BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

TENTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF

THOMAS M. HUNT

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 31, 2022
Goals and Incentive Plan

To help achieve our mission, PSE has company goals that shape our department, team and individual goals, so everyone drives in the same direction. The Goals and Incentive Plan is designed to focus all employees on company goals and provide an incentive to be outstanding performers and creative stewards of resources.

- Mission and values
- Integrated Strategic Plan and our goals
- How the plan works
  - How much incentive can I earn?
  - How is my incentive determined?
  - Company financial performance
  - Safety and service quality performance
  - Individual and team performance
- Examples: Non-represented employees
- Examples: Represented employees
- Goals and Incentive Plan rules

This website provides general rules regarding the Goals & Incentive Plan. Administration of the plan, including interpretation of plan rules, will be made by the plan administrator.

Mission and values

PSE’s mission is to serve our customers and the communities by providing safe, dependable and efficient energy solutions.

- Safe includes the health and well-being of our employees, service providers, customers and the public at large.
- Dependable means meeting our commitments, including the reliable delivery of natural gas and electric service, as well as stewardship of the environment and region.
- Efficient means a focus on the wise use of our customers’ dollar, improving the customer experience by simplifying our processes and helping customers make smart energy choices.
We embrace the values of teamwork, creativity, improvement, working hard, dedication and change, celebrating success, rising to the challenge – and fun. We also recognize our obligation to the owners of our company, who expect a fair return on their investment. And all of us at PSE want it to be a great place to work.

**Integrated Strategic Plan and our goals**

The Integrated Strategic Plan (ISP) provides line-of-sight for all of us at PSE on the work we will be doing each year to fulfill our mission of providing Safe, Dependable, Efficient energy to our customers.

The plan consists of a set of interconnected objectives, strategies and measures, all of which are described on the Mission & Goals (ISP) website. Together, these elements give us the tools we need to set our goals and prioritize our work in the year ahead.

Everyone at PSE should be familiar with these objectives, strategies and measures and will be able to understand how their work drives the successful execution of the plan.

**How the plan works**

**How much incentive can I earn?**

Generally, the target annual incentive for non-represented exempt employees is 10 percent of base pay. All represented employees have a fixed incentive target of $2,000 (the incentive amount may be prorated due to certain situations, such as new hire during plan year, retirement during plan year, or a leave of absence of greater than 520 hours). Actual incentive payments may increase or decrease depending on company performance. It is possible to earn a maximum incentive of up to twice the target incentive.
How is my incentive determined?

The amount of your incentive depends on your individual and team performance and on the company's performance as a whole. Company performance determines the amount of money in the incentive pool. For money to be contributed to the pool, the company must achieve minimum goals for financial results, safety and service quality.

The Incentive pool funding table in the Relevant documents at upper right gives the funding rates. [Note—PSE internal website refers to a link on the same website “upper right.” This funding table is included directly below for the purposes of this document.]

### SHORT-TERM INCENTIVE PLAN

Plan Funding Pool Based on Safety and SQI Results And PSE Adjusted EBITDA Result

<table>
<thead>
<tr>
<th>Safety and SQI Results</th>
<th>Financial Metric Versus Plan</th>
<th>Incentive Pool As a % of Target Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;90%</td>
<td>90%</td>
<td>95%</td>
</tr>
<tr>
<td>10/10</td>
<td>Target</td>
<td>125.0%</td>
</tr>
<tr>
<td>9/10</td>
<td>137.5%</td>
<td>162.5%</td>
</tr>
<tr>
<td>8/10</td>
<td>123.8%</td>
<td>123.8%</td>
</tr>
<tr>
<td>7/10</td>
<td>123.8%</td>
<td>123.8%</td>
</tr>
<tr>
<td>6/10</td>
<td>123.8%</td>
<td>123.8%</td>
</tr>
<tr>
<td>5/10 or below</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Company financial performance

The key financial measure is adjusted EBITDA (earnings before interest, taxes, depreciation and amortization). Adjusted EBITDA is a measure of cash flow that excludes the impact of financing (interest) and taxes. It is a good financial measure of employees' contribution to operating
performance because it excludes the effects of factors—interest, taxes, depreciation and amortization—that are beyond most employees’ control.

The company as a whole must achieve an adjusted EBITDA of at least 90 percent of the established amount for any given year to trigger funding of the incentive pool. The more that adjusted EBITDA exceeds the trigger level, the larger the incentive pool and your potential incentive award. Adjusted EBITDA may be modified to eliminate the effects of one-time events or other extenuating circumstances that the CEO determines are unrelated to company performance during the plan year. These modifications could increase or decrease the incentive pool.

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Safety and service quality performance

Working safely and providing high quality service are key to our success. We gauge our performance using one safety measure and a Service Quality Index (SQI) with nine measures. Company performance on these affects the incentive pool. We must achieve our target performance on at least six of the ten measures to provide any funding to the pool.

Achieving target on additional measures will increase the incentive pool. Although funding of the pool increases as adjusted EBITDA increases, the amount is capped unless safety and SQI results also continue to improve.

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Individual and team performance (Non-represented employees)

At year-end, your officer will be allocated part of the incentive pool to distribute in your department. What determines your incentive amount is how you and/or your team perform against your individual or team goals. Your direct supervisor and management team work together to distribute the pool based on performance against goals.

Team performance (Represented employees)

At year-end, your officer will be allocated part of the incentive pool to distribute in your department. What determines your incentive amount is how your your team performs against your team goals. Your direct supervisor and management team work together to distribute the pool based on performance against goals.
Examples for non-represented employees

These examples show how company performance and individual performance affect incentive awards. The examples and incentive amounts are shown for illustrative purposes. Actual incentive recommendations for each performance rating may differ from those below.

<table>
<thead>
<tr>
<th>Calculation example</th>
<th>Performance ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>If annual salary</td>
<td>1.000,000</td>
</tr>
<tr>
<td>Target incentive</td>
<td>5,000 (10% of salary)</td>
</tr>
<tr>
<td>Incentive opportunity</td>
<td>0 to $10,000 (0 to 20% of salary)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>CE Clearly exceeds most or all goals and core expectations.</td>
</tr>
<tr>
<td>ME Meets goal and core expectations and may exceed some.</td>
</tr>
<tr>
<td>MM Meets most goal and core expectations and partially meets others.</td>
</tr>
<tr>
<td>IN Improvement Needed to meet goal and core expectations. Performance improvement required.</td>
</tr>
</tbody>
</table>
### Examples for represented employees

<table>
<thead>
<tr>
<th>Performance rating</th>
<th>Incentive Recommendation</th>
<th>Company performance</th>
<th>Target incentive (10% of annual salary)</th>
<th>Incentive award</th>
</tr>
</thead>
<tbody>
<tr>
<td>CE</td>
<td>120%</td>
<td></td>
<td>$5,000</td>
<td>150% ($7,500)</td>
</tr>
<tr>
<td>ME</td>
<td>95%</td>
<td></td>
<td>$5,000</td>
<td>118.75% ($5,938)</td>
</tr>
<tr>
<td>MM</td>
<td>60%</td>
<td></td>
<td>$5,000</td>
<td>75% ($3,750)</td>
</tr>
<tr>
<td>CE</td>
<td>120%</td>
<td>EBITDA = 105% of target and Safety &amp; SQI = 10 of 10 = 125% pool Above target x</td>
<td>x</td>
<td>$5,000</td>
</tr>
<tr>
<td>ME</td>
<td>95%</td>
<td></td>
<td>$5,000</td>
<td>95% ($4,750)</td>
</tr>
<tr>
<td>MM</td>
<td>60%</td>
<td></td>
<td>$5,000</td>
<td>60% ($3,000)</td>
</tr>
<tr>
<td>CE</td>
<td>120%</td>
<td>EBITDA = 100% of target and Safety &amp; SQI = 10 of 10 = 100% pool At target x</td>
<td>x</td>
<td>$5,000</td>
</tr>
<tr>
<td>ME</td>
<td>95%</td>
<td></td>
<td>$5,000</td>
<td>28.5% ($1,425)</td>
</tr>
<tr>
<td>MM</td>
<td>60%</td>
<td></td>
<td>$5,000</td>
<td>18% ($900)</td>
</tr>
</tbody>
</table>
These examples show how company performance and team performance affect incentive awards. The examples below represent a team with three goals. The examples and incentive amounts are shown for illustrative purposes.

<table>
<thead>
<tr>
<th>Calculation example</th>
<th>If team has 3 goals</th>
<th>If team has 5 goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target incentive = $2,000 Incentive opportunity = 0 to $4,000 (200% of target incentive)</td>
<td>Achieving: 3 of 3 = 100% 2 of 3 = 66% 1 of 3 = 33%</td>
<td>Achieving: 5 of 5 = 100% 4 of 5 = 80% 3 of 5 = 60% 2 of 5 = 40% 1 of 5 = 20%</td>
</tr>
</tbody>
</table>
Goals & Incentive Plan rules
General rules for all employees

Rules for nonrepresented employees

Rules for represented employees

General rules for all employees

1. Incentive payments ultimately depend on a combination of company, team and individual results. Therefore, it is possible that no incentive payment will be made to any given team or individual.

2. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), including incentive accrual, must meet "trigger" level for any possible incentive pool funding.

3. Safety and SQI measures must meet "trigger" level for any possible incentive pool funding.

4. The incentive pool funding increases as adjusted EBITDA and safety/SQI performance increase.

5. The number of safety and Service Quality Index measures achieved can increase or decrease the total incentive pool funding.

6. All incentive amounts are shown for illustrative purposes. Actual incentive amounts are determined by achievement against team and/or individual goals.

7. The maximum incentive payable under the plan is 200 percent of the target incentive.

8. The adjusted EBITDA results may be modified to eliminate the effects of one-time events or other extenuating circumstances that the CEO determines are unrelated to company performance during the plan year. These modifications could increase or decrease the incentive pool funding.

9. The CEO has discretion to adjust incentive-pool allocations to departments.

10. Employees who resign or are discharged during the plan performance period (Jan. 1 – Dec. 31.) are not eligible to receive an incentive payment.

11. To be eligible for a payout, an employee must be on the payroll, actively employed, and in good standing as of the last company business day of the plan performance period. Temporary and casual employees are not eligible to participate in the plan.

12. To be eligible for a payment, new employees must start prior to Oct. 1, work a minimum of 520 straight-time hours, and participate on a pro-rated basis. Employees on disability leave during the plan year also participate on a pro-rated basis.

13. Participants who retire, go on an approved leave or whose termination from employment is due to death, are eligible to receive a pro-rated award if they worked a minimum of 520 straight-time hours during the plan performance period.

14. If an employee has a job change within the plan year that results in a different target incentive amount (for example, promotion or moves from a represented to
a non-represented role), the target incentive for the year will be prorated in each job.

Return to "Goals and Incentive Plan rules"

Rules for non-represented employees

1. This is a performance-based incentive plan. Individual performance will modify individual incentive amounts for non-represented employees.
2. Management judgment will be applied to determine individual goal performance and actual incentive amounts based on the available incentive pool.
3. The overall performance appraisal rating of the individual will be taken into consideration when the management team determines individual incentive amounts.
4. Higher performers may receive greater individual incentive amounts.

Return to "Goals and Incentive Plan rules"

Rules for represented employees

1. Each represented employee will be assigned to team goals. Represented employees' incentive will be tied to the goals of the team they are assigned to at the end of the year.
2. Each team goal will have a single measure. If that measure is achieved, the team goal will be considered achieved and eligible for payout if adjusted EBITDA and safety/SQI levels reach the trigger.
3. The incentive pay opportunity is allocated among all team goals assigned.
4. Everyone assigned to that team goal will receive the team goal incentive amount.
5. The incentive pool is determined by the level of adjusted EBITDA and safety/SQI performance achieved.
6. Individual performance will not modify incentive amounts for represented employees.

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