

**EXHIBIT NO. \_\_\_(TMH-1T)**  
**DOCKET NO. UE-07\_\_\_/UG-07\_\_\_**  
**2007 PSE GENERAL RATE CASE**  
**WITNESS: THOMAS M. HUNT**

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-07\_\_\_**  
**Docket No. UG-07\_\_\_**

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF  
THOMAS M. HUNT  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**DECEMBER 3, 2007**

**PUGET SOUND ENERGY, INC.**

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF  
THOMAS M. HUNT**

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1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**  
3 **THOMAS M. HUNT**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address and present position with Puget**  
6 **Sound Energy, Inc.**

7 A. My name is Thomas (Tom) M. Hunt. My business address is 10885 NE 4th Street,  
8 P.O. Box 97034, Bellevue, Washington 98009-9734. I am the Director of  
9 Compensation, Benefits and Payroll for Puget Sound Energy, Inc. (“PSE” or the  
10 “Company”).

11 **Q. What is your educational and professional experience?**

12 A. Exhibit No. \_\_\_\_ (TMH-2) describes my educational and professional experience.

13 **Q. What are your duties as Director of Compensation, Benefits and Payroll?**

14 A. I have the overall management responsibility for the functions of compensation,  
15 benefits, payroll and human resources reporting. I manage employees who analyze,  
16 design and administer the following programs for PSE employees and retirees:

- 17 • compensation for non-bargaining unit represented  
18 employees

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- employee health and welfare benefits for all active employees (and retiree medical programs for retirees)
- retirement plans (Pension and 401k)
- short-term and long-term disability programs, ergonomics, job modifications and Workers Compensation.

I personally analyze executive compensation programs and provide updates to the Compensation and Leadership Development Committee of the PSE Board of Directors at their regular meetings. I report directly to the Vice President of Human Resources.

**Q. Please summarize your testimony.**

A. My testimony describes PSE’s compensation and benefits programs, including the Goals and Incentive Plan, and demonstrates how they are competitive and benefit the Company’s customers and employees. PSE seeks to provide a competitive total compensation program to attract and retain talented employees, while carefully managing its costs.

PSE’s compensation package includes the following major components: salaries, health benefit plans, retirement programs, and incentive plans. The designs of these programs differ according to employee population (i.e., bargaining unit, non-bargaining unit, executive) in response to differences in market pay practices. PSE manages its compensation expenditures through a market-based, pay-for-performance philosophy, which directly links employee compensation to Company

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and individual performance on service quality and operational efficiency objectives for employees that are not in a bargaining unit. Bargaining-unit base salaries are determined by the employee's classification per a Collective Bargaining Agreement and incentive pay is based on team performance.

My testimony includes a description of the compensation programs for Company executives and explains how the same pay-for-performance and market competitiveness philosophies apply to them. Included in the executive compensation testimony is a summary of the portion of executive compensation paid by customers and the portion paid by shareholders.

Employee benefits are important components of the Company's total compensation strategy to keep overall levels competitive with market and drive performance, while controlling costs. For example, PSE offers a cafeteria plan for employee benefits that incorporates employee choice and cost sharing. This approach helps PSE limit staff turnover which decreases costs associated with employee recruiting and training. Low turnover also results in an experienced and efficient workforce, which benefits employees as well as customers.

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1                   **II.     PSE DESIGNS AND ADMINISTERS ITS COMPENSATION**  
2                   **AND BENEFIT PROGRAMS TO ATTRACT AND RETAIN**  
3                   **TALENTED EMPLOYEES WHILE MANAGING COSTS**

4   **A.     Salaries**

5   **Q.     Please describe the Company’s pay strategy.**

6   A.     The Company has a two-part pay strategy—market competitiveness and pay-for-  
7           performance. Market competitive pay is designed to motivate our employees to  
8           stay at the Company to develop and maintain their experience in operating the  
9           utility. This provides business continuity and maintains a high quality of work.  
10          Paying for performance is important in directing higher rewards to the strongest  
11          performers and enhancing productivity and effectiveness.

12 **Q.     How are salaries administered at the Company?**

13 A.     In 2007, the Company introduced a salary grade structure for administering base  
14          salaries of non-represented employee positions ranging from entry level to the  
15          departmental director level. Jobs are assigned to one of the seventeen (17) salary  
16          grades based on market data for that position, or if market data is not available,  
17          based on comparison to similar PSE jobs. The pay range for each position provides  
18          pay opportunity that encompasses the labor-market rate. An employee’s position  
19          within the pay range (Position in Range “PIR”) depends upon several factors  
20          including experience, skill, knowledge and performance. Employees who are still

1 developing are expected to be paid in the lower portion of the salary range (PIR 0%  
2 to 24.9%). Employees who are fully experienced and performing proficiently are  
3 expected to be paid in the middle of the salary range (PIR 25% to 74.9%).

4 Employees who are fully experienced and consistently performing at high levels are  
5 expected to be in the upper portion of the range (PIR 75 to 100%). Please see  
6 Exhibit No. \_\_\_\_ (TMH-3) for PSE's Employee Overview and Discussion Guide  
7 outlining the new salary structure.

8 **Q. How does the Company calculate pay increases?**

9 A. With the introduction of the above-described new salary structure, the Company  
10 also introduced policies that reinforce pay-for-performance by using PIR and  
11 performance rating to provide guidelines for pay increases. PSE managers and  
12 supervisors receive the guidelines shown in the following chart to help determine  
13 merit salary increases. The two main considerations for merit increases are  
14 performance (5 = highest, 3 = proficient, 1 = immediate improvement needed or  
15 possible termination of employment) and current pay level (expressed as PIR).

<b>Performance Rating</b>	<b>Entry/ developing PIR 0% - 24.9%</b>	<b>Experienced and Proficient PIR 25% - 74.9%</b>	<b>Exceptional and consistently high performing PIR 75% - 100%</b>
5	Up to 6%	Up to 5%	Up to 4%
4	Up to 5%	Up to 4%	Up to 3%
3	Up to 4%	Up to 3%	Up to 2%
2	Up to 3%	0%	0%
1	0%	0%	0%

1 PSE's goal in differentiating merit increases is to motivate continuing good  
 2 performance and encourage poor performers to improve or leave. An employee  
 3 with performance in need of improvement (PA rating of 1 or 2) will generally not  
 4 receive a merit increase. The chart below shows the average increase percentages  
 5 distributed by performance rating and PIR grouping for 2007 merit increases.

<b>Performance Rating</b>	<b>Entry/ developing PIR 0% - 24.9%</b>	<b>Experienced and Proficient PIR 25% - 74.9%</b>	<b>Exceptional and consistently high performing PIR 75% - 100%</b>
5	None given	5.49%	3.00%
4	4.68%	4.16%	2.82%
3	3.64%	3.04%	1.86%
2	1.91%	0.32%	0.38%
1	none	0.00%	None

6 **Q. Are union wage increases calculated in the same manner as above?**

7 A. No. Union wage increases are governed by contract between the Company and the  
 8 unions. Effective June 20, 2007, IBEW union employees had a contractual wage  
 9 increase of 3.5%, with scheduled wage increases of 3.25% effective April 1, 2008  
 10 and 3.25% effective April 1, 2009. UA union employees had contractual wage  
 11 increases of 3.5% effective November 8, 2006, 3.25% effective October 1, 2007  
 12 and will have increases of 3.00% effective October 1, 2008 and 3.00% effective  
 13 October 1, 2009. Please note that for purposes of revenue requirement, the  
 14 Company has inadvertently used slightly different salary increases for UA union  
 15 employees, which was noticed too late to adjust prior to filing; however, the correct



1 amount is as stated above. The Company will provide a corrected wage increase  
2 adjustment, plus related adjustments, during this proceeding.

3 **Q. How does the Company determine competitive pay as compared to others in**  
4 **the industry?**

5 A. PSE participates in numerous confidential salary surveys provided by third-party  
6 consulting firms in order to compare PSE's pay programs—both base salary and  
7 variable pay—to other companies in our labor markets. PSE's annual budgeted  
8 salary increase for non-represented employees was 3.5% in 2007. Please see  
9 Exhibit No. \_\_\_\_ (TMH-5C) which shows that PSE is within the lower end of the  
10 competitive norm for the utility industry. The 2007 actual salary increase was  
11 3.26%, compared to an expected market range between 3.5% and 4.0%. There was  
12 an additional increase included for market adjustments, 1.10%, which was made  
13 during the transition to the new salary structure for non-represented employees.  
14 Future increases are currently expected to be within a 3.5% to 4.0% range and  
15 match the median in the market so that PSE can maintain competitive salaries. For  
16 example, the merit increase budget for 2008 is 3.5%.

17 **Q. What future challenges does the Company face in its efforts to control salary**  
18 **expense?**

19 A. Like many companies in the utility sector, PSE faces the challenge of an aging  
20 workforce. PSE's average employee age is 47, and over the next 10 years, 60% of

1 our employees will be eligible for retirement. High retirement rates in the  
2 upcoming years, coupled with an overall shrinking labor pool in the United States  
3 will likely cause an increased demand for workers, which in turn will cause salary  
4 expense to increase. For additional testimony regarding PSE's concerns in this  
5 regard, please see Sue McLain's testimony at Exhibit No. \_\_\_(SML-1CT). Ms.  
6 McLain details the number of potential future vacancies in the Operations area due  
7 to the aging workforce.

8 **Q. What is PSE doing to address these concerns?**

9 A. PSE has instituted a three-tier approach to address and respond to concerns with  
10 locating, hiring and retaining quality employees. PSE has also teamed with PSE  
11 bargaining units to provide additional apprenticeship opportunities to expand the  
12 pool of qualified workers.

13 PSE's first approach includes programs designed to help "grow our own  
14 replacements". This approach reduces the need for costly and lengthy candidate  
15 searches, provides PSE-specific job training and increases the supply of workers.

16 Examples of this approach include:

- 17 • The utility worker program, intern program, and  
18 Engineering-In-Training (EIT) program for recent college  
19 engineering graduates. These programs are being used  
20 throughout in the Operations area of the company and are  
21 described in more detail in Sue McLain's testimony.

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- An expanded and strengthened wire helper/wire apprentice selection and qualifying program, as well as an increased number of apprentices in the Meter Apprentice Program.
- An initiation of new apprenticeship programs to develop future journey workers in the power production plant area such as hydro electricians and mechanics and combustion turbine specialists.

PSE's second approach includes training company managers to effectively respond to the changing demographics of the next generation of employees. The "Workforce 2017" presentation, on March 14, 2007, taught 100 PSE leaders, including officers, directors and selected managers about the "generational differences" of workers in today's market and the need to respond accordingly for a productive workforce. Historically, employees represented two major generational groups. Today PSE is facing four generations, with different motivations and approaches to work – a challenge for management and employees alike.

Lastly, PSE is more aggressive in its efforts to attract candidates to our open positions. PSE is reaching out to candidates up and down the West Coast and throughout the country for positions that were historically filled by abundant local talent. Our recent recruiting campaign for service linemen is an example of a recruiting campaign that reached a much larger geographic area to attract talent to the Puget Sound region. In addition, we have expanded our use of recruiting search firms and are building in-house recruiting capability to assist with hard-to-fill positions.

1 **Q. Aside from the aging workforce concern, are there other pay related issues**  
2 **facing the Company?**

3 A. The Washington Supreme Court very recently decided a case regarding  
4 compensable travel time that could increase the Company's compensation expense  
5 in the future. The case deals with employees who drive company vehicles home  
6 and report directly to a job site. The court held that employees are entitled to  
7 compensation for drive time between their homes and the job sites. Some of PSE's  
8 employees report directly from home and the Company is in the process of  
9 analyzing the effect, if any, of this ruling on compensated time and related cost of  
10 labor. While it is still too early to determine the impact on PSE, if the analysis  
11 shows a liability for back wages or additional future wages, the Company will  
12 update the Commission as to the financial impact in this proceeding or in a separate  
13 proceeding.

14 **B. Executive Compensation**

15 **Q. How does the Company pay its executives?**

16 A. Officer salaries are administered on an individual position basis and reviewed by  
17 the Compensation and Leadership Development Committee of the Board. The  
18 Company uses a market comparison group of similarly sized utility companies, and  
19 follows a pay-for-performance philosophy for executives to determine competitive

1 salaries. The Company provided extensive information about its executive  
2 compensation program in its 2007 proxy statement, following new Securities and  
3 Exchange Commission guidelines for disclosure. Please see Exhibit No. \_\_\_\_ (TMH-  
4 6) for an excerpt from the Company's 2007 proxy disclosure on executive pay.

5 **Q. Are certain components of executive compensation paid by customers?**

6 A. Yes. The Company includes in rate-base executive compensation those expenses  
7 related to utility operation and management for the main compensation programs,  
8 i.e., base salary, health and welfare benefits, annual incentives and retirement  
9 benefits.

10 **Q. Why is it reasonable for the customers to pay for this portion of executive**  
11 **compensation?**

12 A. The Company includes a portion of executive compensation expense in operating  
13 costs because executive compensation is an inherent part of the utility business and  
14 is necessary to retain the leadership services of quality executives. Customers  
15 benefit from good utility leadership by having effectively and efficiently managed  
16 company operations. Also, Company executives interact with customers and  
17 community representatives, providing increased communications from the  
18 Company and a direct channel for customers to hold the Company accountable on  
19 operational performance issues such as reliability and cost.

1 **Q. What components of the executive compensation are paid by the shareholders?**

2 A. The largest component of executive compensation is paid from the Company's  
3 equity incentive plan. This plan, entitled the "Long Term Incentive Plan" (LTIP),  
4 is a market-competitive pay program that is fully funded by the Company's  
5 shareholders. In the Company's 2007 proxy statement, the importance of the LTIP  
6 program was highlighted: "Long-term performance-based incentives are designed  
7 to comprise the largest portion of each executive's pay. As an example, the mix of  
8 annual salary and annual and long-term incentive targets for the Chairman,  
9 President and CEO in 2006, if all annual and long-term performance goals were  
10 achieved was 29% annual salary, 22% target annual incentive, and 49% target long-  
11 term incentive." See Exhibit No. \_\_\_\_ (TMH-6), page 2.

12 **Q. How does the compensation of PSE's Chairman, President and CEO, compare**  
13 **with other executives in similar positions?**

14 A. Please see Exhibit No. \_\_\_\_ (TMH-7C) for the market data used by the  
15 Compensation and Leadership Development Committee of the Board in evaluating  
16 the pay program for PSE's Chairman, President and CEO, Mr. Stephen Reynolds.  
17 Each of the two graphs show four columns of data. The leftmost column outlines  
18 Mr. Reynolds' compensation. The other three columns show market data for a  
19 "Comparator Group" of similarly sized utilities for the 25<sup>th</sup>, Median (50<sup>th</sup>), and 75<sup>th</sup>  
20 percentile values. Please see Exhibit \_\_\_\_ (TMH-6), page 3 for a listing of this

1 Comparator Group. Each column sets forth the amount of compensation allocated  
2 to base salary, annual incentive pay, and Long Term Incentive (LTI) compensation.  
3 These graphs confirm that PSE's President and CEO's pay program is competitive  
4 with the market. They also illustrates that LTI pay is the single largest portion of  
5 the pay package, and as noted above, LTI pay is paid by the shareholders and not  
6 by the customers.

7 **C. Employee Benefits**

8 **Q. Please describe the Company's employee benefit plans.**

9 A. The Company offers a "cafeteria" benefit plan for employees. Employees have  
10 several choices as to type of medical plan, dental plan, life insurance, etc., so that  
11 they can determine the best fit for their situations. The Company allots a yearly  
12 benefit amount to each employee that will cover the cost of basic benefits for  
13 employee-only coverage. Employees who want more benefits than the allotment,  
14 or who elect family coverage, contribute some of their salary to cover the additional  
15 cost.

16 **Q. Is PSE's overall health cost per employee competitive with others in the**  
17 **industry?**

18 A. Yes. Please see Exhibit No. \_\_\_\_ (TMH-8C) which demonstrates that PSE's average  
19 total health benefit cost per employee is competitive with other utilities. Further,

1 PSE's rate of increase from 2006 to 2007 was lower than that of other comparable  
2 utilities, even with PSE employees receiving benefit enhancements during that  
3 period of time.

4 **Q. What has the Company done to manage the cost of employee health benefits?**

5 A. Rising benefits cost is a challenge facing all employers. PSE manages these rising  
6 costs with a philosophy that combines extensive employee choice and cost sharing.  
7 The Company's medical plan is designed to involve employees and communicate  
8 the full costs of the programs that they are selecting. As mentioned above,  
9 employees share in the costs of their coverage if they elect more than the standard  
10 features. In addition to helping control Company medical costs, this design helps  
11 employees become informed health care consumers. PSE also provides  
12 opportunities for its employees to fully utilize IRS approved tax saving plans, such  
13 as health care spending accounts and pre-tax benefit deductions.

14 To further contain costs, the Company's health care plan providers offer health care  
15 utilization review, case management, and wellness benefits such as physical  
16 examinations and cancer screening exams for early detection and prevention. Since  
17 2005, PSE also has offered voluntary employee fitness programs, with Company-  
18 wide communications and recognition for employees who meet the goals they set  
19 for themselves.



1 **D. Retirement Benefits**

2 **Q. What retirement benefit programs does the Company provide?**

3 A. PSE recognizes that retirement programs are crucial to attracting and retaining a  
4 skilled workforce. For active employees, PSE offers a defined benefit pension plan  
5 and a 401(k) employee savings plan. The 401(k) plan provides tax-deferred savings  
6 with Company-provided matching dollars. The Company's matching feature  
7 encourages employee participation in the plan and provides incentive for employees  
8 to maximize contributions to take full advantage of the Company match. The PSE  
9 pension plan has two formulas for calculating benefits. IBEW-represented  
10 employees have a final average pay calculation, while the non-bargaining and UA-  
11 represented employees have a cash balance calculation. Additionally, PSE offers a  
12 Supplemental Executive Retirement Plan and a Deferred Compensation Plan for  
13 executive employees.

14 PSE offers enrollment in group medical insurance plans for employees who  
15 immediately join the plan after retirement. Current employees retiring from non-  
16 bargaining positions and UA-represented positions receive no Company subsidy  
17 toward insurance premiums. Some IBEW-represented employees will receive a  
18 Company contribution towards the PSE retiree medical premiums in the amount of  
19 \$6 per month for each year of service when they retire. This benefit is negotiated  
20 by the Company and the union, and was modified in 2007 to apply only to IBEW

1 represented employees with five or more years of service as of June 20, 2007.

2 **Q. Is PSE's pension plan fully funded?**

3 A. Yes. As of December 31, 2006, the pension plan had assets of \$532,608,000 and  
4 benefits obligations of \$469,010,000, as shown in PSE's Annual Report.

5 **Q. How does PSE ensure that pension funds are appropriately invested?**

6 A. PSE has a professional investment advisor and a committee of Officer and Director  
7 level employees who provide oversight of the pension plan investments, including  
8 review of investment allocation and fund manager performance compared to  
9 benchmarks.

10 **III. PSE'S GOALS AND INCENTIVE PLAN REWARDS**  
11 **EMPLOYEES WHEN THE COMPANY OPERATES EFFICIENTLY**  
12 **AND MEETS SERVICE QUALITY GOALS**

13 **Q. Please describe PSE's Goals and Incentive Plan.**

14 A. PSE's 2007 Goals and Incentive Plan provides all employees with the opportunity  
15 for incentive payment based on Company, team and individual performance. Please  
16 see Exhibit No. \_\_\_\_ (TMH-4) for PSE's Goals and Incentive Plan. It is a variable  
17 incentive plan. Employees are eligible if the Company achieves its annual goals,  
18 but their pay is at risk if individual and/or team goals are not met. The amount of  
19 pay at risk escalates based on the employee's level of position within the Company,

1 with executives assuming the larger share of risk, due to their influence and the  
2 accountability they hold in the Company.

3 **Q. How are incentive goals established for PSE employees?**

4 A. PSE's strategic objectives are established through a long-range plan approved by  
5 the Board of Directors. From the long-range plan, annual objectives relating to  
6 service quality and operational efficiency are set by the Officers and approved by  
7 the Board of Directors each year. Team and individual goals are then formulated to  
8 reflect the Company-wide objectives. All employees are aligned to the Company's  
9 annual goals as well as to their individual and team goals. They are encouraged to  
10 contribute ideas (such as customer service, safety and cost containment ideas) and  
11 efforts to help achieve these goals.

12 **Q. How do incentives apply for PSE employees who are subject to collective**  
13 **bargaining agreements?**

14 A. Represented employees are subject to the same incentive plan terms as non-  
15 represented employees, although with a lower incentive opportunity as negotiated  
16 by the Company and the unions representing PSE's employees. Further, the goals  
17 are team-based instead of individual-based.

18 ////

1 **Q. How is PSE's incentive plan at the corporate executive level structured?**

2 A. All employees, including Directors and Officers, participate in the Goals and  
3 Incentive Plan and are linked to the PSE goals. Every employee has a goal  
4 weighting, which means that pay equal to a percentage of his or her base salary is at  
5 risk. Officers have a higher level of pay at risk and therefore their weighting as a  
6 percent of salary is higher.

7 **Q. What is the threshold requirement for a payout under the Goals and Incentive**  
8 **Plan?**

9 A. For any incentive payment to be possible, two threshold requirements must be met:  
10 First, PSE's earnings per share (EPS) must exceed the "trigger" level (\$1.43/share  
11 in 2007). Second, PSE must meet or exceed its required performance on at least 5  
12 of 11 of the Service Quality Index (SQI) goals. In order for the 2007 Goals and  
13 Incentive Plan payment to be 100% of target level, PSE's EPS must be \$1.57/share  
14 (the middle of the Company's guidance range to analysts) and SQI performance  
15 must be met on 10 out of 11 goals. Please see Exhibit No. \_\_\_\_ (TMH-4) for  
16 additional explanation of the program.

17 **Q. How does PSE's Goals and Incentive Plan benefit customers?**

18 A. PSE's Goals and Incentive Plan provides three distinct benefits to customers. First,  
19 the program focuses work groups and individuals on the key objectives of the

1 Company, including safety, reliability, customer service and operational efficiency.  
2 Customer service, safety, reliability and service quality goals directly benefit  
3 customers, and overall operational efficiency translates to lower rates for  
4 customers.

5 Second, the Goals and Incentive Plan slows the base wage growth that would occur  
6 in a compensation system with base salaries only. The Company's current plan  
7 involves significant pay at risk for all employees. The most direct benefit to  
8 customers from the structure of the Goals and Incentive Plan is that total  
9 compensation is dependent on the Company achieving its strategic objectives.

10 Third, the Goals and Incentives Plan is part of a comprehensive compensation and  
11 benefits package provided to employees that makes PSE an attractive employer to  
12 skilled, experienced talent in the market place. Customers directly benefit from the  
13 contributions of a strong workforce that provides high-quality and efficient service.

14 **Q. If the proposed merger of Puget Energy is approved and completed, how**  
15 **would the major compensation and benefit programs at PSE change?**

16 A. The major compensation and benefit programs would continue after the merger,  
17 most without change. As noted below, stock based plans will have changes. Initial  
18 merger communications to employees were included in an October 26, 2007 letter  
19 from Puget Sound Energy Chairman, President and CEO, which said, "The  
20 consortium will honor the current collective bargaining agreements with the

1 International Brotherhood of Electric Workers, Local 77, and the United  
2 Association of Journeyman and Apprentices of the Plumbing and Pipefitting  
3 Industry of the United States and Canada, Local 26 and Local 32, in place for PSE's  
4 represented employees, as well as existing wage and primary benefits for all  
5 employees."

6 If the merger is approved and completed, Puget Energy stock will no longer be  
7 publicly traded, which will therefore affect certain Company plans going forward.

8 With respect to the Puget Sound Energy Investment Plan (401(k) plan), the shares  
9 of Puget Energy's common stock in the Company Stock fund (one of the current  
10 investment choices), will be purchased by the consortium, and the resulting cash  
11 will be transferred to other investment funds within the 401(k) plan. Also, the  
12 Employee Stock Purchase Plan (ESPP), which is a voluntary plan that permits  
13 employees to purchase Puget Energy shares at a discount (and in which only  
14 approximately 21% of eligible employees currently participate), will be terminated  
15 since such shares will no longer be publicly available. Shares of Puget Energy  
16 stock held by current participants in the ESPP will be purchased by the consortium  
17 with the resulting cash going to such participants. Also, the LTIP for executives  
18 will change from an equity-based program to a cash-based program, but the design  
19 of the new program is not yet known.

20 ////

1 IV. CONCLUSION

2 Q. Does that conclude your testimony?

3 A. Yes, it does.