



Consolidated Edison Company
of New York, Inc.
4 Irving Place
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conEd.com

November 2011

Dear Retiree:

Your Con Edison Retiree Health Program (“Program”) provides valuable health-care benefits during your retirement. Approximately \$120 million has been spent on this program for the 12 months ending September 30, 2011. During this period, the company incurred the majority of the cost, and retiree contributions paid for the remainder of the program costs based on a cost-sharing formula. This means that the company and retirees pay all claims, and Cigna and CVS/Caremark administer the plans and process claim payments.

The company’s contribution for a given year is based on the amount of its previous year’s contribution, plus a cost-of-living adjustment as measured by the change in the Consumer Price Index (CPI). From October 2010 to September 2011, the CPI increased 2.65% compared to the previous 12-month period. As a result, the company’s contribution to program costs will increase by 2.65%. However, the 2.65% increase to the company plus the current level of retiree contributions will not cover the entire expected rise in Program costs of 6%. Retirees’ monthly pension contributions will be increased to pay for the balance of the cost increase.

In addition, some of the Program features, such as deductibles, co-insurance, and copayments, will be increased to better align the Con Edison Program with health-care plans available in the market place and to help mitigate expected cost increases. Your new monthly pension contribution and changes to deductibles, co-insurance, and copayments will become effective January 1, 2012.

The good news is that retirees can help manage future plan costs by becoming educated consumers of health-care services. For example, if you are not eligible for Medicare, it costs less for services when you use participating providers, such as doctors in the Cigna network. You can also save money by asking for generic drugs whenever possible.

Please take the time to read the following information carefully so that you can make the best decisions for you and your family.

Patient Protection and Affordable Care Act

Under the new health-care reform law, the Early Retiree Reinsurance Program (ERRP) reimburses plan sponsors for health-care benefits paid on behalf of non-Medicare eligible retirees and their family members. Con Edison has received \$5.6 million in ERRP reimbursements and will use these funds to defray retiree-health and prescription-drug costs. The company will file for additional reimbursements, but ERRP will only be available through January 1, 2014, or earlier, if federal funds are exhausted.

Retiree Contributions to the Program

Since medical costs for the Cigna health and CVS/Caremark prescription plans are projected to increase by 6% in 2012, the company will use some of the ERRP reimbursements to offset a portion of the increase to your monthly health-care contribution in January 2012. There will also be a premium increase in some HMOs. The new monthly contributions for Cigna, CVS/Caremark, and the HMOs for 2012 are detailed in the enclosed Schedule of Contributions.

Although many companies do not offer health benefits to retirees, the company continues to value our retirees and provides retiree health benefits. At the end of each year, the company reviews the cost allocation between the company and retirees and it is adjusted as described in this letter. The information in this letter does not alter the company's right to change or terminate the Program at any time due to changes in laws governing employee-benefit plans, the requirements of the Internal Revenue Code, Employee Retirement Income Security Act, or for any other reason.

Program Feature Changes

The following benefit changes to the Program features will also be made to mitigate expected cost increases:

MEDICAL PLAN CHANGES

- An additional \$10 copayment will be charged for in-network specialist office visits, for a total of \$35 per visit for retirees and family members who are non-Medicare eligible
- Emergency-room visits will require a copayment of \$100
- Out-of-network reimbursements of usual and customary charges will be reduced from the 90th percentile to the 80th percentile. This means that the Program will reimburse out-of-network claims no more than what is usually charged by 8 out of 10 providers within each geographic area.

PRESCRIPTION DRUG PLAN CHANGES

- Increase in retail brand name copay from \$24 to \$29
- Increase in retail generic copay from \$12 to \$13
- Increase in mail-order brand-name copay from \$20 to \$25
- Increase in mail-order generic copay from \$10 to \$11

General Medical Plan Reminders

Cigna is the health-plan administrator for hospital and medical-care benefits offered to retirees of Con Edison and Orange and Rockland. Their health care programs help the company provide retirees with comprehensive, high-quality health care coverage.

Here are a few program highlights:

- Enhanced wellness and behavioral health benefits
- No need for referrals to specialists in or out of the Cigna network

24-hour customer service and nurse line — 1-800-CIGNA24

- A broad range of highly-recognized in-network facilities (and the doctors associated with them) are in the Cigna network, including Memorial Sloan-Kettering, Hospital for Special Surgery, Westchester Medical Center, Quest Diagnostics, and LabCorp.

Important Note for Medicare-Eligible Retirees: If you are enrolled in Medicare, your Cigna benefits will be secondary to Medicare. Therefore, using network providers does not pertain to you. However, to reduce your out-of-pocket expenses, you should use providers that accept Medicare assignment whenever possible.

General Prescription-Drug Coverage Reminders

Prescription-drug coverage is provided by CVS/Caremark. What you pay for generic or brand-name prescription drugs depends on where you fill your prescription. In general, you will pay less for:

- Generic versus brand-name prescription drugs;
- Filling maintenance medications (90-day supply) at a CVS pharmacy or through Caremark's mail order service program; and
- Prescription drugs you receive through a retail pharmacy that is in the CVS/Caremark network.

Get 20% off on select CVS brand items

Your CVS/Caremark prescription drug coverage provides you with a CVS/Caremark Extra Care Health card. You can use it to receive discounts of up to 20% on select over-the-counter CVS brand items, such as ibuprofen, nasal decongestant, and more. If you do not already have a card, you can call 1-800-601-6364 to request one.

2012 Open Enrollment

If you wish to change your retiree health-care coverage effective January 1, 2012, for example, from an HMO to Cigna or from one HMO to another, call Employee Benefits and request a Con Edison Retiree Health Benefits Enrollment/Change Form and Medicare (HCFA) form if you are on Medicare. A completed form must reach Employee Benefits no later than **December 15, 2011**.

Important reminder: If you decide not to participate in the Program in 2012, you will not be eligible to participate in the future unless you or your spouse/domestic partner is covered under another employer's group health plan (not an individual policy) during the interim period.

Medicare Part D Creditable Coverage Disclosure Notice Coverage

Also enclosed is a Creditable Coverage Disclosure Notice pertaining to Medicare Part D. This notice pertains to retirees who are Medicare eligible and currently covered under the Retiree Health Program and to retirees who have a dependent spouse/same-sex domestic partner or child who is covered by Medicare or Medicaid and is currently covered or eligible for coverage under the Retiree Health Program. Please read the notice and file it in a safe place in case you or one of your dependents enrolls in Medicare Part D in the future.

Coverage Provided For Reconstructive Surgery Following Mastectomy

The *Women's Health and Cancer Rights Act of 1998*, a federal law, requires group health-care plans to provide coverage for reconstructive surgery and prostheses following mastectomies.

The law also requires participants be notified annually of the benefit provisions under the company's health-care plans for reconstructive surgery following a mastectomy. Benefits for a medically necessary mastectomy include:

- Reconstruction of the breast on which the mastectomy has been performed.
- Surgery and reconstruction of the other breast to produce a symmetrical appearance.
- Treatment of physical complications of all stages of mastectomy, including lymphedemas.

This coverage is provided in consultation with the attending physician and the patient and is subject to the same annual deductibles and coinsurance provisions that apply for the mastectomy.

If you have any questions about coverage for mastectomies and reconstructive surgery, please call Cigna at 1-800-244-6224 or contact your HMO.

If you have any questions, please call Employee Benefits at 1-800-582-5056, Monday through Friday from 9:00 a.m. to 4:00 p.m.

Sincerely,

A handwritten signature in black ink that reads "Hector J. Reyes". The signature is written in a cursive style with a large, stylized initial "H".

Hector J. Reyes
Director, Employee Benefits

This letter serves as a summary of material modifications (SMM) and notice of terms to participants as required by federal law. The changes described are also subject to any plan documents, including contracts between Con Edison and the firms that insure and/or administer the plans. In the event of any conflict between this message and any plan documents, the plan documents will prevail.