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To: "Joanna Huang (E-mail)" <jhuang@wutc.wa.gov>

cc:

Subject: Questions & Incentives

Joanna, I've printed out those incentive queries for 1997 & 1998. Do you want me to fax them to you?

Regarding the removal of expense out of Account 7923

The Pro Forma officer salary adjustment includes a full year's worth of compensation for the Company's Vice President & General Counsel.

Accordingly, it is reasonable to assume that the Company would experience a reduction in legal fees (which, in general, are charged to FERC Account 7923, Outside Services for the utility.) Therefore, the Company includes a reduction to utility pre-tax NOI for \$164,000, the estimated portion of Mr. Meyer's billings charged to the utility before he became an employee of the Company (that is, his Paine Hamblen billings through 9/98.)

Regarding the removal of the subsidiary portion of officer incentives

Before the 1998 year-end an expense accrual was made to provide for officer's incentive expense related to 1998 that would be paid in 1999.

This expense accrual was inadvertently made entirely to account 7920, overlooking the fact that most of the officers allocated their salaries between utility and non-utility. The Company recognizes that it is reasonable to assume that the incentives should be allocated consistent with their salary allocations. Therefore, utility pre-tax NOI is being reduced by the subsidiary incentive portion in the Pro Forma officer salary adjustment.

WUTC		
DOCKET NO.	<u>UE-991006</u>	
EXHIBIT #	<u>390</u>	
ADMIT	W/D	REJECT
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