U.S. federal income tax consequences associated with the Long Term Incentive Plan. The federal tax laws are complex and subject to change and the tax consequences for any participant will depend on his or her individual circumstances.

Stock Units. A participant generally will not recognize income, and the Company will not be allowed a tax deduction, upon the grant of a stock unit or when dividend equivalents are credited on his or her behalf. A participant will recognize ordinary income in an amount equal to the amount of cash and/or the fair market value of the shares of Company Common Stock that are delivered when stock units or dividend equivalents are settled, and the Company will generally be allowed a tax deduction (subject to Code Section 162(m)). The participant s tax basis in the shares of Company Common Stock will equal the amount taxed as ordinary income, and on subsequent sale the participant will recognize long-term or short-term capital gain or loss.

Stock Options. Under the Long Term Incentive Plan, the Company may grant incentive stock options within the meaning of Code Section 422, and non-qualified stock options, which are not incentive stock options within the meaning of Code Section 422.

Incentive Stock Options. Upon the grant or exercise of an incentive stock option, no income will be recognized by the participant and the Company will not be allowed a tax deduction. However, the excess of the fair market value of the shares of Company Common Stock as of the date of exercise over the exercise price may constitute an adjustment to taxable income for purposes of the alternative minimum tax. The shares of Company Common Stock that are acquired upon exercise by a participant of an incentive stock option will be taxed as long-term capital gain or loss and no deduction will be allowed to the Company when the participant sells such shares if the following requirements are met: (1) the participant remains an employee of the Company or its subsidiaries from the time the incentive stock option is granted until three months before the incentive stock option is exercised; (2) the participant held such shares for more than one year after the transfer of such shares upon exercise of the incentive stock option; and (3) the participant held such shares for more than two years from the date the incentive stock option was granted. If the participant sells the shares of Company Common Stock bef