

Exhibit No. __ (BAE-3)
Dockets UE-111048/UG-111049
Witness: Betty A. Erdahl

BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-111048
DOCKET UG-111049
(Consolidated)

**EXHIBIT TO
TESTIMONY OF**

BETTY A. ERDAHL

**ON BEHALF OF THE STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Staff Incentive Pay Adjustments

December 7, 2011

**PUGET SOUND ENERGY
INCENTIVE / MERIT PAY - ELECTRIC
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
2011 GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | STAFF ADJUSTMENT |
|-------------|-------------------------------------|-----------------------|
| 1 | INCENTIVE / MERIT PAY | |
| 2 | PURCHASED POWER | \$ (146,889) |
| 3 | OTHER POWER SUPPLY | \$ (725,558) |
| 4 | TRANSMISSION | \$ (117,944) |
| 5 | DISTRIBUTION | \$ (839,294) |
| 6 | CUSTOMER ACCTS | \$ (497,996) |
| 7 | CUSTOMER SERVICE | \$ (44,358) |
| 8 | SALES | \$ (4,358) |
| 9 | ADMIN. & GENERAL | \$ (861,169) |
| 10 | TOTAL INCENTIVE / MERIT PAY | <u>\$ (3,237,565)</u> |
| 11 | | |
| 12 | PAYROLL TAXES ASSOCI WITH MERIT PAY | <u>\$ (265,927)</u> |
| 13 | INCREASE (DECREASE) IN EXPENSE | \$ (3,503,492) |
| 14 | | |
| 15 | INCREASE (DECREASE) FIT @ | 1,226,222 |
| 16 | | |
| 17 | INCREASE (DECREASE) NOI | <u>\$ 2,277,270</u> |

Staff disallowed 50% of Incentive Pay as related to financial metrics

**PUGET SOUND ENERGY
INCENTIVE / MERIT PAY - GAS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
2011 GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | STAFF ADJUSTMENT |
|-------------|-------------------------------------|---------------------|
| 1 | INCENTIVE/MERIT PAY | |
| 2 | PRODUCTION MANUF. GAS | \$ (4,881) |
| 3 | OTHER GAS SUPPLY | \$ (16,456) |
| 4 | STORAGE, LNG T&G | \$ (22,756) |
| 5 | TRANSMISSION | \$ (3,474) |
| 6 | DISTRIBUTION | \$ (816,365) |
| 7 | CUSTOMER ACCTS | \$ (330,322) |
| 8 | CUSTOMER SERVICE | \$ (31,016) |
| 9 | SALES | \$ (5,323) |
| 10 | ADMIN. & GENERAL | \$ (359,857) |
| 11 | TOTAL INCENTIVE / MERIT PAY | \$ (1,590,449) |
| 12 | | |
| 13 | PAYROLL TAXES ASSOCI WITH MERIT PAY | \$ (128,522) |
| 14 | INCREASE(DECREASE) IN EXPENSE | \$ (1,718,971) |
| 15 | | |
| 16 | INCREASE (DECREASE) FIT @ | 601,640 |
| 17 | | |
| 18 | INCREASE (DECREASE) NOI | \$ 1,117,331 |

Staff disallowed 50% of Incentive Pay as related to financial metrics