

**EXH. TMH-13  
DOCKETS UE-240004/UG-240005 et al.  
2024 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,**

**Respondent.**

**Docket UE-240004  
Docket UG-240005  
(consolidated)**

**In the Matter of the Petition of**

**PUGET SOUND ENERGY**

**For an Accounting Order Authorizing  
deferred accounting treatment of  
purchased power agreement expenses  
pursuant to RCW 80.28.410**

**Docket UE 230810  
(consolidated)**

**FIRST EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED REBUTTAL TESTIMONY OF**

**THOMAS M. HUNT**

**ON BEHALF OF PUGET SOUND ENERGY**

**SEPTEMBER 18, 2024**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-240004 & UG-240005  
Puget Sound Energy  
2024 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 087:**

RE: Direct Testimony of Thomas M. Hunt, Exh. TMH-1T

Please provide all incentive compensation plan documents that, at a minimum, describe plan funding, payout, and eligibility. Please provide the latest version of each of these documents and, if available, please provide the versions expected to be in effect in each year of the multiyear rate period.

**Response:**

Puget Sound Energy (“PSE”) objects to Public Counsel Data Request No. 087 to the extent it requests information that is publicly available or obtainable from some other source that is more convenient, less burdensome, or less expensive. Notwithstanding these objections, and subject thereto, PSE responds as follows:

PSE has two incentive compensation programs—the Annual Goals and Incentive Plan and the Long-Term Incentive Plan (“LTIP”).

**Annual Incentive Plan**

The full plan document for the Annual Incentive Plan is available to all Puget Sound Energy (“PSE”) employees on PSE’s intranet. The plan document was also provided in this proceeding as Exh. TMH-11, an exhibit to the Prefiled Direct Testimony of Thomas M. Hunt. The annual incentive plan is expected to have the same design, structure, and eligibility during 2025 and 2026 in the multiyear rate period.

**LTIP**

The LTIP is provided to PSE officers and employee directors via grants approved by PSE’s Board of Directors. Included as Attachment A to PSE’s Response to Public Counsel Data Request No. 087, is the plan description for the 2023-2025 LTIP grant provided to participants. Additionally, please see the description of the LTIP publicly available in PSE’s SEC Form 10-K filings:

**PSE Form 10-K for 2023 - filed March 5, 2024**  
**Long-Term Incentive Compensation**

Long-term incentive compensation opportunities are designed to align the interests of executives with those of our investors, provide competitive pay opportunities, support a customer-focused utility, reward long-term performance and promote retention. Long term incentive plan (LTI Plan) grants are denominated and paid in cash, if at least threshold performance measures are met over a three-year performance cycle. Long term incentive performance measures can vary for each performance cycle.

Long-term incentive payments for the 2021-2023 and 2022-2024 cycles are based on achievement of a Return on Equity (ROE) metric, subject to achievement of a threshold EBITDA goal. Under this goal, EBITDA during the applicable three-year performance cycle must meet or exceed 90% of target EBITDA for a payment to occur. Assuming the EBITDA threshold is met, the grant cycles are funded based on the three-year average ROE metric. ROE reflects the income earned on our equity investment.

For the 2023-2025 cycle, the long term incentive program is based on three measures that are evaluated separately:

- An environmental measure (carbon intensity) with a 10% weighting;
- Strategic Initiatives with an overall 35% weighting; and
- Total Return with a 55% weighting.

The 2021-2023 and 2022-2024 LTI Plan payments ultimately paid may range from 0% to 200% of target, depending on performance; while the 2023-2025 LTI Plan payments may range from 0% to 173% of target, depending on performance.

The Committee recommends for Board approval a targeted LTI grant value in dollars for each executive. The targeted LTI grant value is determined by evaluating LTI grant values provided to similarly situated executives at comparable companies (using the previously discussed survey and peer group data) as well as other relevant executive-specific factors. The Company generally does not consider previously granted awards or the level of accrued value from prior or other programs when making new LTI Plan grants.

Executives generally must be employed on the last day of the performance cycle to receive a cash payment under the LTI Plan, except in the event of retirement, disability or death.

**PSE SEC FORM 10-K for 2022 – filed February 25, 2023 [NOTE—see also Exh. TMH-5 to the Prefiled Direct Testimony of Thomas M. Hunt that includes this excerpt from PSE’s Form 10-K filing.]**

### **Long-Term Incentive Compensation**

Long-term incentive compensation opportunities are designed to align the interests of executives with those of our investors, provide competitive pay opportunities, support a customer-focused utility, reward long-term performance and promote retention. Starting with the 2020-2022 grant cycle, long term incentive plan (LTI Plan) grants are denominated and paid in cash, if at least threshold performance measures are met. Prior to 2020, LTI Plan awards were denominated in units and settled in cash if at least threshold performance measures are met.

For the 2020-2022 and 2021-2023 grant cycles, payments are based on achievement of a Return on Equity (ROE) metric, subject to achievement of a threshold EBITDA goal. Under this goal, EBITDA during the applicable three-year performance cycle must meet or exceed 90% of target EBITDA for a payment to occur. Assuming the EBITDA threshold is met, the grant cycles are funded based on the three-year average ROE metric. ROE reflects the income earned on our equity investment. The LTI Plan payments ultimately paid may range from 0% to 200% of target, depending on performance.

The Committee recommends for Board approval a targeted LTI grant value for each executive, which is expressed as a percentage of base salary. The targeted LTI grant value is determined by evaluating LTI grant values provided to similarly situated executives at comparable companies (using the previously discussed survey and peer group data) as well as other relevant executive-specific factors. The Company generally does not consider previously granted awards or the level of accrued value from prior or other programs when making new LTI Plan grants.

The 2019-2021 LTI plan cycle was denominated in units, determined by dividing the target LTI grant value by the unit value on the grant date. The initial per-unit value was measured at the Puget Holdings level and subsequent unit values are calculated annually by an independent auditing firm or based on market transactions. For the 2019-2021 LTIP grant, the number of units ultimately earned may range from 0% to 200% of target depending on performance, with the payout being made in cash based on the number of units earned and the per-unit value at the end of the performance period. The 2019-2021 grant cycle was based on achievement of the ROE metric measured over a three-year performance cycle.

Executives generally must be employed on the date completing the performance cycle to receive a cash payment under the LTI Plan, except in the event of retirement, disability or death.

The LTIP plan design described for the 2023-2025 LTIP Grant is the same design, eligibility and performance measures expected for the 2024-2026 and 2025-2027 Grants, which will be active during the multiyear rate plan. PSE has requested recovery of 10% of the LTIP grants beginning in 2023, with the remaining 90% of funding continuing to be funded by investors.

Attachment A to PSE's Response to Public Counsel Data Request No. 087 is Confidential per the Protective Order in Dockets UE-240004 and UG-240005.