

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.