

**EXHIBIT NO. ___(TMH-3)
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___**

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

DECEMBER 3, 2007

EMPLOYEE OVERVIEW

Nonrepresented total compensation

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TOTAL COMPENSATION



LEARN about total compensation at PSE

UNDERSTAND how the program works

KNOW your resources

TOTAL COMPENSATION

WHAT'S NEW

Puget Sound Energy's compensation philosophy has been consistent for many years. Our philosophy is to support PSE business success by:

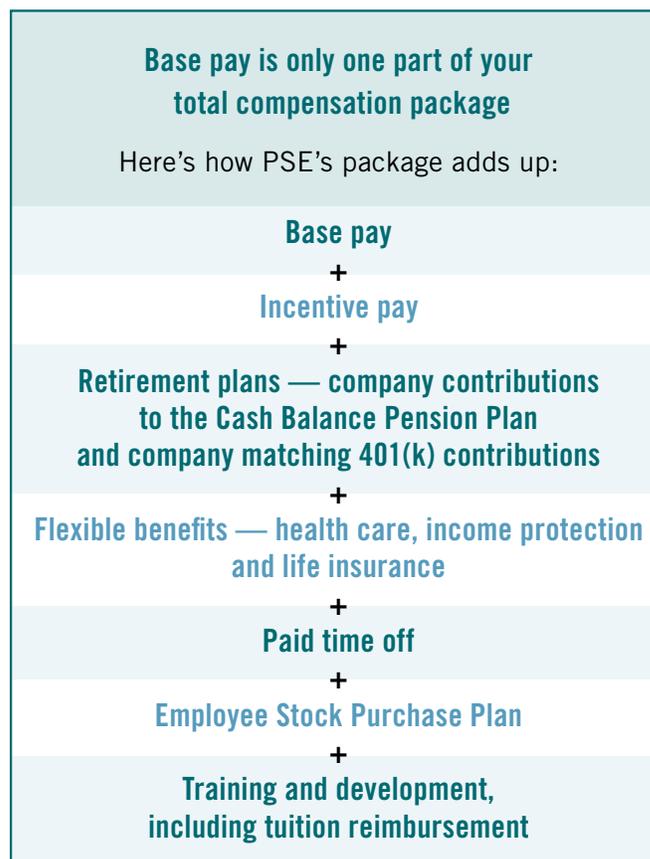
- **Engaging good employees**
 - Recruit and retain talented people who can help PSE succeed.
 - Reward employees who perform and contribute at a high level.
 - Guide and support PSE values.
- **Managing finances responsibly**
 - Determine base-pay ranges according to labor-market rates.
 - Use variable pay and merit increases to reward outstanding performance.

What's changing about base pay is that PSE leadership across the company and Human Resources will:

- Share information about pay administration more openly.
- Rely on business units to be more involved in and accountable for decisions about pay.
- Develop and publish job descriptions.
- Establish pay ranges for jobs based on market surveys and share the ranges with employees.
- Determine base pay by an employee's position in the pay range and by individual performance.

These changes are intended to:

- Promote consistent and fair treatment of employees across the company.
- Address employee feedback (in the Great Place to Work survey results) asking for more information about how PSE determines pay.



HOW OUR BASE-PAY PROGRAM WORKS

Job descriptions have been developed and we established a new pay structure based on labor-market research. To do this, we identified jobs that match comparable jobs in the labor market and assigned these “benchmark” jobs to pay grades that reflect the market. Then jobs that do not have a comparable match in the market were slotted into our pay structure.

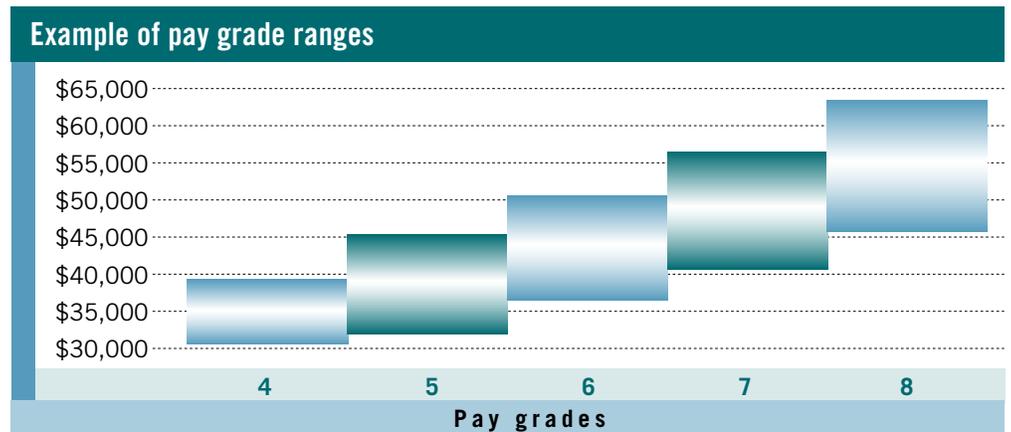
Pay grades

Each pay grade contains multiple jobs of similar responsibility in our competitive marketplace. Each pay grade also has its own pay range, as shown in the chart to the right.

Pay ranges

Pay ranges reflect what other employers in our industry pay for jobs with similar responsibilities.

The pay range for each job is limited to the minimum and maximum labor-market rates. Where you are paid within your job’s pay range is based on your experience, skills, knowledge and performance.



PSE’s intent to pay within the pay-range minimum and maximum — not below or above the range.

- If you meet performance requirements and are paid below the range minimum for your job, your pay will be increased to meet the minimum.
- If you are at or above the range maximum, you are paid above competitive market rates and will not be eligible for further increases unless the relevant market pay range expands or you move to a job with a higher pay range. You may want to identify other PSE career opportunities in jobs with pay grades offering a higher range of pay.

If you transfer to a job in the same pay range as your current job, you will not receive a pay increase.

TOTAL COMPENSATION

UNDERSTAND WHO DOES WHAT

For our pay program to be effective, you need to know what PSE expects of you and your manager.

Pay program responsibilities	
YOU	YOUR MANAGER
<ul style="list-style-type: none"> ■ Perform well. ■ To advance in your career at PSE, identify skills needed and take steps required to move into jobs that provide more challenge and/or a higher range of pay. 	<ul style="list-style-type: none"> ■ Objectively evaluate employee performance as calibrated to others in similar roles. ■ Effectively administer pay based on job responsibilities and performance. ■ Communicate pay decisions to employees. ■ Work with employees to identify PSE career growth opportunities.

KNOW WHAT'S NEXT

Now is the time for you to learn about our pay program and how it works. Later you will take part in:

- **Performance review:** This is part of your regular annual merit review process.
- **Annual merit conversation:** When your performance review is complete, your manager will hold your annual merit conversation. This is when you will learn if you received a pay adjustment, what the pay range is for your job, and where you are paid within your job's pay range.

USE YOUR RESOURCES

Check out these resources if you have questions about our pay program or want to explore other career opportunities at PSE:

- Your manager or director
- Job descriptions on PSEWeb/Human Resources
 - Review your job description
 - Explore other jobs
- PSEWeb/Human Resources for information about your paycheck, payroll deductions, or to change your address or other personal information

DISCUSSION GUIDE

Nonrepresented total compensation

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TOTAL COMPENSATION



PUGET SOUND ENERGY

The Energy To Do Great Things

TOTAL COMPENSATION

TOTAL COMPENSATION AT PSE

Our pay philosophy

Our pay philosophy is to support PSE business success by:

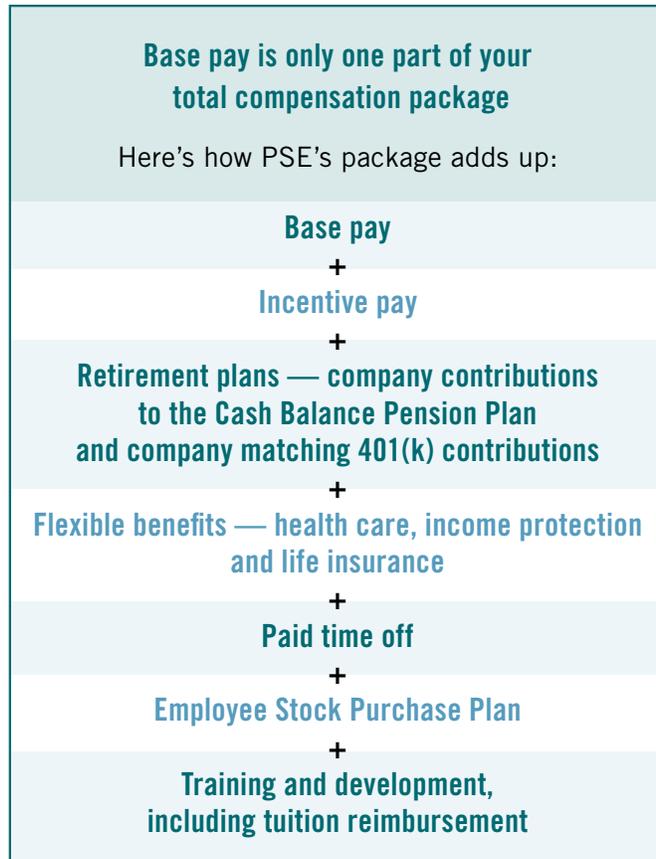
- **Engaging good employees**
 - Recruit and retain talented people who can help PSE succeed.
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 - Determine base-pay ranges according to labor-market rates.
 - Use variable pay and merit increases to reward outstanding performance.

Base pay is only one part of your total compensation

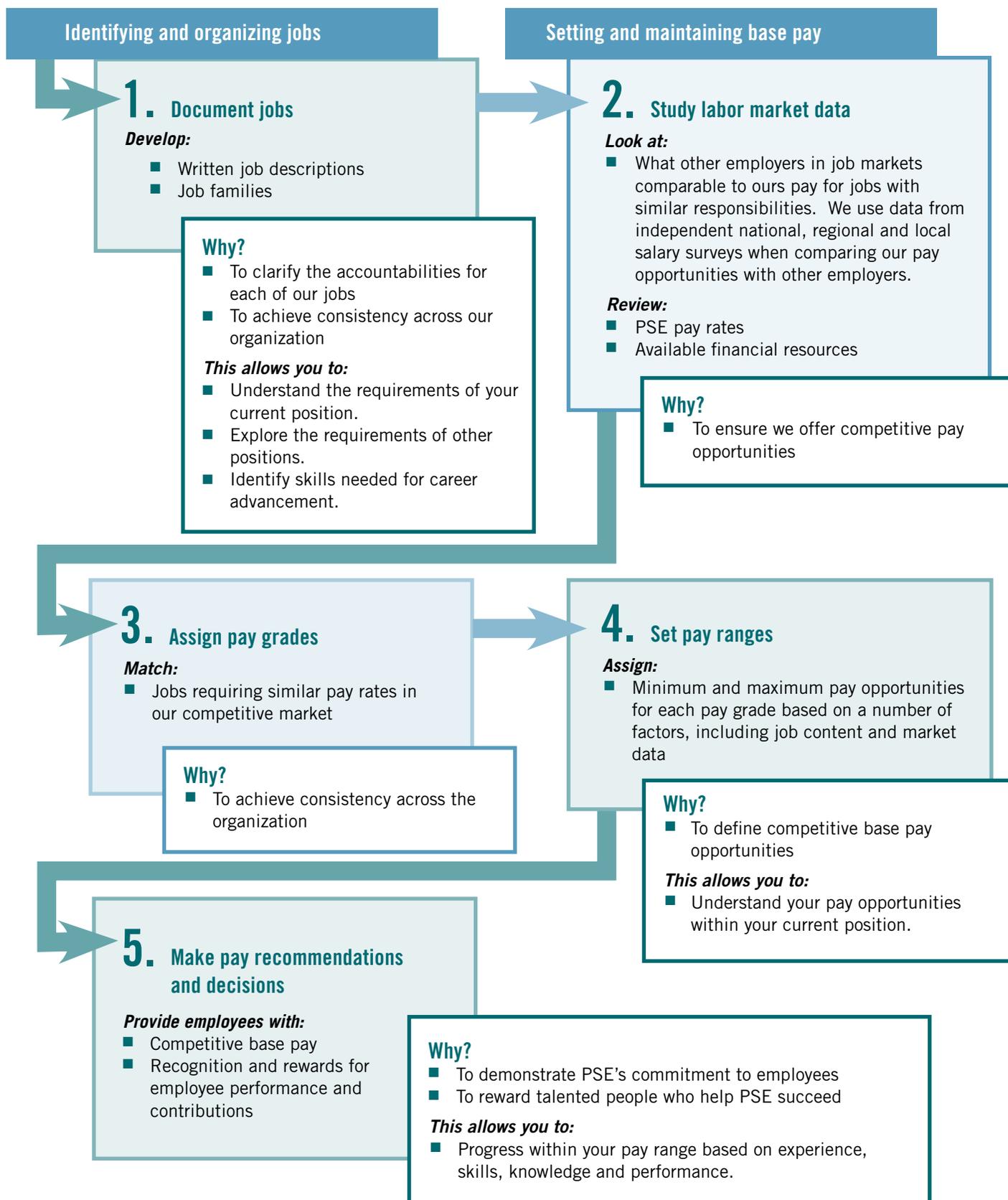
There's more to compensation than base pay. The chart shows how our package adds up.

Resources

- Your manager or Human Resources business partner
- Job descriptions on PSEWeb/Human Resources
 - Review your job description
 - Explore other jobs
- For information about your paycheck, payroll deductions, or to change your address or other personal information, go to PSEWeb/Human Resources



PAY PROGRAM AT A GLANCE



TOTAL COMPENSATION

Pay range	Entry/developing	Experienced and proficient	Exceptional and consistently high performing
Position in range (PIR):	0% ----- 24.9%	25% ----- 74.9%	75% ----- 100%
	 MINIMUM		 MAXIMUM
Pay opportunities designed for:	<ul style="list-style-type: none"> - Newly hired, rehired or recently promoted employees who move into a new pay grade - Employees learning and growing in their jobs 	<ul style="list-style-type: none"> - Employees fully performing in their jobs - Most employees are paid within the experienced/proficient part of the range 	<ul style="list-style-type: none"> - Consistently high performing employees who regularly exceed job performance requirements

PAY RANGES REFLECT COMPETITIVE RATES

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The key points in this discussion guide (except the process chart on page 3) are also included in the Employee Overview document to give each employee.