

EXHIBIT NO. ___(TH-2)
DOCKET NO. UG-040640, *et al.* (consolidated)
2004 PSE GENERAL RATE CASE
WITNESS: THOMAS HUNT

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UG-040640
Docket No. UE-040641
(*consolidated*)

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For an Order Regarding the Accounting
Treatment for Certain Costs of the Company's
Power Cost Only Rate Filing.

Docket No. UE-031471 (*consolidated*)

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For an Accounting Order Authorizing
Deferral and Recovery of the Investment
and Costs Related to the White River
Hydroelectric Project.

Docket No. UE-032043 (*consolidated*)

FIRST EXHIBIT TO THE
PREFILED REBUTTAL TESTIMONY OF
THOMAS HUNT (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.

DECEMBER 8, 2004

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PUGET SOUND ENERGY, INC.

PREFILED REBUTTAL TESTIMONY OF THOMAS HUNT

PROFESSIONAL QUALIFICATIONS OF

THOMAS HUNT

Q. Please state your name and business address.

A. My name is Thomas (Tom) Hunt. My business address is 10885 NE 4th Street,
P.O. Box 97034, Bellevue WA 98009-9734

Q. By whom are you employed and in what capacity?

A. I am the Director, Compensation and Benefits for Puget Sound Energy, Inc.
("PSE"). I joined PSE as Manager, Compensation and Human Resources
Information Systems (HRIS) in November 2000.

Q. What are your duties as Director, Compensation and Benefits?

A. I have the overall management responsibility for the functions of compensation,
benefits, payroll, and human resources reporting. I report to the Vice President of
Human Resources and Labor Relations. I manage employees who analyze and
administer compensation and benefits programs for PSE employees and retirees
(directly and through third party vendors), as well as employees who prepare and
distribute payroll. Programs administered by my team include: compensation for

1 non-bargaining unit represented employees, employee health & welfare benefits,
2 retirement programs, short-term and long-term disability programs, and Workers
3 Compensation. I personally analyze executive compensation programs and
4 provide updates to the Compensation and Leadership Development Committee of
5 the PSE Board of Directors at their regular meetings.

6 **Q. Briefly describe your education and relevant employment experience.**

7 A. Prior to my employment with PSE, I was employed with Bank of America/Seafirst
8 Bank from 1992-2000 in the following positions: International Compensation and
9 Benefits Consultant (1997-2000) and HR Products Consultant (1992-1997). Prior
10 to my employment with Bank of America/Seafirst Bank, I worked at Security
11 Pacific Bank/Rainier Bank from 1987-1992, in the following positions: Manager,
12 Human Resources (1990-1992) and HR Management Information Systems (1987-
13 1990).

14 I graduated with a B.A. in English from the University of Washington in 1984,
15 and I also attended the Massachusetts Institute of Technology from 1980-1982.

16 [BA043070.102/07771-0089]

1 | \$3,228,2713,440,174--is more reflective of PSE's incentive payment expense
2 | history over the past five years, as shown below:

| Performance Year | <u>Total Incentive Payment Incentive Plan Expense</u> |
|-------------------------|--|
| 2003 | \$2,096,420 |
| 2002 | \$6,647,172 |
| 2001 | \$2,739,730 |
| 2000 | \$6,938,938 |
| 1999 | \$6,714,993 |
| Average | \$5,027,451 |

3 | If the Commission determines that rates should not be set based on expense
4 | amounts associated with the payout made for the test year period, then the
5 | Commission should use the average expense for the past five years--\$5,027,451.

6 | **Q. Do you agree with the second component of Staff's adjustment**

7 | **2.07 Miscellaneous Operating Expenses?**

8 | A. No. I also disagree with the second component of Staff's adjustment, which is to
9 | eliminate portions of the incentive payments that are "associated or tied to
10 | earnings." See Exhibit No. ___(MPP-1) at 12, line 10. Each goal of PSE's
11 | Annual Goals & Incentive Plan benefits ratepayers and should be included. In
12 | fact, PSE's Goals & Incentive Program is exactly the kind of program the
13 | Commission endorsed in Docket No. UG-920840:

14 | The Commission believes that the expenses associated with these
15 | incentive pay plans should not be disallowed in this proceeding.