



2022

# ESG Report



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# Message from the President and CEO

I am pleased to present Puget Sound Energy's (PSE's) third Environmental, Social and Governance (ESG) Report.

When I became President and CEO of PSE in January 2020, I set out two related objectives. First is the acceleration of our progress towards a cleaner energy future. Second is ensuring that Diversity, Equity and Inclusion (DEI) is an overriding principle and core value throughout our transition.

In this report, you'll see the progress we have made in just a short period of time toward these objectives. We set an ambitious goal to be a Beyond Net Zero Carbon energy company by 2045, striving to reduce our emissions to net zero and going beyond to help reduce carbon in other sectors. We also released our first DEI Playbook and convened our inaugural Equity Advisory Group.

We have much more work to do, including fundamental, structural changes in how we serve our customers. As we go through this journey, four ESG-related principles will be our guide:

1. Identifying and implementing innovative solutions for all customers;
2. Advancing cleaner energy;
3. Building a smarter, stronger power grid; and
4. Strengthening our employees and communities.

In this report, we demonstrate our commitment to and progress toward these principles and our intention to mature our business by seeking out and applying best practices in ESG matters. Over the past year, we have focused on aligning our sustainability reporting with industry standards to provide more transparency in our ESG-related efforts across the company. I am excited to share this report with those measures in mind.

Our sustainability reporting process is also an opportunity to identify gaps and needs for continued improvement. While we are proud of what we have accomplished so far, we can always do more and get better. As a provider of an essential service, this is something that I personally take to heart. It is core to our mission of providing our customers with clean, safe, reliable and affordable energy. And it is the right thing to do for the customers and communities that we have the honor of serving.

Sincerely,

A handwritten signature in black ink that reads "Mary Kipp".

**Mary Kipp**  
President and CEO

# About this report

As an electric and gas utility, PSE has a unique opportunity to contribute to a net zero carbon future. This report, along with our other ESG disclosures described below, provide interested parties with an understanding of how we implement our long-term strategy to achieve our goals and aspirations. This report is intended to cover our progress and performance from January 1, 2021 to December 31, 2021 with select updates from calendar year 2022 (2022 ESG Report).

Our 2022 ESG Report aligns with the Sustainability Accounting Standards Board (SASB) framework, and we published a separate [SASB Index](#).<sup>[1]</sup> This year we also prepared our inaugural stand-alone [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#) analysis<sup>[2]</sup> to enhance PSE's understanding on climate-related risks and opportunities and to inform and prioritize future investments. We also continue to independently report ESG disclosures in line with the [Edison Electric Institute \(EEI\)](#) and [American Gas Association \(AGA\)](#) ESG/Sustainability Metrics templates and our [annual greenhouse gas inventory](#).

Our report also highlights information relevant to [United Nations Sustainable Development Goals \(SDGs\)](#). The World Business Council for Sustainable Development provides an [SDG Roadmap for Electric Utilities](#), which identifies nine of the 17 SDGs as priorities for the electric utility industry.<sup>[3]</sup> The table to the right provides a guide to information relevant to the SDGs.<sup>[4]</sup>

This report includes forward-looking statements, which are statements of expectations, beliefs, plans, objectives and assumptions of future events or performance. Forward-looking statements reflect

current expectations and involve risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed. There can be no assurance that Puget Energy's—PSE's parent corporation—and PSE's expectations, beliefs or projections will be achieved or accomplished.

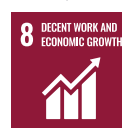
## SDGs and relevant report sections

✓ Identified as priority SDGs for the electric utility sector by the World Business Council for Sustainable Development.



[Our Communities](#)

[Our Commitment to Diversity, Equity and Inclusion](#)



[Our Employees](#)

[Leadership](#)



[Resource Planning](#)

[PSE's Plan to Go Beyond Net Zero Carbon](#)

[Core Business Operations](#)



[Environmental Compliance](#)

[Our Customers](#)

[Our Communities](#)

[Our Ethics: Doing the Right Thing](#)



[Environmental Compliance](#)

[Biodiversity and Habitat Protection](#)

[1] The SASB Index aligns with the SASB Infrastructure Sector, Electric Utilities and Power Generators and Gas Utilities and Distributors Standards.

[2] For more information on our TCFD analysis, please visit the [Sustainability Reporting page](#) on our website.

[3] The same SDGs generally apply to PSE's service as a natural gas utility.

[4] We also included SDG 14, "Life Below Water" to highlight our relevant conservation measures.



# Company profile and business operations

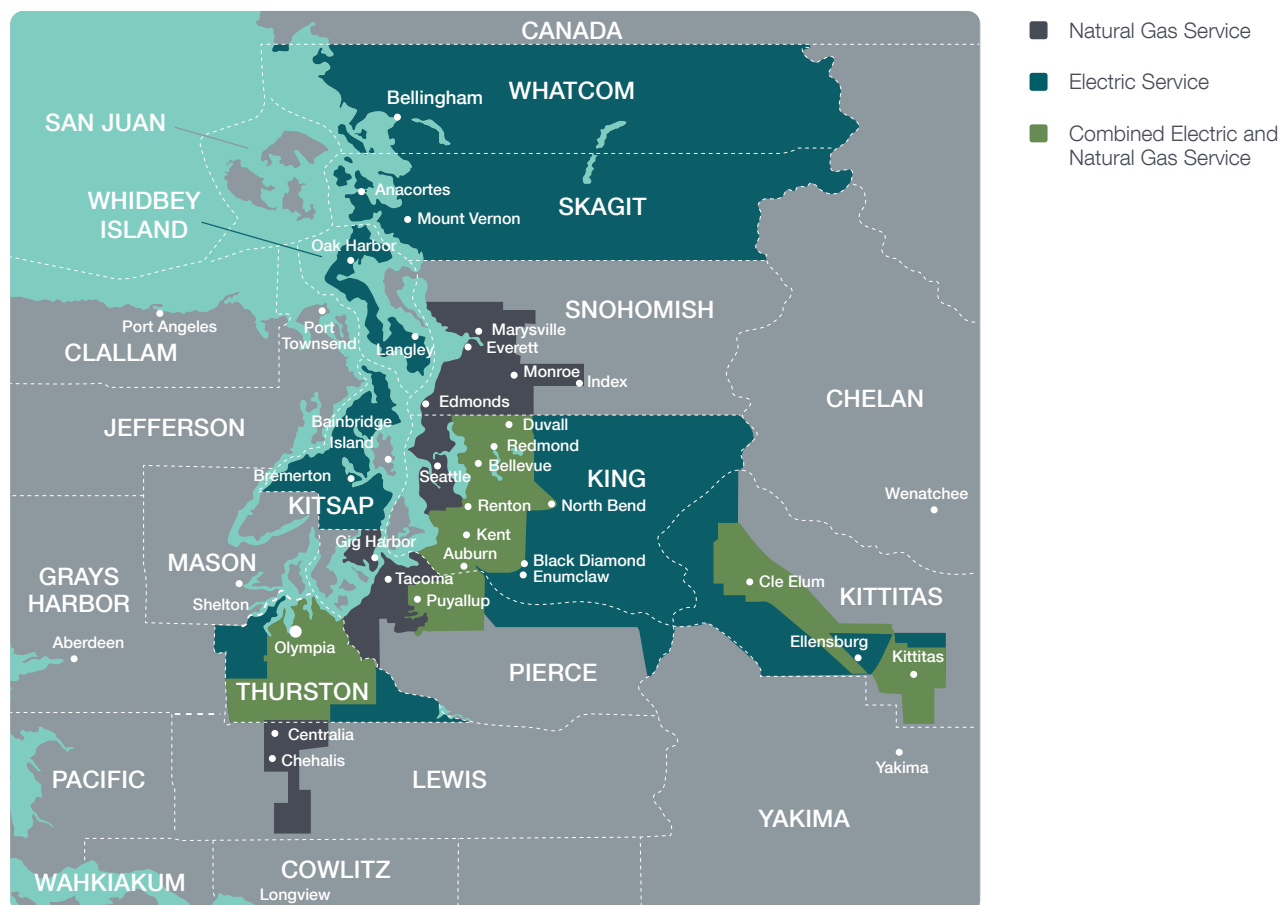
PSE is the oldest and largest investor-owned electric and natural gas utility headquartered in Washington State, with its predecessor company, Seattle Gas Light Company, dating back to 1873. PSE is a subsidiary of Puget Energy, owned through a holding company structure by Puget Holdings under the ownership of a consortium of long-term infrastructure investors.

Headquartered in Bellevue, Washington, PSE serves approximately 1.2 million electric and 900,000 natural gas customers. Our 6,000-square-mile service area covers ten counties throughout the western and southern parts of the state. Our success is driven by our skilled workforce of 3,185 full-time equivalent employees.<sup>[1]</sup> For more details on the scope of our operations, please see our [SASB Index](#).

For more information on PSE's operations and history, please visit our [website](#).

[1] As of December 31, 2021.

## SERVICE AREA MAP



# Core business operations

PSE’s core business operations include electric power transmission and distribution, electricity generation, natural gas distribution and natural gas storage. Our operations are regulated by the Washington Utilities and Transportation Commission (WUTC).

## Diversified electricity generation portfolio

To ensure system reliability, we maintain a diverse portfolio of generation resources. As of December 31, 2021, our electric power resources (company-owned, controlled or under long-term contracts) had a total nameplate capacity of approximately 4,809 megawatts (MW), generating almost 21 million megawatt-hours (MWh) annually.

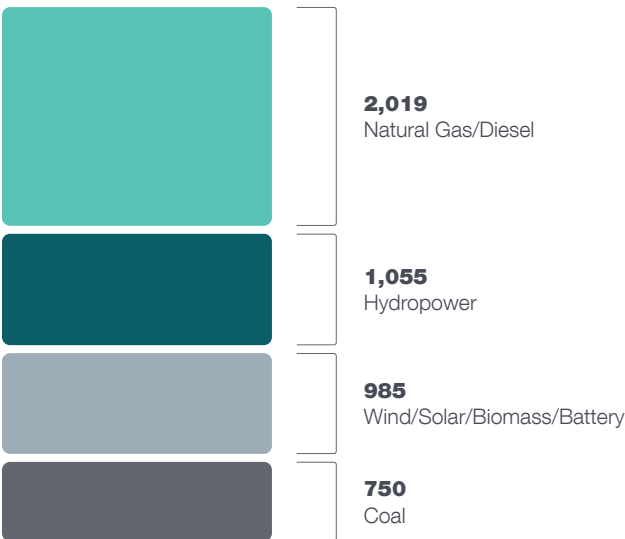
PSE’s coal resources include part ownership of the Colstrip Steam Electric Station (Colstrip power plant) in Colstrip, Montana<sup>[1]</sup> and a power purchase agreement (PPA) with TransAlta’s Centralia, Washington coal plant. As described in the [Cleaner Energy](#) section, PSE will stop relying on coal-generated electricity to serve its customers after 2025.

PSE owns nine natural gas-fired power plants—both combined-cycle and simple cycle plants.<sup>[2]</sup> We have gas-fired power-generating facilities in Whatcom County (Ferndale), Pierce (Frederickson, with two facilities<sup>[3]</sup>), Skagit (Fredonia), Cowlitz (Mint Farm) and Klickitat (Goldendale) counties, as well as three other plants (Whitehorn, Encogen and Sumas) in Whatcom County.

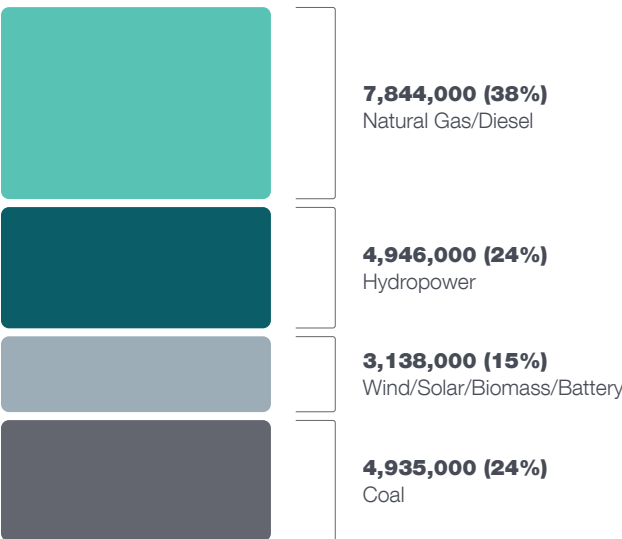
- [1] PSE co-owns Colstrip power plant, along with Avista Corporation, Portland General Electric, PacifiCorp, Northwest Energy and Talen Energy (who is also the operator).
- [2] Four of PSE’s natural gas plants are dual fuel with diesel backup. PSE also owns a diesel-fired generator that provides emergency and peaking power to Crystal Mountain Ski Resort and surrounding communities in Pierce County.
- [3] One of the Frederickson facilities in Pierce County is jointly owned by PSE and Atlantic Power.

### 2021 PSE OWNED AND CONTRACTED ELECTRIC GENERATING RESOURCES

Nameplate Capacity (MW)



Annual Generation (MWh)<sup>[4]</sup>



[4] Rounded to nearest 1,000 MWh. Percentages that do not add up to 100% are due to rounding. Unspecified contract generation assumed to be natural gas/diesel.

PSE is the Pacific Northwest's largest utility producer of renewable energy. We own and operate three large wind farms in Washington State: Wild Horse Wind and Solar Facility in Kittitas County, Hopkins Ridge Wind Facility in Columbia County and our largest wind operation, Lower Snake River Wind Facility, in Garfield County.

We own and operate two hydropower projects in western Washington: Baker River and Snoqualmie Falls. We also buy a substantial amount of hydroelectric power, much of it from central Washington public utility districts with large Columbia River hydroelectric facilities.

## Natural gas supply and storage

PSE purchases fossil natural gas for power generation and customer end-use from Western Canada and the Rocky Mountain States. PSE also contracts renewable natural gas (RNG) from various sources. Natural gas acquired for customer use is distributed through more than 25,000 miles of PSE-owned gas mains and service lines.

We manage a strategically diversified gas-supply portfolio to mitigate volatility in gas prices, procuring gas under a mix of short-, medium- and long-term

contracts. Additionally, we co-own and operate the Pacific Northwest's largest natural gas storage depot, the Jackson Prairie Underground Natural Gas Storage Facility in Lewis County, allowing us to buy and store gas when prices are low and ensure a reliable and more affordable supply of gas when it is needed most. Jackson Prairie's natural gas reserves can meet up to 40% of the Pacific Northwest's peak demand on our coldest winter days. We also store natural gas in Questar's Clay Basin underground facility in northeast Utah.

PSE co-owns a liquefied natural gas (LNG) facility at the Port of Tacoma, which can produce up to 250,000 gallons of LNG per day with a storage capacity of eight million gallons of LNG. This resource serves as a peaking facility for PSE's natural gas customers by helping meet demand on our coldest days. Through our sister company, Puget LNG, this facility also provides lower carbon fuel for maritime vessels and trucks. For more information on LNG fuel, please visit the [Cleaner Transportation](#) section.

For more information on PSE's natural gas storage and LNG initiatives, please visit the [Energy Supply page](#) on our website.





# Resource planning

Every two years, PSE follows an integrated resource planning process with respect to the electric and gas supply and infrastructure necessary to deliver cleaner, safe and reliable energy for the following 20 years and publishes an [Integrated Resource Plan \(IRP\)](#). Each IRP outlines the forecasted electric and gas resource demand and models resource supply scenarios, including conservation, resource procurement and major delivery infrastructure necessary to meet that demand.

Traditionally, the IRP was focused on the WUTC mandate to identify least-cost resources to meet demand; however, in 2019, Washington passed the [Clean Energy Transformation Act \(CETA\)](#), which commits the state to an electricity supply free of greenhouse gas (GHG) emissions by 2045. PSE integrated CETA goals into our electric resource planning process, as reflected in our most recent electric IRP published in 2021.

CETA requires us to prepare additional planning documents which we incorporate into our IRP process, including:

1. a 10-year Clean Energy Action Plan (CEAP) that identifies specific actions we anticipate taking over the next decade toward meeting the goals of CETA, provided in [Chapter 2](#) of our 2021 IRP, and
2. a four-year [Clean Energy Implementation Plan \(CEIP\)](#), a near-term roadmap that includes specific, community-based actions we will take to meet CETA's milestones outlines our expected resource investments and procurements, first submitted to the WUTC in December 2021.

In 2021, Washington passed the [Climate Commitment Act \(CCA\)](#), which puts a price on carbon for resources generated in Washington State or delivered to serve Washington's energy demand. The CCA gives electric and gas utilities a certain amount of free carbon allowances to ease the cost burden on customers with a priority focus on low-income customers. PSE will be incorporating the requirements of this carbon pricing regime into the forthcoming 2023 gas IRP and the next electric IRP.

A key part of our resource planning process is proactive and continual engagement with interested parties to ensure we have a transparent process incorporating feedback on how to best address customer and community needs. With the passage of both CETA and CCA, energy equity is an increasing focus of our resource planning processes. In 2021, PSE convened an inaugural Equity Advisory Group (EAG) to seek perspectives from and broaden engagement with the communities we serve as we work on implementation of CETA. For more information on our energy resource planning process, please visit the [PSE's Plan to Go Beyond Net Zero Carbon](#) and [Community Engagement](#) sections.





# Environmental

**Addressing climate change and supporting a cleaner energy future**



## PSE's plan to go Beyond Net Zero Carbon

PSE has long been a leader in addressing climate change, investing billions in wind, solar and other renewable resources and energy efficiency for homes and businesses. Despite our progress, we recognize we have more to accomplish to achieve a cleaner energy future.

In 2021, we announced our bold goal and aspiration to be a Beyond Net Zero Carbon (BNZC) energy company by 2045. In addition to reducing our own carbon emissions to net zero, we will go beyond by enabling carbon reduction in other sectors across our region, such as low-carbon transportation.

The transition to BNZC will require a concentrated effort in every aspect of our business and collaboration with regulators, customers and communities. We continue to monitor and pilot evolving technologies we can leverage to accelerate the decarbonization of our energy portfolio and ease the cost burden on customers. The following illustration shows the focal points of our Pathway to Beyond Net Zero.

For more information on our BNZC plans, please see [Pathway to Beyond Net Zero Carbon by 2045](#).



# Our Commitment to Beyond Net Zero

## PSE operations and electric supply



Our goals include:

- ◆ Net zero carbon emissions for all PSE electric supply and gas and electric operations by 2030
- ◆ 100% carbon-free electric supply by 2045

## Natural gas sales customer end use



Our aspirational objectives include:

- ◆ Reduce customer end-use carbon emissions 30% by 2030
- ◆ Net zero carbon emissions for customer end use by 2045

## Going beyond net zero



We will help other sectors reduce carbon through:

- ◆ Electric vehicles
- ◆ LNG for marine and long-haul trucking
- ◆ RNG/hydrogen or other low-carbon fuels for transportation
- ◆ Supporting upstream methane emission reduction

## Pathway to Beyond Net Zero

### Near-Term/Ongoing

### Planned or Potential Future



- ◆ Energy efficiency
- ◆ Energy conservation
- ◆ Demand response programs
- ◆ PSE fleet electrification
- ◆ EV charging stations
- ◆ Green diesel
- ◆ Coal power elimination
- ◆ Utility scale solar/wind
- ◆ H<sub>2</sub> R&D
- ◆ Energy storage R&D
- ◆ Maximize forest offsets potential on PSE land
- ◆ Distributed energy resources (renewable and storage)

- ◆ H<sub>2</sub> investment
- ◆ Carbon capture, utilization, storage
- ◆ Transmission capacity for renewables
- ◆ Additional carbon offsets



- ◆ Energy efficiency
- ◆ Energy conservation
- ◆ Methane leak reduction
- ◆ Targeted electrification pilot
- ◆ RNG support
- ◆ H<sub>2</sub> R&D

- ◆ Additional carbon offsets
- ◆ H<sub>2</sub> investment



- ◆ Fleet and marine vessel LNG
- ◆ Installing EV charging stations
- ◆ Maximize forest offsets potential on PSE land

- ◆ Fleet and marine vessel H<sub>2</sub>
- ◆ Green diesel

## Advocacy/Public Policy



- ◆ Carbon pricing
- ◆ Tariff innovation
- ◆ Low carbon fuel incentives
- ◆ Low and net zero fuel vehicles
- ◆ Upstream methane emission reduction
- ◆ Streamlined renewables siting policies

## PSE Beyond Net Zero Carbon Advisory Committee

In March 2022, PSE formed an advisory group of regional, state and industry leaders as part of our aspirational goal to be a BNZC company by 2045. This committee is chaired by former Washington State Governor Christine Gregoire and members included former EPA Region 10 administrator, Dennis McLerran, state and local elected officials and representatives from labor and commercial businesses such as Seattle City Light, Pacific Northwest National Laboratory, University of Washington, Port of Seattle, Northwest Power Planning Council and Northwest Energy Coalition.

"When we committed to taking aggressive steps to address climate change, we knew it wasn't an issue we could tackle on our own," said PSE President and CEO Mary Kipp. "By partnering with a diverse group of leaders from our community, we believe we have the best chance of reaching our aspirational goals without leaving anyone behind."



## Cleaner energy

We are driving the net zero transition and reducing our GHG emissions through investments in low-carbon energy. As part of our [CEIP](#), we identify interim targets that align with our plans to acquire additional renewable and non-emitting resources, which will help us meet the overarching goal of CETA—to reach 100% clean electricity delivery by 2045. This includes an interim target to source 63% of our electric supply from renewable or non-emitting resources by the end of 2025.

We have been phasing out coal-fired electricity from our portfolio since shutting down Units 1 and 2 of the Colstrip power plant in Montana in January 2020 and eliminating half of the coal-fired generation from our PPA with TransAlta's Centralia, Washington coal plant when its Unit 1 shut down at the end of 2020. PSE has committed to selling our remaining ownership interest in the Colstrip power plant, Units 3 and 4, to the plant operator by the end of 2025. The remainder of our coal-fired electricity PPA with TransAlta's Centralia, Washington coal plant will be eliminated when the plant shuts down Unit 2, its final unit, at the end of 2025.



**2025**  
Coal-free electricity



**2030**  
Carbon-neutral electric system

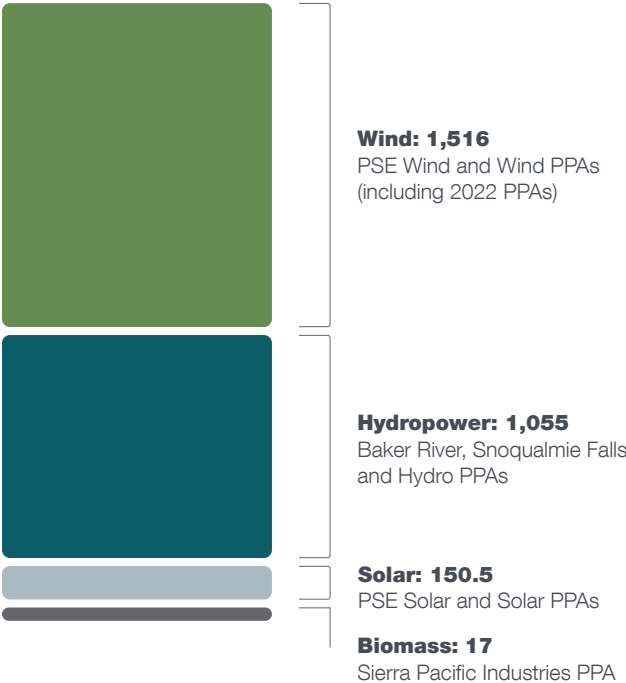


**2045**  
100% clean electricity supply

## Our renewable fleet

PSE has plans to expand our large renewable energy fleet. Our CEIP targets forecast adding 500 MW of wind generation and 300 MW of solar generation by the end of 2025. For more information on our programs that increase customer access to cleaner energy resources, please visit the [Our Customers](#) section.

### PSE OWNED AND CONTRACTED RENEWABLE ENERGY RESOURCES (MW)



## Alternative lower-carbon and carbon-free fuels

PSE's alternative lower-carbon and carbon-free fuels include RNG and hydrogen. PSE began integrating RNG into our system more than 30 years ago, and in 2009 we became the first utility in the region to partner with a pipeline-quality landfill RNG project. For more information on our efforts to pursue more RNG supply opportunities to support voluntary customer choice RNG programs, please visit the [Our Customers](#) section.

## PSE and Mitsubishi sign joint development agreement for hydrogen collaboration

In May 2021, PSE signed a joint development agreement with Mitsubishi Power Americas, Inc. to collaborate on hydrogen project development and technology solutions. This agreement is intended to help enable the implementation of large-scale, carbon-free renewable generation and storage into PSE's service territory while continuing to meet customer expectations for uncompromised reliability, safety and affordability.

In 2021, we conducted our first hydrogen blending pilot at our Georgetown Training Facility in Seattle, Washington. The pilot consisted of a series of tests using varying hydrogen/natural gas blends and we evaluated the system for leaks and impact on the appliances used. We conducted a second pilot at our Tacoma Operating Base in early 2022, injecting a hydrogen/natural gas blend into a test distribution system. We continue to monitor the test system to determine the blend's impact on the system components.

We will continue to pursue opportunities to incorporate hydrogen into lower-carbon energy. This includes leveraging our partnerships through the Pacific Northwest Hydrogen Association to support the decarbonization of both our electric and gas portfolios. For more information on PSE's plan for alternative fuels, please visit the [Lower-Carbon Fuels page](#) on our website.



## PSE and Fortescue partner to accelerate the growth of green hydrogen

In December 2022, [PSE and Fortescue Future Industries \(FFI\) announced](#) a partnership to evaluate opportunities around the development, storage, transportation and use of green hydrogen. FFI, a global green energy company, announced in early 2022 that they are evaluating the feasibility of converting the former Centralia coal mine's existing fossil fuel infrastructure into a green hydrogen production facility. PSE and FFI have signed a Memorandum of Understanding in a bid to accelerate the growth of the regional hydrogen ecosystem. Carbon-free, flexible resources such as hydrogen will be crucial to complement the intermittent nature of renewable energy sources like wind and solar to maintain a reliable and resilient grid.

Partnering with others to build the necessary electrification infrastructure (e.g., electric vehicle [EV] charging stations) is part of PSE's BNZC ambition. To create a system capable of supporting an electrified transportation future, we must work to remove equity barriers and increase access to EV charging options so all customers can benefit.

PSE's [Up & Go Electric](#) program provides charging stations that PSE maintains and matches every public station charge with 100% renewable energy. The current pilot program includes support for service providers to low-income and disadvantaged communities. Future expansion of the program will assist in fleet electrification for businesses, transit authorities, government agencies, community-based service providers and other commercial organizations. Program elements under consideration include fleet advisory services, turnkey infrastructure incentives and charger rebates. To promote equal access, we are exploring additional rebates for customers in highly impacted or vulnerable communities.

For more information, please visit our Transportation Electrification Plan, available on the [Transportation Electrification page](#) on our website.

## Cleaner transportation

Accelerating widespread transportation electrification is vital for Washington State to achieve its carbon reduction and clean air goals. As part of our own commitment to cleaner energy, we aim to be net zero carbon from the PSE transportation fleet by 2030. This includes continuing our progress toward electrifying most fleet vehicles, dependent on available technology, using lower carbon fuels for fleet vehicles that cannot be electrified and offsetting any remaining emissions by 2030.



## Alternative liquid and gaseous fuels

PSE has been a supplier of alternative, lower-carbon and cleaner fuel for transportation for over 30 years. PSE supplies natural gas to public and private compressed natural gas (CNG) fueling stations around the Puget Sound region and to our own CNG truck fleet, which would otherwise run on higher-carbon diesel fuels.

Based on recent federal and state laws, we expect demand for lower-carbon alternative fuels for transportation to grow in the coming years, especially in hard-to-electrify sectors such as long-haul trucking and marine vessels. Our Tacoma LNG facility provides a cleaner fuel alternative for maritime vessels and trucks and also supplies back-up LNG to Potelco, one of PSE's major infrastructure service providers, for its entire LNG truck fleet. LNG use significantly reduces the total amount of pollutants and harmful particulates compared to existing fuels, such as bunker oil and diesel fuel, in addition to reducing overall GHG emissions on a lifecycle basis. Tacoma LNG plays a key role in helping create a greener shipping fleet for our partner, TOTE Maritime, and others aligned with our BNZC commitment as we "go beyond" addressing our own carbon emissions to help the transportation and maritime industries decarbonize.

## Methane emission reduction efforts

Methane is the primary component of natural gas and has a global warming potential that is approximately 25 times greater than carbon dioxide (CO<sub>2</sub>).<sup>[1]</sup> Accordingly, reducing methane emissions from our gas system operations is an important part of our fight against climate change. As a part of the U.S. Environmental Protection Agency's (EPA) voluntary Methane Challenge Program, we report our comprehensive efforts to reduce methane emissions. As part of our BNZC initiative, we aim to eliminate methane leaks to the extent practical on our distribution system and reduce or offset all other methane emissions from the operation and maintenance of our gas infrastructure by 2030.

[1] Global warming potential AR4 standard for 100-year lifecycle.

## Providing zero-emission transportation to the Muckleshoot Indian Tribe community

In 2021, PSE supported the Muckleshoot Indian Tribe with the purchase of an electric bus which will be used for free express shuttle bus service between the White River Amphitheater and downtown Auburn. PSE Up & Go Electric installed and maintains a 50-kilowatt (kW) fast charger that will allow the bus to recharge efficiently during its breaks.



Our past and current efforts to reduce methane emissions include the following:

- ◆ Completed elimination from our distribution system of all cast iron piping in 2007 and all unprotected steel piping in 2014.
- ◆ Adopted targeted operating procedures to minimize releases associated with third-party excavation damage. PSE identifies the highest risk activities based on a review of utility locate requests and provides additional observation and education resources to minimize damage occurrence at those locations. This approach has resulted in a 50% reduction in third-party damages since 2015.
- ◆ Complete leak detection surveys covering 100% of business district piping annually and surveys covering 100% of piping outside business districts at least every three years. We also plan for future investment in vehicle-mounted sensing technology, which will allow us to complete system surveys covering 100% of our piping every year.
- ◆ Continuously monitor, evaluate and implement new technologies and practices to minimize methane releases during system maintenance on our distribution system. When release prevention is not feasible, gas is flared during maintenance to reduce emissions by converting it to CO<sub>2</sub> instead of methane.

PSE also recognizes lifecycle emission impacts associated with natural gas and advocates for a reduction in upstream methane emissions. We submitted comments jointly with Avista Corporation in opposition to EPA's 2019 proposal to rescind methane emission control requirements for the oil and natural gas sector 2019. PSE is also a participating member of AGA and EEI's Natural Gas Sustainability Initiative (NGSI) protocol for calculating methane emissions intensity for operations across the natural gas supply chain that was launched in February 2021.

## PSE successfully pilots methane recompression technology to reduce emissions during operations and maintenance activities

In November 2022, a PSE team successfully piloted the use of the Zevac® (Zero Emission Vacuum and Compressor) Mini system to decommission 350 feet of a 6-inch intermediate pressure main. Instead of releasing the gas into the atmosphere, the Zevac® equipment moved gas out of the pipeline that was being depressurized into another section of the system. PSE plans to procure several of these units as the next step in reducing our emissions associated with planned activities, where feasible.







## Greenhouse gas policy statement

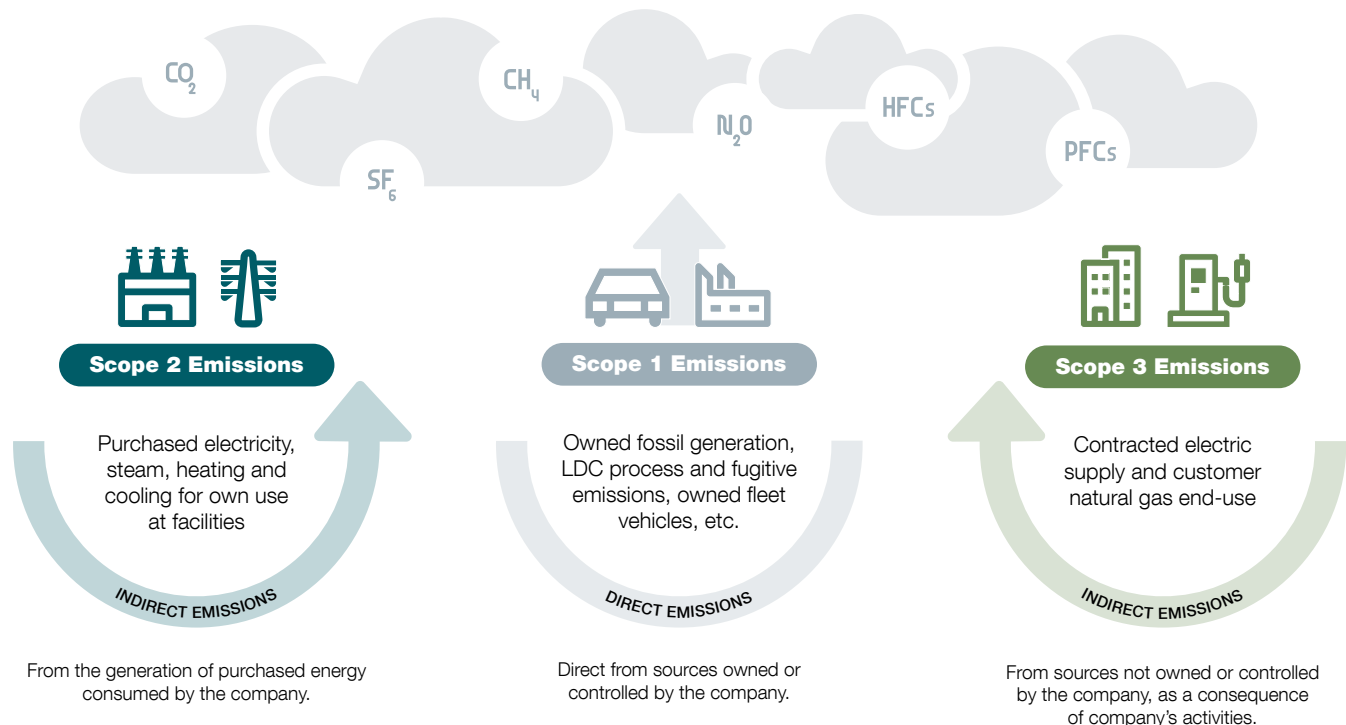
Our [GHG policy statement](#) sets forth our commitment to protect the environment for future generations and our concerns about the urgent impacts of climate change and captures our commitment to GHG emission reductions and our support in achieving the objectives of CETA and CCA.

## Tracking our progress

PSE has been measuring and disclosing our GHG emissions since 2002. As illustrated in the figure below, our Scope 1 and 2 emissions are primarily comprised of CO<sub>2</sub> produced during electricity generation, while our Scope 3 emissions are dominated by our natural gas sales to customers and electricity purchased from other generators to serve our customer load. For more information on our GHG accounting processes, please visit our [GHG inventory](#).<sup>[1]</sup>

[1] PSE continues to work toward identification and quantification of minor contributions to its overall GHG emissions, such as refrigerants.

### PSE GHG EMISSIONS BY SCOPE<sup>[2]</sup>



[2] Definitions follow The Greenhouse Gas Protocol.

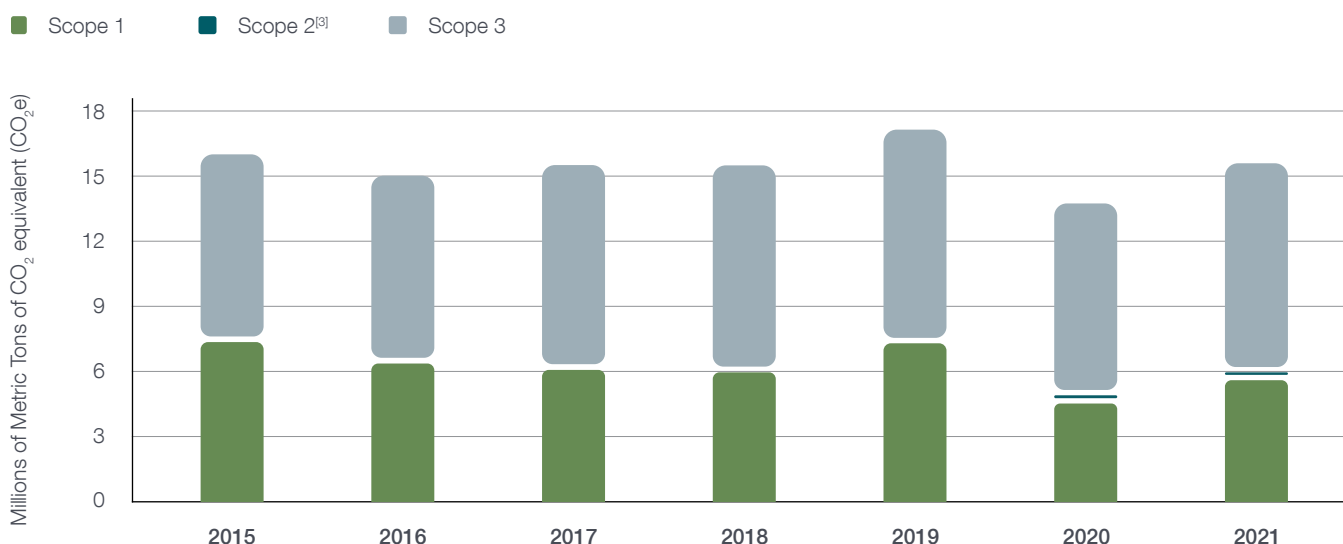


Our GHG emissions for 2015 through 2021 are illustrated below. In 2020, our Scope 1 emissions decreased significantly with the retirement of Units 1 and 2 of the Colstrip power plant.<sup>[1]</sup> We expect to further reduce our GHG emissions in coming years as we exit remaining coal ownership and PPA in 2025 and transition to cleaner energy resources.

A key element of our plans to reach net zero emissions from electrical generation by 2030 is the addition of non-emitting generation resources such as wind and solar to our portfolio. PSE's first windfarm came online in 2005, with substantial additions to our portfolio through 2022. We have specific plans to add more wind and solar capacity between now and 2025.

[1] The reduction in emissions in 2020 was due, at least in part, to reduced demand during the COVID-19 pandemic.

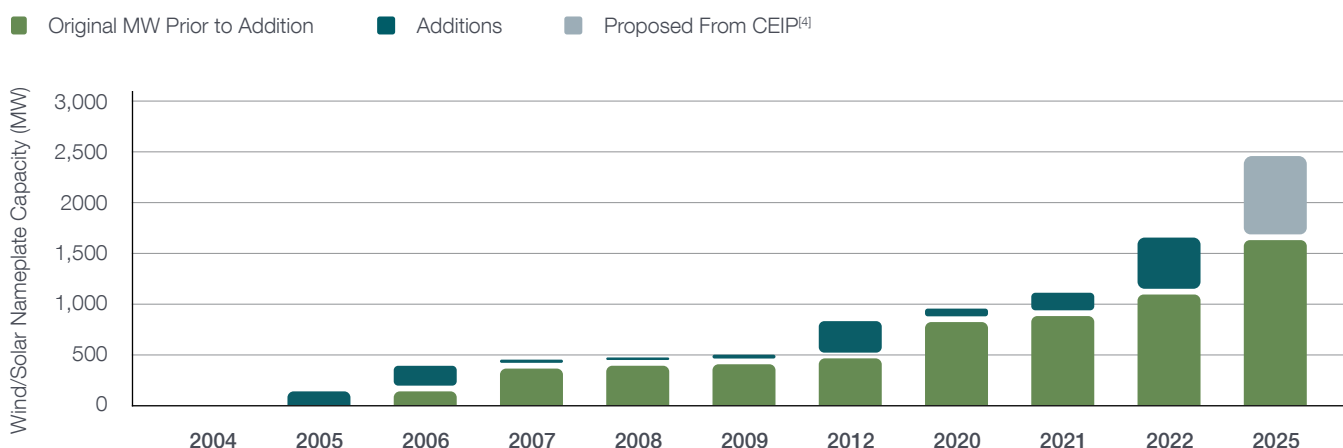
## PSE GHG EMISSIONS<sup>[2]</sup>



[2] Global warming potential AR4 standard for 100 year timeframe.

[3] Scope 2 was added to PSE's GHG inventory in 2020.

## PSE PORTFOLIO WIND AND SOLAR GENERATION PROGRESS UP TO 2025



[4] Wind/solar resource owned and/or long-term firm contract.



## Climate resiliency

Climate change not only increases temperatures but also can exacerbate extreme weather events such as wind and ice storms, longer duration cold weather events, flooding and drought (which can contribute to increased wildfires)—all of which threaten our ability to provide a reliable energy supply. We are transforming our grid for a better energy future by updating and improving our infrastructure to create a grid that is more reliable and resilient in the face of climate change.

Creating a modernized grid requires investing in new equipment, software and communication platforms, testing and deploying new technology and empowering customers with tools to make their own energy choices. We are currently piloting [Demand Response \(DR\)](#) programs so, in the future, our customers can choose to reduce their energy use during times of peak demand. PSE is also

implementing a Virtual Power Plant software solution to help manage our DR and other distributed energy resources. These initiatives work in tandem with our weatherization, energy efficiency and cleaner energy programs to help reduce load requirements and play a significant role in meeting future energy demand. For more information on our grid modernization plans, please visit our [Grid Modernization Strategy](#).

In 2022, PSE published its [Wildfire Mitigation and Response Plan](#), which documents PSE's wildfire-related strategies, operational procedures and system investments. The plan establishes safety as the first priority and outlines methods PSE uses to address situational awareness, notification, preventative measures and response and recovery actions specific to wildfire risks.

For more information on our emergency preparedness efforts, please visit the [Risk Management](#) section.

# Environmental compliance

PSE is subject to comprehensive federal, state and local environmental regulations. We strive to meet or exceed these regulatory requirements as we work to be responsible environmental stewards. We manage environmental compliance risk through our Corporate Environmental Policy and Environmental Management System (EMS). We strive to mitigate our operations' impact on the natural environment and aim for zero violations of regulatory requirements.



## Corporate Environmental Policy

PSE encourages environmentally responsible behavior and holds employees accountable for environmental performance. All PSE employees must abide by our Corporate Environmental Policy, which outlines how each employee contributes towards PSE's compliance with environmental laws, regulations and company policies. This policy is endorsed by senior decision-makers, and we proactively work to strengthen our operations to stay ahead of evolving environmental requirements.

PSE periodically reviews and enhances our EMS to reflect regulatory, facility and personnel changes. We provide initial and ongoing training on certain topics to increase awareness of regulatory requirements and proper procedures for maintaining environmental compliance. Training programs for each department are based on specific operations, business activities and the applicable EMS program areas.

## Environmental audits

We evaluate environmental regulatory compliance at key PSE facilities and verify that our Corporate Environmental Policy and EMS are being properly implemented through our internal environmental audit program. The audits are conducted by a combination of our environmental program staff, facility staff and third-party contractors. We also periodically review the regulatory compliance performance of PSE waste management service providers to verify that our waste is handled appropriately. Audit elements are tailored for each facility based on the regulatory requirements of each facility's activities. Audit results are used to develop corrective actions, allocate additional resources as appropriate and identify and share best practices.

## Cultural resources

We work with government agencies, Tribal Nations, other interested parties and the public to collect, develop and share cultural resource information about our facilities. This program provides a foundation for outreach, education and feedback, so we can make sound decisions regarding cultural resources managed by PSE (e.g., our historically significant hydroelectric facilities) or resources potentially affected by PSE actions. PSE shares technical reports and findings with affected parties and develops materials suitable for the public. We also work with relevant government agencies and Tribal Nations to verify that appropriate engagement and cultural resource surveys are conducted to avoid potential impacts on tribal resources. For more information on how we work with Tribal Nations, please visit the [Tribal Engagement](#) section.





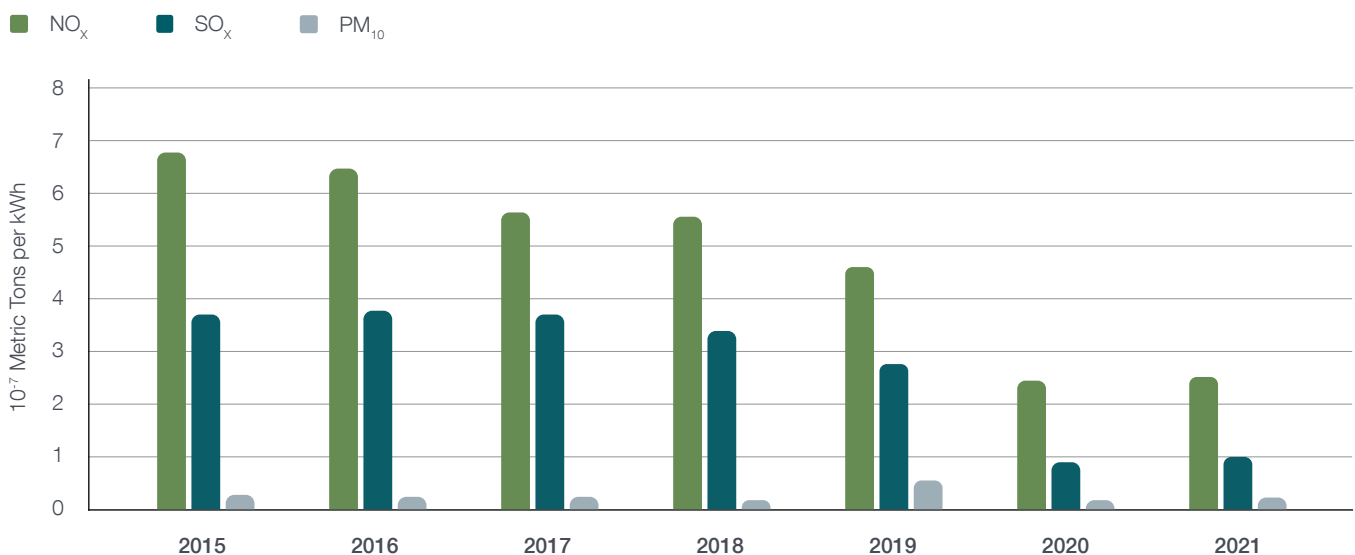
## Air

We recognize that air pollution can negatively impact the environment and public health; historic siting practices for heavy industry, including utilities, have, in some cases, resulted in disproportionate impacts to communities of color and low-income communities. Our thermal electric generation fleet consists primarily of natural gas-fired plants, some of which have distillate (diesel) as backup fuel, that have significantly lower criteria pollutant emissions than coal-fired or distillate-only-fired plants. We invest in control technology for all of our plants to reduce the impact of non-GHG emissions. PSE works closely with regional air agencies and PSE plant and operations groups to manage compliance, monitor emissions and improve operational efficiencies.

The emissions intensity (i.e., metric tons/kWh) of nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>) and particulate matter (PM<sub>10</sub>) from our air-permitted generation sources have decreased over time, as shown in the graph below.<sup>[1]</sup> The emissions intensity dropped substantially between 2019 and 2021, concurrent with the reduction in coal-generated electricity in early 2020. We anticipate further reductions as PSE eliminates coal power from its portfolio to serve customers after 2025 and continues to increase renewable generation resources in our portfolio.

[1] Total air emissions for NO<sub>x</sub>, SO<sub>x</sub>, PM<sub>10</sub>, mercury and lead are reported in our [SASB Index](#).

### AIR EMISSIONS INTENSITY





# Waste management

We work to contribute to a circular economy by first reducing the overall amount of waste generated, and then seizing opportunities to reuse and recycle materials. Used oil, sent offsite for recycling, is the largest quantity of waste generated at our operating facilities. Our waste reduction efforts focus on conventional materials like paper and plastic as well as non-conventional materials such as scrap metals, spray paint and batteries.

## Hazardous waste management

Our hazardous waste management program focuses on maintaining regulatory compliance, improving employee awareness and safely managing hazardous waste handling, storage and disposal. We track our hazardous waste generation and review opportunities to reduce this waste stream. Our Environmental and Program Services (EPS) department oversees our hazardous waste management policies and procedures, employee training and compliance tracking.

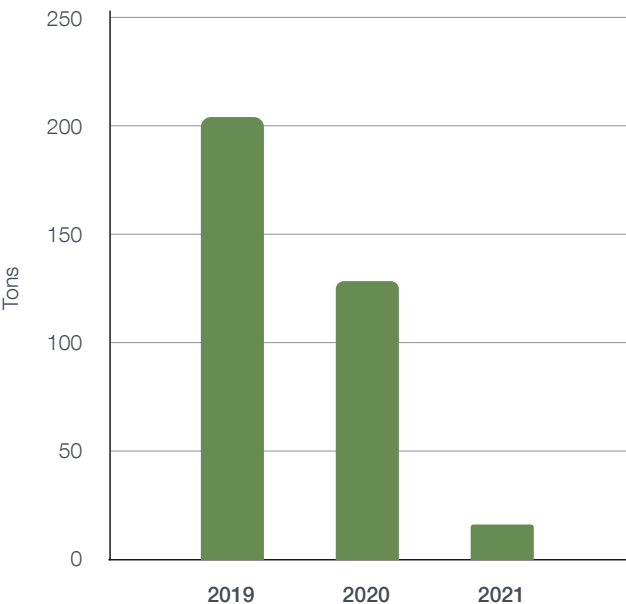
The South King County Waste Management Facility (SKC-WMF) is a permitted Moderate-Risk Waste Facility. Waste that contains polychlorinated biphenyl (PCB) at one part per million or greater are transported from other PSE facilities to the SKC-WMF for consolidation and proper disposal, pursuant to applicable regulations. In addition, the SKC-WMF is permitted as an indefinite storage facility for the storage-for-reuse of equipment suspected of containing PCBs—this equipment is kept in storage for possible reuse in emergency situations due to the scarcity of available replacement equipment.<sup>[1]</sup>

SKC-WMF also receives the majority of our small quantity generator facilities’ hazardous waste. We consolidate the waste with similar waste types and send it out for disposal. This process acts as a check of the waste type to ensure proper categorization and disposal.

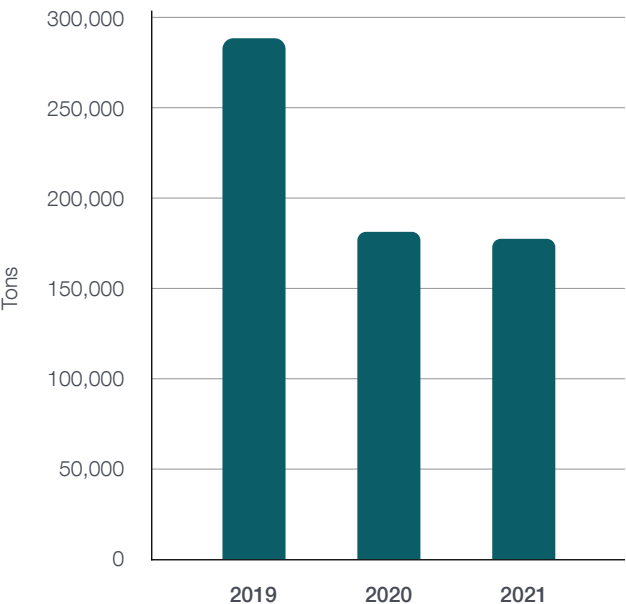
[1] The equipment stored for emergency reuse cannot be tested without jeopardizing the integrity of the device; therefore, the Toxic Substances Control Act regulations require that PSE assume the equipment is PCB-containing.

## WASTE GENERATED<sup>[2]</sup>

Hazardous Waste



Non-Hazardous Waste



[2] Excludes remediation.

## Water supply and discharge

Water is a critical resource for hydroelectric facilities and thermal electric generation facilities that use water for cooling and steam generation. We have facility-specific best management practices in place to ensure responsible water use. In the future, we expect our water withdrawal, consumption and discharge to continue to decrease proportionally as we increase the percentage of wind and solar assets in our energy generation mix and phase out coal assets by the end of 2025. For quantitative information on our water use, please visit the [SASB Index](#).

## Water supply

All PSE owned and/or operated thermal generating facilities are in “Low” baseline water stress risk areas as identified in Aqueduct, the World Resources Institute’s (WRI) Water Risk Atlas Tool. Although this “Low” identification includes our Goldendale Generating Station and Colstrip power plant, which are located in arid regions of Washington and Montana, respectively, conservation measures have been implemented at both facilities to limit water usage. Our wind and solar assets have minimal consumptive water use, while the water used to generate energy at our hydropower facilities returns to the rivers.

## Water conservation at Goldendale Generating Station and Colstrip Power Plant

PSE’s Goldendale Generating Station is a combined-cycle power plant in the arid eastern part of Washington and certain plant elements were specifically designed to reduce water consumption. Almost all service water to the plant is processed through a demineralization unit which allows for approximately 15 cycles between cooling water blowdowns versus the normal four to six cycles, reducing make-up water requirements. The plant also uses a closed-loop glycol cooling system to reduce the overall volume of water required for cooling and a portion of the steam condensation loop is air cooled, further reducing water use.

Colstrip power plant is a zero-discharge facility. Reclaimed water — comprised of precipitation and process water collected from surface impoundments and groundwater from extraction wells — is reused as process water, thereby reducing the amount of raw water the facility sources from the Yellowstone River under its existing water rights. Reclaimed water may be treated depending on the end use, using a brine concentrator crystallizer system. The plant is currently operating at a negative water balance and the majority of the water used is reclaimed water.



We are committed to protecting watersheds and wildlife in aquatic ecosystems where our operations are located. For more information, please visit the [Biodiversity and Habitat Protection Programs](#) section.

## Industrial and stormwater discharge

Our water discharge program provides oversight and management for industrial wastewater and stormwater discharges from our facilities. The EPS department assists in the acquisition, compliance, renewal and updating of wastewater and stormwater permits. PSE major projects and construction project staff also work with the Washington State Department of Ecology (WDOE) and local jurisdictions to align our management practices with stormwater permitting requirements applicable to construction projects. In 2021, we had zero non-compliance events for water discharges.

## Remediation

PSE is subject to federal and state laws that require certain environmental investigative and remedial efforts to address environmental contamination. PSE's environmental remediation program primarily focuses on the cleanup of legacy contamination from PSE and its predecessors' 100-plus years of historical energy related operations. For example, PSE inherited many of our remediation sites from predecessor manufactured gas plant (MGP) operations, which ceased operations decades ago and have since been replaced by today's natural gas system.

Our commitment to properly addressing environmental impacts has helped PSE earn a reputation as a responsible corporate citizen. PSE files an [annual report](#) with the WUTC with a summary of current remediation activities.

## Spill prevention and response

PSE has over 650,000 oil-filled devices in service throughout our territory. Oil spills can occur from these oil-filled devices, usually electric system transformers, for a variety of reasons including corrosion, third-party damage (e.g., vehicle accidents or construction activities) and storm-related events such as lightning strikes, high winds or snow. To minimize impacts from spills, PSE implemented a robust 24-hour Spill Response Program in 1992. Our Spill Response Program focuses on alleviating the impact of spills and advancing our training and spill containment and minimization efforts. Through this program, PSE has responded to more than 5,000 spills since its inception and due to our spill program efforts, there is rarely follow-up remediation required after our immediate spill cleanup and mitigation efforts.

## Bay Station Manufactured Gas Plant site

From 1890 to the mid-1930s, PSE's predecessors owned and operated the Bay Station MGP along the waterfront that is now known as Elliott Avenue. After being contacted by the then property owners regarding potential contamination, PSE purchased the property. In 2017, PSE undertook the demolition of onsite structures and began investigating the nature and extent of the contamination. Remediation of the subject and neighboring property began and was completed in 2022, which involved, among other things, the excavation, removal and replacement of 15 feet of soil and the installation of a bentonite slurry wall to prevent contaminants from moving offsite.



# Biodiversity and habitat protection

As we build and maintain our infrastructure to provide reliable service for our customers, we also focus on preserving biodiversity and limiting impacts on the natural environment. We seek to minimize and mitigate the impact of our operations prior to development, and we monitor potential impacts on biodiversity throughout the lifecycle of our assets. PSE's biologists and other subject matter experts provide technical support to PSE operations that may adversely affect endangered or threatened species in compliance with federal, state and local environmental regulations.

## Fish protection

As a long-standing hydroelectric generator in the Pacific Northwest, we work closely with Tribal Nations, government agencies, environmental groups and other interested parties to mitigate the impact of our operations on fish populations. We operate two hydroelectric facilities and implement various measures to mitigate our impacts on these critical

ecosystems. For example, our Snoqualmie River diversion dam—which is located just upstream of a waterfall that naturally precludes the upstream migration of salmon—uses modern flow-control equipment designed to prevent rapid changes in downstream river levels that could potentially strand fish.

On the Baker River, we installed an enhanced upstream trap-and-haul facility to move fish up and downstream. Part of our success is due to our innovative \$50-million Floating Surface Collector, which attracts and safely holds juvenile salmon for downstream transport by “fish taxi.” We also operate hatcheries and protected spawning areas. Because of the collaborative efforts of PSE, National Oceanic and Atmospheric Administration (NOAA) Fisheries and additional federal, state and tribal partners, salmon populations in the Baker River have rebounded to record levels. For more information on our efforts to limit impacts on fish populations, please visit the [Fish Protection page](#) on our website.





## Wildlife and habitat protection

We are committed to sustaining the valuable, diverse ecosystems located across our operating areas. Through our conservation efforts, we have undertaken mitigation on over 25,000 acres of land<sup>[1]</sup> to conserve habitats for native species. To reduce our impact on wetlands and waterways, we design our projects to, first and foremost, avoid work in and around water bodies and water body buffers where possible. Where avoidance is not practicable, we select construction methods that minimize the duration and extent of disturbance and partner with specialized consultants to identify and implement mitigation opportunities. For more information on our wildlife protection initiatives, please visit the [Wildlife and Habitat Protection page](#) on our website.

[1] This includes 7,000 acres of conservation easement to safeguard shrub-steppe habitat and approximately 18,000 acres of preserved undeveloped open space at Wild Horse Wind and Solar facility and nearly 900 acres of wildlife habitat in the Cascade Range in northwest Washington associated with the Baker River Hydroelectric Project.

## Avian protection

PSE is committed to reducing our electrical system's potential to harm birds, maintaining service reliability for our customers and complying with state and federal regulations related to birds. In 2021, we completed 32 projects, modifying 104 avian-safe units in response to bird-related incidents on our electrical system. We relocated several nests to safer locations, identified high-priority sites for proactive efforts and implemented best management practices and our updated avian-safe distribution construction standards to minimize our impacts on avian species throughout our service territory. For more information on our bird protection efforts, please visit the [Bird Protection page](#) on our website.



## Vegetation management

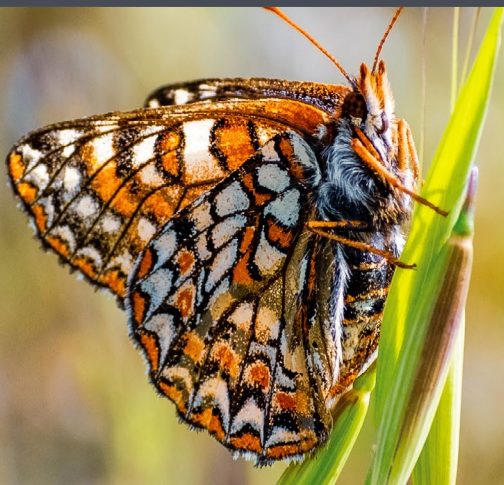
PSE has an obligation to provide reliable electrical service to our customers and the major causes of power outages are unhealthy trees that fall into the electrical lines, windblown branches that cross the line as they fall to the ground and tree limbs that grow into power lines. PSE is responsible for the trimming or removal of incompatible trees near our power lines to comply with local, regional and state laws for the safety of the public and to maintain service reliability.

When tree removal is necessary, we balance it with mitigation, partnering with local, state and federal agencies to identify potential mitigation sites that

are currently degraded and could benefit from additional vegetation. Our goal is to convert these critical areas into thriving ecosystems, planting tree and shrub species native to western Washington which provide shade for salmon habitats, perches for birds, woody debris for amphibians and foraging material for mammals. We are committed to providing safe and reliable service to our customers while taking a responsible approach to protecting and restoring the natural environment. Since 2001, PSE has been recognized by the National Arbor Day Foundation as a utility that has demonstrated practices that protect and enhance America's urban forests.

## Fostering the Mazama pocket gopher and Taylor's Checkerspot Butterfly habitat through a habitat conservation plan

PSE acquired 70 acres of habitat, subject to conservation easements, to support three threatened federally protected Mazama pocket gopher subspecies and the Taylor's Checkerspot Butterfly (TCB). We manage these conservation sites to both retain and improve the existing suitable habitat characteristics for the continued occupancy of the Mazama pocket gopher. Additionally, a portion of this habitat contains a larval host plant species for the TCB. PSE is coordinating with the U.S. Fish and Wildlife Service and the Washington Department of Fish and Wildlife (WDFW) on future actions that could include additional plantings or the spreading of seed mix containing the nectar resource plant species important to TCB. WDFW plans on releasing TCB near this conservation site within the next five years.





# Social

**Engaging our customers, our communities  
and our employees**



## Our customers

As we work to build a cleaner energy future, PSE understands that racism and systemic inequalities have caused some communities to be disproportionately impacted by the climate crisis. While decarbonizing our operations and the broader economy is critical, it must be done with social and energy equity in mind. By focusing on the benefits and burdens to highly impacted and vulnerable populations, we are working toward climate action that supports an inclusive future for our customers and does not exacerbate existing injustices.

### Energy affordability

As an electric and natural gas utility, it is imperative to strive to keep energy affordable as we accelerate a just, cleaner energy transition. Energy costs generally have a greater burden on under-resourced and minority communities, making it more challenging to pay for other necessities. Additionally, families with high energy burdens may limit their energy use, resulting in unhealthy living conditions. Under CETA, we focus on the equitable distribution of benefits and energy burden reduction for vulnerable populations and highly impacted communities.



## Contributing to the just transition

One way PSE is working toward a just transition is through our exit of the Colstrip power plant. This is a vital step toward achieving our own net zero ambitions and contributing to Washington's 100% clean electricity supply goal put forth in CETA. While our focus has shifted to lower-carbon energy opportunities, we remain steadfast in our commitment to the transition needs in the Colstrip community, reflected in the \$10 million Colstrip Community Fund we initiated for community transition planning. As part of this transition, we signed a PPA with NextEra Energy Resource to buy 350 MW of renewable energy from the Clearwater Wind Project, located about 60 miles north of Colstrip, Montana. The wind farm went online at the end of 2022 and is anticipated to create up to 20 full-time operational jobs. In total, the project will provide more than \$400 million in economic support through jobs, tax revenue and private land leases. The community has been our partner for decades, and we remain invested in their future success.



## Supporting our customers during the COVID-19 pandemic

We recognize that many customers struggled financially due to the COVID-19 pandemic. In March 2021, we announced an additional \$27.7 million in bill payment assistance through our COVID Bill Assistance Program for low-income customers, building on the more than \$9 million in bill assistance provided to over 15,000 customers in 2020. We also offered extended payment plans to help ease the burden of paying energy bills for those who need it most.

Our Low-Income Advisory Committee advises PSE on how we can reduce customer energy burden. We offer a variety of assistance programs and resources to help low-income or disadvantaged customers pay their energy bills. The [PSE Home Energy Lifeline Program \(HELP\)](#) provides income-qualified customers with bill-payment assistance beyond what is offered by the federal Low-Income Home Energy Assistance Program (LIHEAP). We also partner with federal and state funding sources through the [Home Weatherization Assistance](#) program to connect income-qualified customers with local agencies that can provide free whole-home upgrades to lower monthly energy bills. For more information on our programs to improve energy affordability, please visit the [Assistance Programs page](#) on our website.

## Renewable energy and energy efficiency customer programs

We believe our customers should be informed and empowered to make smarter energy decisions. We offer a variety of programs to help increase consumer awareness and access to renewable energy and improve energy efficiency.

## Renewable energy

Renewable energy is essential to the net zero transition. Through our renewable energy programs, we aim to help customers access renewable energy, reduce their carbon footprint and encourage renewable electricity growth across the state to further progress toward our decarbonization goals.

### PSE CLEAN ENERGY PRODUCTS AND SERVICES



#### Green Power

[Residential](#) or [Commercial](#)

- ◆ PNW REC purchases
- ◆ 62k residential, commercial, municipal customers



#### Solar Choice

[Residential](#) or [Commercial](#)

- ◆ Solar RECs WA and ID
- ◆ 915k customers
- ◆ Residential, small commercial



#### Carbon Balance

[Residential](#) or [Commercial](#)

- ◆ PNW third-party-verified carbon offsets
- ◆ 21k customers



#### Community Solar

[Residential](#) or [Commercial](#)

- ◆ Expands access to new, 100% local solar
- ◆ Four projects completed



#### Renewable Natural Gas

[Residential](#) or [Commercial](#)

- ◆ Replaces a portion of gas usage with local RNG supply
- ◆ ~5k customers



#### Green Direct

[Commercial](#)

- ◆ Long-term partnership for dedicated resources
- ◆ 41 corporate/government customers



#### Net Metering

[Residential](#) or [Commercial](#)

- ◆ Up to 100 kW
- ◆ 15k+ customers; 130 MW
- ◆ All customer types



#### Small Power Producers

[Commercial](#)

- ◆ 100 kW–5 MW
- ◆ Small renewable developers



## Energy efficiency

We help customers better manage their energy usage and save money on their utility bills through our energy efficiency programs. Over the last five years, we have helped customers cut their electricity and natural gas consumption by more than 1.2 billion kilowatt-hours (kWh) and 17 million therms, respectively.

PSE offers business energy management services to small businesses, school districts, governments, hospitals and other commercial customers. This includes engineering consultation for new construction, major remodels or retrofits and rebates and incentives for energy-efficient appliances, lighting and HVAC systems. Through these programs, businesses can reduce their energy consumption, save money and reduce their carbon footprint.

Residential customers can save energy through our [rebate programs](#) that offset the cost of major home efficiency upgrades, including home weatherization, major appliance upgrades or heating and cooling system improvements. We also offer educational tools, such as [virtual home energy assessments](#) and [energy savings tips](#), to help customers better understand and reduce their energy use.

## Helping business customers go carbon neutral

In March 2022, PSE announced a partnership with Taco Time Northwest to make all of their 79 restaurants carbon neutral. Taco Time will match 100% of its electric and natural gas use with renewable power through PSE's Green Power and Carbon Balance programs, reducing their carbon footprint by more than 15.5 million pounds of CO<sub>2</sub> (more than 7,030 metric tons) every year.

## Providing support for local solar installations

In December 2021, PSE awarded nearly \$1 million in solar installation grants to 13 organizations and Tribal Nations across PSE's service areas. One recipient will install a new 40-kW solar array to reduce its carbon footprint and offset nearly 75% of its annual energy use.



To increase equitable access to our programs, we also offer the [Efficiency Boost](#) program, which offers higher rebates on energy-efficient upgrades to income-qualified customers. These higher rebates can help put enhanced energy efficiency and greater long-term utility bill savings within reach.

For more information on our energy efficiency programs, please visit the [Efficiency & Green Options page](#) on our website.

## Customer outreach and engagement

Our outreach teams continuously work to improve the reach and effectiveness of our communications to ensure awareness of the services we offer which enhance public safety and energy affordability and reduce customers' carbon footprints. Direct engagements and strategic partnerships allow us to strengthen our community relationships and reach even more people in our service area. For example, we use available databases to build key relationships with local customer groups, businesses and organizations that reside within named communities. Our outreach teams also work closely with local human service organizations in our service areas to raise awareness of available programs. We offer website content and written materials in multiple languages to expand access to non-English speaking communities and businesses.

## Customer experience

It is imperative to balance our clean energy goals with the need to deliver reliable, safe and affordable energy. We must do so in a way that benefits all customers and communities we serve, especially those who have not traditionally had access to or benefited from clean energy.

We are committed to providing our customers with quality service, support and resources for a seamless and intuitive customer experience. Our customer assistance programs focus on providing clear and transparent communications to help meet customers' needs through multiple communication channels, including our call center, website and social media pages. We also help customers stay up to date on important outage information through our [Outage Map](#), which shows current outage locations and number of customers impacted.



To monitor our customers' experience and drive continuous improvement, we benchmark our performance against peers, conduct customer surveys and monitor our performance on the residential J.D. Power Electric and Gas utility studies. In 2021, we conducted a reputation survey and the results indicated that 74% of customers viewed PSE favorably, and 80% believed PSE has a good or excellent reputation. We report our service quality index metrics annually to the WUTC, and they are a quantitative factor in annual employee incentives.





## Our communities

PSE strives for active engagement with neighboring communities to foster trusted relationships and transparent communication. We partner with the communities where we live and work to accelerate a cleaner energy future in an equitable way. We also leverage employee volunteerism and philanthropic investments to advance community development, with a focus on those most impacted by climate change.

### Community engagement

Participation and feedback from local communities are integral to our work. Too often, marginalized communities do not have a voice in key decision-making processes. We recognize this issue and continuously work to improve our community engagement efforts and build long-lasting, trusted relationships. PSE has a dedicated Community Engagement Team member in each county we serve who works with nonprofit and community-based organizations on local issues. For more information on our efforts, please visit the [Community Engagement page](#) on our website.

We also engage with communities throughout our resource planning process to ensure we receive input from interested parties before we submit our IRP and CEIP. For more information, please visit the [Resource Planning](#) section.

### Clean Energy Implementation Plan and the Equity Advisory Group

We partner with customers, communities and advisory groups to develop our CEIP. These parties provide input on clean energy values, customer benefits and priorities and comment on the CEIP. In 2021, PSE convened our inaugural Equity Advisory Group (EAG) to help seek perspectives from and broaden engagement with the communities we serve, specifically focusing on historically underrepresented populations, including frontline communities of low-income people and Black, Indigenous and People of Color (BIPOC). EAG members share perspectives from their experiences related to environmental justice, Tribal interests, highly impacted communities, vulnerable populations, social services and affordable housing. The group developed an equity lens focused on accessibility, affordability and accountability to frame their advice on clean electricity planning.

Additionally, as part of our CEIP, we track customer benefit indicators (CBIs) to help ensure all customers benefit from the transition to cleaner energy. We consider CBIs across a variety of areas, such as affordability, energy resiliency, environment and public health.

For more information on community involvement in the CEIP process and the EAG membership and activities, please visit the [CEIP page](#) on our website.



## Outreach and education

Engagement with interested parties is particularly important as we develop large-scale projects. We conduct active outreach to communities, local, state and federal governments and Tribal Nations to provide information on project context, needs and impacts. Our outreach also ensures those voices are heard through community meetings, public and virtual open houses, community advisory groups, web pages and community mailings.

### Wild Horse Wind and Solar Facility and Renewable Energy Center

The Wild Horse Wind and Solar Facility and Renewable Energy Center, located in central Washington, is a valuable community resource and a shining example of PSE's outreach and education efforts. Activities and opportunities include:

- ◆ Public tours that explore the solar array and wind turbines
- ◆ School field trips to learn about renewable energy and sustainable solutions
- ◆ Wildflower and wind power walks
- ◆ Run Like the Wind Trail Running Festival with 5k, 10k and 10-mile events
- ◆ Public hunting during legal hunting seasons
- ◆ Non-hunting recreational activities such as hiking, birdwatching and horseback riding
- ◆ Partnership with Kittitas Chamber and Central Washington University (CWU) to help staff the Center and provide CWU students with hands-on learning opportunities





## Investing in nonprofits to help prevent homelessness

In January 2022, the PSE Foundation awarded \$800,000 in unrestricted grants to support several nonprofit organizations leading the way in preventing and eliminating homelessness throughout PSE's ten-county service area. Each unrestricted \$25,000 grant is designed to provide financial flexibility for organizations providing basic necessities, warm clothing and food, emergency shelters and even pathways to homeownership.

## Community service and corporate giving

The [PSE Foundation](#), a separate nonprofit entity established in 2006, is dedicated to empowering community resiliency and keeping communities safe and supported within our service and generation areas. In 2021, the PSE Foundation awarded more than \$2.1 million in charitable grants to local nonprofit organizations that support food and shelter security, mental health awareness and emergency preparedness and build capacity for community programs that provide essential needs and services.

We encourage our employees to get involved in their communities by volunteering, donating and participating in service events. As part of our [teamPSE](#) initiative, PSE employees, retirees, families and friends freely donate their time and talents to support volunteer initiatives in our communities. Employees and retirees can match their charitable donations and volunteer hours through the PSE Foundation matching program for up to \$1,000 per year. Additionally, through our [Powerful Partnerships](#) program, we engage in a year-long collaboration with a select group of nonprofits.



> \$6.8M

PSE Foundation  
donations since 2018



~\$9.5M

Corporate donations  
(including Powerful  
Partnerships) since 2018



# Our employees

PSE is on a transformative journey to become a BNZC energy company by 2045. Our ability to meet this goal depends on our greatest asset—our people. It is only with the engagement and dedication of our entire workforce that we can create positive and enduring change. We are committed to acquiring and developing talent with diverse backgrounds, experiences and skills who want to be part of the just transition. We ensure that employee needs and safety are our top priority and strive to be the employer of choice by promoting a dynamic workforce.

## Talent acquisition

We design our recruiting efforts to build an innovative, diverse and robust talent pipeline. PSE partners with industry organizations, external organizations and educational institutions to acquire top talent to ensure we structure our company to achieve each of our corporate goals. We also offer a variety of programs to identify and upskill new talent pools, specifically targeting underrepresented groups in the energy industry. These programs include:

- ◆ **iEngineering Program:** Starting in 2020, PSE partnered with *iUrban Teen* as an inaugural sponsor of the iEngineering program. This science, technology, engineering and math (STEM) education program brings together underrepresented teens and young adults for engineering mentoring opportunities in the energy industry.
- ◆ **Year Up Information Technology (IT) Program:** PSE is engaging with *Year Up* to implement an internship program where students in *Year Up*'s IT job training program can apply their newly acquired skills. Upon successful completion of the program, students have the potential to work full-time with PSE.



- ◆ **Gas Worker Trainee (GWT) Program:** PSE's GWT program offers entry-level opportunities annually that can result in a long-term career at PSE. Selected candidates are taught all facets of the gas industry required for the position. PSE regularly assesses the impact of its outreach efforts to increase diverse representation in this program.

PSE collaborates with external networks to improve diverse representation in our hiring process. We work with the Professional Diversity Network (PDN) to increase our diverse candidate pipeline at all levels through targeted sourcing of qualified diverse candidates. In 2022, we partnered with the Circa Network, which uses a wide range of channels, resources and technology tools to expose PSE to more diverse talent and accelerate our diversity recruitment efforts. We are assessing our talent acquisition practices and engagements to determine if our initiatives successfully increase diverse representation in PSE hires.





## Our Values



### We all have a voice

We believe in an open and honest dialogue supported by analysis, different perspectives and respectful challenge of ideas, issues and concerns.



### We do what's right

We seek the best outcomes for our customers and community—knowing that our shareholders benefit from this commitment.



### We have each other's back

We strive to be respectful and supportive of our colleagues and are committed to each employee's professional development.

## Employee engagement and culture

Our employees strive to provide reliable, high-quality customer service and advance equity in our communities. Our people priorities help us align our strategy and attract, develop and support employees to ensure they are thriving personally and professionally.

Employees participate in an annual review process to evaluate performance. Performance calibration is a fundamental part of awarding those performing well with a merit-based increase each year. Manager teams under each internal organization meet to promote fairness in the application of performance and competence ratings. We also review increases to base pay for fairness across the organization.

## Great Place to Work® Survey

In 2021, 80% of PSE employees participated in our Great Place to Work® survey, and 82% responded that PSE is a great place to work, an increase of 6%. By both measures, we had the highest scores since we began implementing the survey in 2002.

# Professional development and succession planning

We provide employees with the tools, training and career growth opportunities they need to be successful at their job. PSE has multiple training programs and modules designed to educate employees on health and safety practices and certifications, corporate ethics and compliance, business management, employee relations, environmental awareness, community engagement, regulatory compliance and emergency preparation and response. PSE also offers a tuition reimbursement program of up to \$5,250 per year for employment-related college programs.

PSE has adopted a multi-faceted approach to development that includes programs, online courses, in-person and live virtual classes, as well as rotational experiences, mentoring and group leadership opportunities. Programs offered include:

- ◆ **New Employee Orientation (NEO):** Our orientation program helps new employees feel connected to PSE’s mission, goals and values as well as how their responsibilities support the mission and goals of the company.

- ◆ **NEO Jumpstart for New Leaders:** This program is designed for those entering leadership roles for the first time or those joining PSE as leaders to address common management functions.
- ◆ **Development Focus for All Employees:** PSE offers a multitude of training and development programs to enable all employees to be successful in their jobs and achieve their goals. These development programs include the completion of individual development plans for each non-represented employee, including leadership.
- ◆ **Leadership Development Programs:** PSE supports managers at all levels of their development through coaching and mentoring, 360° feedback and skills training in areas such as strategic decision making, managing performance and business acumen. PSE also organizes an annual leadership conference for mid-level and frontline leaders. In 2021, this virtual, multi-day event revolved around topics such as DEI, leadership skills and employee development.
- ◆ **Executive Development:** This program targets senior leaders and their successors, driven by development plans and career goals.

## PERFORMANCE REVIEW CYCLE



We also provide operational training activities to provide our employees with technical skills. Certain divisions within PSE implement talent development practices to build technical and problem-solving skills within that specific function. Examples include the engineering group, with a formal rotation program, and IT-specific support for the attainment of critical certifications and licenses.

PSE's succession planning program aims to identify and develop talent to replace executive and other management levels, as well as other key employees who transition to another role or leave the company. We conduct succession planning annually, and we review development plans for key talent throughout the year. At the team level, we prompt our leaders to have regular development conversations with employees to understand career aspirations and goals and promote continued contributions to ensure employees are ready as opportunities become available.

## Fair labor practices

PSE maintains policies that follow applicable minimum wage, overtime wage, child labor and other wage and hour laws and regulations. Our hiring policies comply with the principles of non-discrimination, freedom of association, child labor, indigenous rights, forced and compulsory labor and other labor laws.

We respect and support the right of our employees to seek to unionize. As of December 31, 2021, approximately 970 PSE employees, or approximately 30% of our workforce, were represented by the International Brotherhood of Electrical Workers Union (IBEW) or the United Association of Plumbers and Pipefitters (UA). The UA contract was ratified effective December 2021 and will expire on September 30, 2025. The IBEW contract was ratified effective April 1, 2020 and will expire on March 31, 2026.

## Supporting employee wellness

PSE maintains a company wellness program that offers a wide range of resources and tools at little or no cost to employees and their families, including company-sponsored wellness events and ongoing health and wellness communications. We partner with wellness leader [Limeade](#) to provide a variety of online and in-person tools, resources and programs.



## Employee benefits

PSE is dedicated to its workforce and accordingly offers a comprehensive benefits package. We understand that supporting employee home- and work-life balance is essential to delivering company business objectives. We aim to provide the flexibility necessary to attract and retain talented people, address employee needs at an individual level and maximize team effectiveness. For a summary of our employee benefits, please see the [Why Work For Us page](#) on our website.



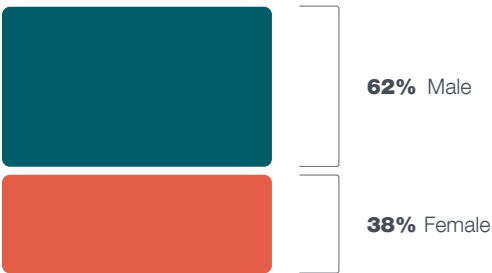
# Our commitment to diversity, equity and inclusion

PSE views DEI as an essential aspect of our approach to doing business, supported at the highest levels of leadership. We believe inclusion, a respectful work environment and diverse life experiences bring better solutions to the table, create a more enjoyable workplace and help us better serve our customers and communities.

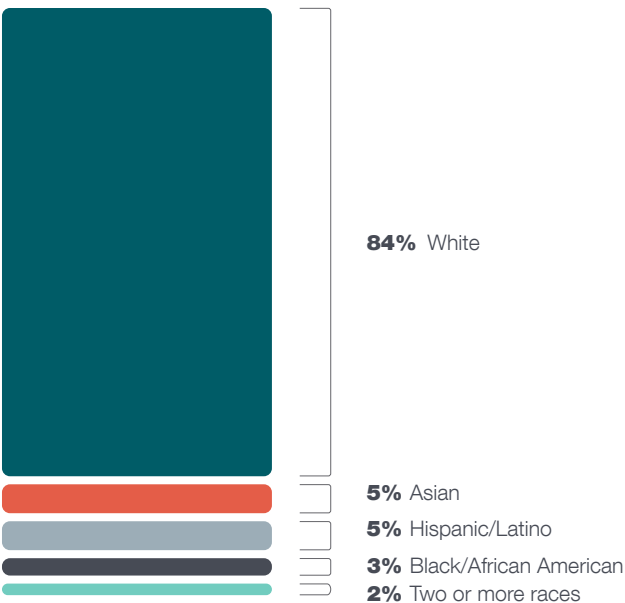
We want our workforce to reflect the communities we serve. The representation of different people, races and cultures enriches our teams and allows us to inform our work with many different perspectives. Between 2020 and 2021, the year-over-year female representation in our workforce increased by 2%, and our ethnically or racially diverse representation increased by 5%.

## LEADERSHIP DIVERSITY<sup>[1]</sup>

### Gender Diversity



### Race/Ethnic Diversity

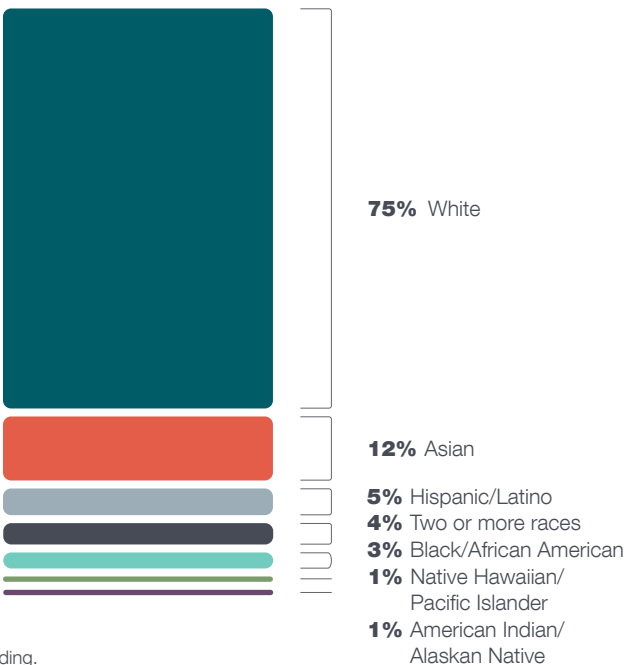


## TOTAL WORKFORCE DIVERSITY<sup>[1]</sup>

### Gender Diversity



### Race/Ethnic Diversity



[1] As of December 31, 2021. Percentages that do not add up to 100% are due to rounding.

## DEI Playbook

In 2021, PSE launched the DEI Playbook to articulate a shared vision and strategy roadmap to support our decentralized model for managing DEI at PSE. DEI is an essential part of our journey and we must focus both internally and externally. As such, we have four focus areas for DEI, each with functional leaders who will help us achieve our objectives.



### Community

We work to develop and maintain strong community relationships cultivated by ongoing, meaningful engagement and dialogue.



### Customers

We strive to provide our customers have equitable access to cleaner energy and experience us in a manner that reflects our values and their communities.



### People

We ask that employees bring their 'whole' selves to work—we strive to create an inclusive culture free of discrimination.



### Suppliers

We are committed to supplier development and have expanded economic opportunities for underutilized businesses in our region to provide PSE access to more diverse supplier channels and sources.

Our DEI Playbook lays out our philosophy, strategy and forward-looking goals to support DEI both within PSE and in the wider community. We have embarked on a 10-year journey, split into three phases: 1) Assess, 2) Plan and Act and 3) Improve. In 2021, while in the assess phase, we focused on benchmarking to establish a baseline for tracking our progress annually. We created a DEI Index in our 2021 Great Place to Work® engagement survey, which measures the health of our company culture and the impact of our DEI efforts. Throughout the Assess phase, we will continue developing mechanisms to track our progress and work with key interest groups. We are continuously identifying new ways to engage with our community to raise the voices of underrepresented groups with the objective that our operations serve the best interests of all our customers.

## Advancing DEI in Washington State

Under the leadership of Christine Gregoire, CEO of Challenge Seattle and former Governor of Washington, a coalition of employers joined together to form the [Washington Employers of Racial Equity \(WERE\)](#). Large and small local and global companies have signed the coalition's Commitment to Progress, which sets specific goals for 2030. This includes fostering an inclusive workplace; achieving equity in hiring, pay and promotion; increasing internship and learning opportunities for Black students; increasing diversity and racial equity among contractors, vendors and supplier networks and increasing support for Black-owned businesses. PSE is proud to serve as a member of WERE's Black Talent Development Task Force.

## Employee resource groups

PSE has nine active employee resource groups (ERGs) formed by employees based on shared characteristics, interests, experiences or goals. ERGs help build and strengthen our sense of community throughout the company. ERGs also foster a supportive environment that creates a sense of belonging for employees, gives a voice to those parties underrepresented in the workplace, contributes to recruitment and career development and promotes networking and mentorship.



### AAL-Voces

Offers a community of allies engaging in action, support and learning experiences of African Americans.



### Green Team

The Green Team's mission is to enhance PSE's dedication to environmental stewardship.



### Political Action Committee

The PSE PAC provides PSE employees with a way to combine financial resources to make contributions to causes that support business and energy matters important to PSE.



### PRISM

PRISM is a group of LGBTQIA+ employees supporting PSE's commitment to diversity and inclusion through employee development, community involvement and celebration.



### PSEEA

PSE offers a wide variety of benefits and perks to all its employees.



### PSE Toastmakers

Self-paced speaking program to help members gain confidence/leadership skills.

## PRISM Employee Resource Group

The PRISM ERG, launched in 2021, is a group of lesbian, gay, bisexual, transgender, queer, intersex and allied (LGBTQIA+) employees supporting our commitment to diversity and inclusion through employee development, community involvement and celebration. In celebration of the LGBTQIA+ community in June 2021, PSE sponsored and created engagement opportunities at various Pride celebrations and made contributions totaling more than \$40k to various local LGBTQIA+ organizations.



### teamPSE

teamPSE is an individual or group of PSE employees and retirees who volunteer their time and talent to support our communities.



### Troopers, Warriors and Supporters (TWS)

PSE employees who are active or former military personnel, their families and supporters.



### Women's Impact Network

Empowering and supporting women leaders through equal opportunities.





## DEI partnerships

PSE participates with other member companies of [EEI](#)—the association that represents all U.S. investor-owned electric companies—to help shape DEI objectives and drive social justice within our industry. In addition, we engage with organizations such as [Tabor 100](#) to provide scholarships for Black students pursuing careers in clean energy fields. For more information about our partnerships with external organizations to build a diverse talent pipeline, please visit the [Our Employees](#) section.

## Supplier diversity

We are committed to ensuring that minority-, women-, veteran-owned and small business enterprises have the opportunity to compete for contracts awarded by PSE, and we are a strong supporter of the Northwest Mountain Minority Supplier Development Council. As part of our decision-making process, we may consider whether a prospective contractor is diverse-owned—including women-, minority- and veteran-owned businesses. When feasible, we prioritize hiring local labor when working in smaller communities. During resource acquisition, we consider developers' commitments to small-, medium-, women- and minority-owned businesses in the evaluation.

# Safety and health

The health and safety of our employees, customers and communities is an uncompromising core value and is at the foundation of everything we do. Our culture incorporates safety in every aspect of our work. When we are safe, we can achieve our objective of being a great place to work with engaged employees who live our values, embrace an ownership culture and are motivated to drive results for our company and our customers. Our leadership team sets the standard for prioritizing safety and well-being and our objective that “Nobody Gets Hurt Today.”

## Employee safety

An executive-level steering committee oversees employee safety performance and programs and drives continuous improvement in our safety processes and programs. We outline our safety policies in our Yellow Book, a comprehensive document maintained by PSE’s Corporate Safety department, which we continuously update as we enhance our safety practices.

We actively inform employees of our policies and safety management practices through monthly employee safety committee meetings and collaborations with leadership. Labor and management also meet regularly to discuss, support and implement safety and health measures in our daily practices.

We comply with all federal Occupational Safety and Health Administration (OSHA) and Washington State Division of Occupational Safety and Health rules. Our workplace safety program works to first eliminate workplace hazards and then address and mitigate them. We implement a Hazard Reporting Program which allows all employees to electronically submit an identified hazard in their work environment. PSE also empowers all employees to stop work if they see any unsafe act or condition onsite. We respond to all safety reports by identifying hazards and modifying work processes to minimize risk to workers.



Our safety program emphasizes employee education and training that not only covers equipment safety and work conditions but also day-to-day issues such as ergonomics and overall wellness. For more information on our wellness programs, please visit the [Our Employees](#) section.

As part of our Safety Management System, our employees receive regular training on safety best practices and common job hazards. PSE employees participate through training events, workshops and videos. In addition to regular training, we hold Safety Days, where experts hold sessions to educate employees about various hazards.

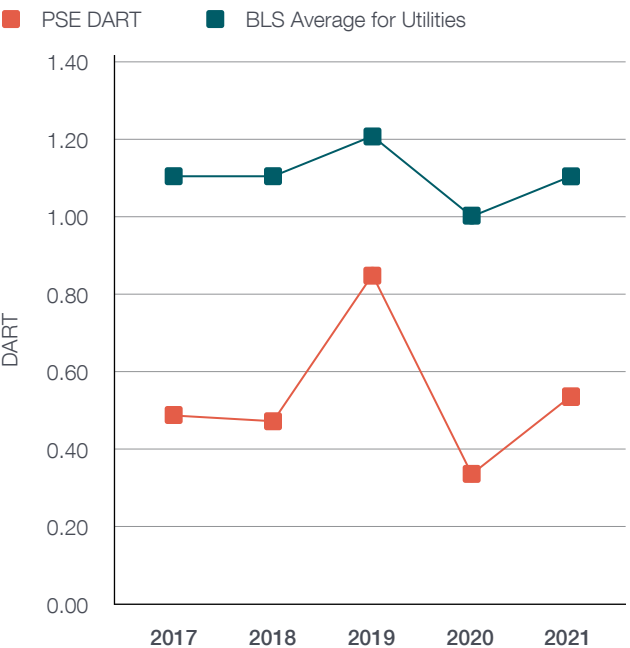
PSE vehicles, equipment and construction practices meet all applicable regulations and codes for worker and public safety. Additionally, we leverage engineering controls and provide necessary personal protective equipment (PPE) to address hazards.



# Safety performance metrics

PSE continually tracks and analyzes safety key performance indicators (KPIs) to determine where additional investments are needed and drive progress towards our corporate safety goals. We value transparency and our metrics are reported monthly to the executive-level steering committee and posted on our Corporate Safety Dashboard for all employees to see. We benchmark our safety performance against other utilities and partner with our internal audit team to evaluate and enhance our safety and health programs. We track our Days Away Restricted or Transferred (DART) rate, which is consistently lower than the national U.S. Bureau of Labor Statistics (BLS) utility average. To recognize the importance of safety, we implement an annual employee incentive tied to performance on safety training, education and performance goals.

## SAFETY METRICS



## Contractor safety

In 2021, our safety teams worked to further develop and enhance our contractor safety programs. Due to the large service territory and the breadth of the work

required in our offices, in the field and while working on our system, there may be over 300 contractors who perform services for PSE at any given time. To promote contractor safety, we incorporate our safety policy into master service agreements with contractors and integrate a project-specific safety plan into each construction contract. Labor standards and working conditions are governed as part of PSE's collective bargaining agreements with the IBEW Local 77 and UA Locals 32 and 26.

Like PSE's own employees, contractors are required to meet all safety requirements and comply with our Contractor Safety Policy. Contractors are trained and required to use PPE as appropriate in the field and at PSE sites. In the event of an incident, contractors are required to submit a report to PSE and we evaluate these reports, along with other safety statistics, on a monthly basis. We also continuously evaluate major construction contractors and partners for safety practices, and we consider safety compliance as a factor when awarding capital bids to contractors.

## Public safety

Our commitment to safety extends beyond our employees and contractors into the communities we serve. Our first line of defense is our energy-delivery infrastructure, which we build, operate and maintain to protect system integrity in the event of failures, natural disasters, terrorism or other external incidents. Our employees are integral to our public safety commitment, and we train our workforce to report any public safety issues or interruptions to operations or services.

Our public safety messaging educates communities on potential hazards related to electric and natural gas transmission and distribution. We also offer resources to help our customers prepare for and remain safe during natural disasters and major weather events. Furthermore, we provide support to first responders to protect the public and themselves during electric and natural gas emergencies. For more information on how we keep our customers and communities safe, please visit the [Safety & Outages page](#) on our website.



# Governance

**Ensuring accountability, transparency and security**



## Leadership

Our robust corporate governance practices form a strong foundation that encourages a culture of ethics and integrity, drives strong financial and operational performance and delivers long-term shareholder value. We value diverse perspectives and viewpoints and remain focused on creating a more inclusive company—from our employees to our highest levels of leadership. PSE's [Board of Directors](#) comprises eight owner members, four independent members and our President and CEO. Our independent Chairperson is not employed by PSE and does not hold affiliations with any of our investors. As of January 2023, 23% of our board members were women.

The PSE Board of Directors and its committees provide oversight and guidance to execute our business strategy while adhering to the responsibilities outlined in our [Corporate Governance Guidelines](#). The Board generally has at least four regularly scheduled meetings annually, and each committee holds regularly scheduled special meetings as necessary.

Our Audit and Compensation Committees have specific ESG-related responsibilities. Annually, we review and assess our governance guidelines to ensure effective oversight and governance. ESG expertise on the Board derives from experience in asset management in the U.S. and internationally, and corporate responsibilities in the U.S., including those of the Senior Vice President (SVP) of Public Affairs and Sustainability for Alaska Airlines.

## Linking compensation to ESG performance

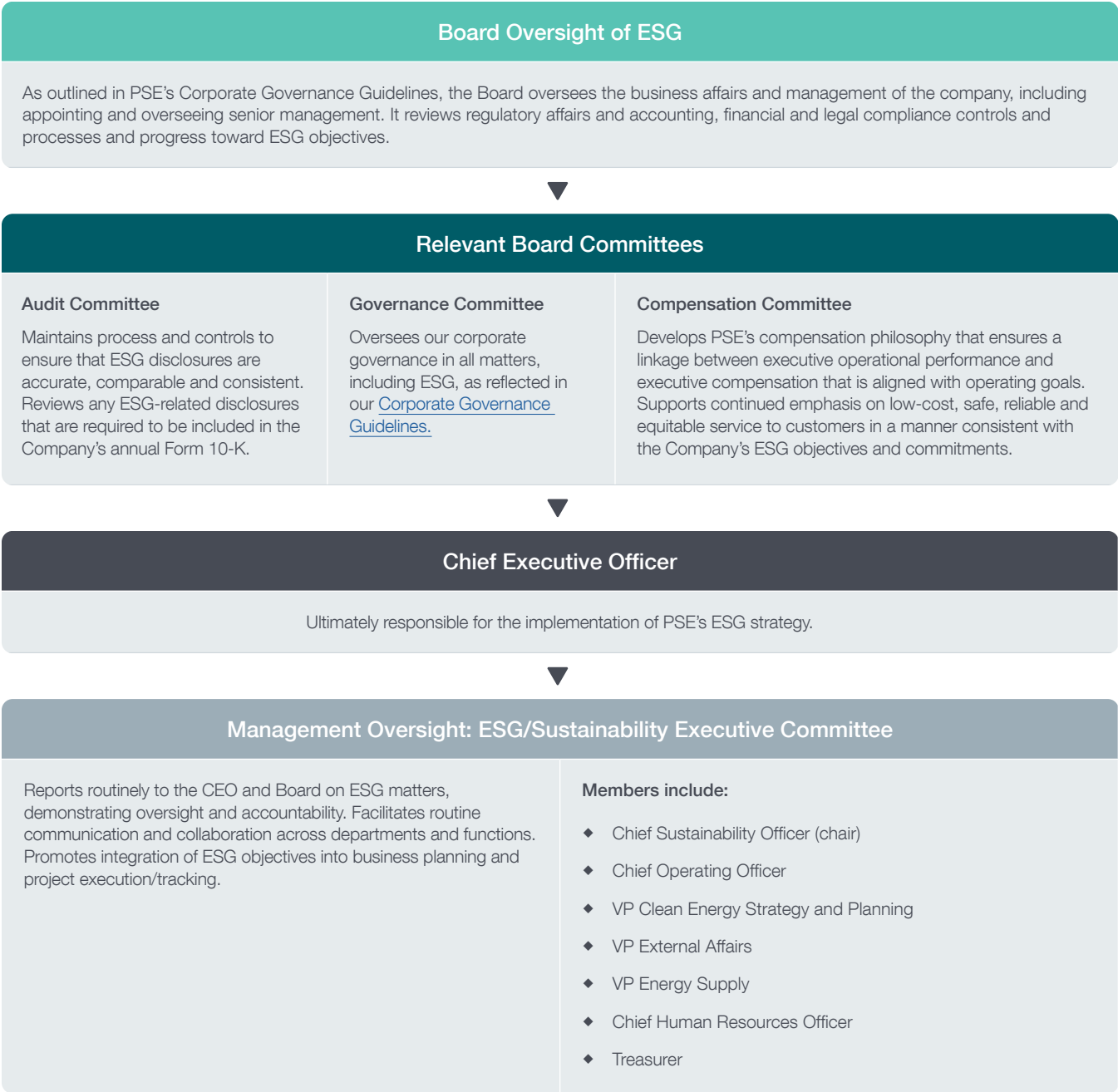
PSE's compensation program helps align our compensation with the company's ESG objectives and commitments by establishing a variable pay component directly linked to the achievement of ESG-related KPIs (e.g., safety, human capital development and carbon emissions reduction). We review the KPIs periodically to ensure continued relevance to our ESG objectives.



# Sustainability governance

Our Chief Sustainability Officer (CSO) leads PSE's enterprise-wide sustainability strategy and works together with our Vice President (VP) of Clean Energy Strategy and Planning and others to identify interim targets and other strategies needed to strive toward our aspirational BNZC goal. Our VP of Clean Energy Strategy and Planning brings together PSE's resource planning functions with teams implementing CETA and our natural gas sales net zero carbon strategy. Our Chief Operating Officer—who oversees our VP of Clean Energy Strategy and Planning and VP of Energy Supply—our Chief Financial Officer and our VP of Energy Supply have significant roles in the development and implementation of our net zero carbon strategy, which is ultimately approved and driven from the top by our CEO.

## BOARD OVERSIGHT OF ESG





# Our ethics: Doing the right thing

We remain committed to conducting business with the highest levels of ethics and integrity and acting in the best interests of customers and communities. Our customers trust us to provide safe and reliable energy, and we take this trust seriously. For more information, please visit the [Our ethics page](#) on our website.

## Corporate ethics and compliance

Our Corporate Ethics and Compliance Programs embed a culture of uncompromising integrity and ethical behavior throughout PSE—from our Board of Directors to each employee. Our policies and programs set expectations for employee behavior and promote awareness of job-specific ethics and compliance risks.

Our Chief Ethics & Compliance Officer directly advises the Board and oversees our ethics and compliance programs. Our Corporate Ethics Management Committee provides the oversight necessary to the Chief Ethics & Compliance Officer and senior leadership to 1) monitor the Company's Ethics Program; 2) oversee periodic review and amendment of our corporate policies and 3) review recommendations and provide strategic guidance on how to optimize the quality of ethics activities as appropriate.

Our Compliance Council is a cross-functional team of compliance program leaders from across the organization, including human resources, generation, gas and electric operations, pipeline safety, privacy and others. The Council communicates best practices across PSE business units and develops clear and transparent expectations to maintain a consistent culture of compliance and ensure the successful implementation of our compliance programs.

We evaluate compliance performance through our internal audit program. Our audit team reports to the Audit Committee chair, reviews procedures and operations to identify improvement opportunities and determines appropriate action plans to address gaps. The Committee reviews ethics concerns and policy updates every quarter.

In 2021, we introduced our first Ethics and Compliance Culture survey. Designed by a cross-functional team of legal, human resources, organization development and IT security staff, the survey identified gaps and improvement opportunities to strengthen our compliance programs. We will continue to leverage this study, benchmarking exercises and employee engagement to ensure we embed compliance in every part of the business.







## Code of Conduct

Our [Code of Conduct](#) (Code) lays the foundation for the honest and ethical behavior we expect from all employees and the Board of Directors at Puget Energy and PSE. Each employee has a duty to uphold the Code and “Do what is right.” We provide training to employees on the Code during new hire orientation and orientation for new leaders. In 2021, 100% of our employees completed Code of Conduct refresher training.

We promote a culture of accountability and open communication where all employees feel safe speaking up if they suspect a violation of the law, Code or company policies and procedures. Employees can report ethics and compliance concerns to their supervisor, the director or manager responsible for ethics or other responsible departments. To report concerns or ask questions, we manage an anonymous third-party Ethics Help Line and [online portal](#) available to all employees, vendors and customers that is accessible 24/7. PSE does not tolerate retaliation against any employee reporting in good faith on an actual or suspected violation of the Code or the law.

We thoroughly and promptly investigate all reports of potential Code violations. Following the investigations, we report remedial actions and resulting outcomes to leadership and the Audit Committee. Violations of the Code may result in disciplinary action, up to and including dismissal.

## Responsible Supplier and Contractor Guidelines

We promote responsible practices when working with suppliers and contractors to uphold our ethical business standards and ensure the health and safety of everyone who works with PSE. Our [Responsible Supplier and Contractor Guidelines](#) outline our expectations for suppliers to conduct business with integrity. We expect all contractors and subcontractors to comply with applicable laws and regulations, such as those pertaining to the environment, equal opportunity in employment, health and safety and child labor laws. Contractors must operate within our guidelines and failure to comply with these standards may result in the discontinuation of our business relationship.

## Risk management

PSE operates critical infrastructure to deliver reliable energy to our customers, which comes with inherent risks. We effectively identify and address these risks through our established Enterprise Risk Management (ERM) process, allowing us to integrate risk management into our strategy, governance, reporting procedures and culture. To ensure safe and reliable energy delivery, we have Business Continuity Plans and strategies prepared for disaster recovery.



## Enterprise Risk Management

PSE's ERM team communicates risks throughout all levels of the organization, leveraging both top-down and bottom-up perspectives to help identify the top risks facing PSE. Our ERM framework allows us to gather, analyze and communicate risk information to decision-makers who help inform our strategy.

Risk management follows a four-step process of identification, assessment, response and management to achieve our objectives.

1. We start with risk **identification** by leveraging interviews, surveys and industry resources.
2. Through risk **assessment**, we analyze potential risks to understand their underlying drivers and potential consequences. We use a standardized approach to calculate an overall risk score using the impact and likelihood of a given risk to the business, providing a holistic picture of our risk profile.
3. Once we understand the drivers and impacts of a risk, ERM works closely with executive leadership, risk owners and subject matter experts across the organization to develop cross-functional mitigation strategies in **response** to the identified risks. This is informed by the severity of a risk, how effective existing controls are and the level of acceptable risk.

4. Finally, by monitoring and **managing** the risk, we can evaluate how well our approach or controls are working and if the risk environment or adequacy of response actions has changed. We report progress on mitigation efforts quarterly to the Audit Committee and the Board of Directors.

## Business continuity and disaster recovery

We are committed to delivering safe and reliable energy to our customers and rapidly responding to unexpected events that impact our ability to supply energy. Our Business Continuity Plans help ensure we can resume operations safely and efficiently following emergencies. We prepare key personnel and systems to respond to events, including storms, traffic accidents, damaged power lines and other incidents that may damage equipment or interrupt service.

In addition to our efforts to address business continuity and disaster recovery, we educate our customers on safety, disaster preparedness and what to do during a power outage. For more information, please visit the [Safety & Outages page](#) on our website.



# Cybersecurity and data privacy

Utilities are a particular target for data breaches, impacts on the power grid and even the crippling of critical infrastructure. PSE strives to maintain a comprehensive cybersecurity program to achieve our overall cybersecurity and cyber-resiliency goals through strategic deployment of our resources, standardizing security practices and policies and reinforcing and promoting security awareness across the enterprise. Part of PSE's goal is to apply a level of diligence across the enterprise to consistently identify, address and mitigate these risks proportionate with the rapidly changing cybersecurity landscape. To achieve this, we align our overall cybersecurity program to the same national standards, like those from the National Institute of Standards and Technology (NIST) cybersecurity framework and North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP), followed by leading companies in the energy and defense industries.

In collaboration with our Chief Information Security Officer and our dedicated information security professionals, we maintain policies and procedures that support our overall assessment, management and mitigation of ongoing cyber risks. We strategically deploy resources and modernize our infrastructure to continuously monitor challenges. These procedures include processes for keeping our management, senior leadership and Board apprised of such risks, along with our mitigation strategies. In addition, we perform security assessments of our vendors and technology implementations to evaluate the safety and security of our infrastructure. Finally, we regularly exercise our cybersecurity incident response plan (e.g., via GridEx) such that anyone asked to play a role in an incident is familiar with the process before a real situation occurs.

Training and awareness are a cornerstone of our cybersecurity program. To that end, we require our employees and vendors that have access to our systems to complete targeted security trainings at regular intervals throughout the year, so they are aware of the critical role they play in keeping our

systems and information safe. Likewise, to keep pace with risk, industry trends and standards we participate in numerous state and industry-specific cybersecurity initiatives and coordinate across a growing list of external entities,<sup>[1]</sup> including serving on the executive membership committee for NERC's Electricity Information Sharing and Analysis Center (E-ISAC) Cybersecurity Risk Information Sharing Program (CRISP) and Downstream Natural Gas-ISAC (DNG-ISAC).

[1] EEI's Cyber Mutual Assistance, Security & Technologies and Culture of Security committees and Peer Review Program and American Gas Association Security Committee.



Mitigating our own cybersecurity risks includes safeguarding and protecting our customers' personal information. We take our responsibility to maintain the confidentiality and security of customer information seriously. Our [Privacy Policy](#) describes how we protect customer information and comply with all laws governing the privacy and security of such information. PSE uses utility customer information to deliver and improve utility services, and we do not sell or share information with third parties for their own marketing purposes without consent. For more background on the types of information PSE collects, please visit the [Privacy page](#) on our website.





## Tribal engagement

There are 29 federally recognized tribes located on reservations throughout present-day Washington State, with five non-federally recognized tribes that have a long history within our region. Federally recognized tribes have a trust relationship with the Federal Government and have sovereign power. While non-federally recognized tribes do not have a trust relationship with the Federal Government, many still possess tribal structures and maintain tribal traditions. PSE considers both federally and non-federally recognized tribes as sovereign nations, customers and thought leaders that deserve recognition and respect as they were the original stewards of that land that now comprises our service territory. Tribal communities continue to thrive, and we invest in tribal and non-tribal communities in Washington alike.

While recognizing that we have a long way to go, we work to develop and maintain long-lasting relationships with each Tribal Nation with reservations, natural and cultural resource interests and/or treaty rights in PSE territory to increase equitable access to our energy services and community programs. PSE also seeks to work collaboratively with Tribal Government departments regarding project activities that could affect significant natural or cultural resources important to tribal communities.

We make training available to all PSE employees on how to respectfully work on tribal lands and engage with Tribal Nations, an offering that sets us apart from most other companies. Through our proactive outreach and employee education, we are trying to build a culture that recognizes and includes tribal knowledge and advances equitable process and policy development within our industry. By recognizing our impacts on all communities and the environment, we are better equipped to make decisions within our service territory.

# Political engagement and advocacy

PSE engages with policymakers at the local, state and federal levels to advocate for public policy issues that impact our company, customers and employees. Additionally, PSE employees can participate in the Puget Sound Political Action Committee (PAC) for Good Government, which contributes to federal candidates and committees.

PSE's internal policies adhere to strict federal, state and local lobbying and political contribution laws and requirements, and we publicly report on all contributions to political campaigns and our political action committee. Our lobbyists regularly report political contributions, the public policy issues on which they have engaged with government officials and the lobbying expenses incurred by the company.

Through our engagement activities, we actively support policies that enable a decarbonized energy future and enact positive change in the communities we serve. In 2019, we supported the passage of CETA to enable the state to achieve its long-term climate goals, grow the economy and improve community health. In 2021, we continued to advocate for low-carbon policies by supporting the passage of Washington's Climate Commitment Act and Clean Fuel Standard. The CCA aims to cap and reduce GHG emissions from Washington's largest emitting sources

and industries to help the State achieve its commitment to reduce GHG emissions 95% by 2050. The act also advances environmental justice by ensuring that the communities most impacted by air pollution see cleaner, healthier air. The Clean Fuel Standard, which works in parallel with the CCA, requires fuel suppliers to gradually reduce the carbon intensity of transportation fuels to 20% below 2017 levels by 2038.



## Transmission Corridors Work Group

PSE actively supports streamlining of siting of transmission facilities that will be required to convey power from new renewable resources to our service territory. For example, PSE served as the utility representative in the Washington Energy Facility Site Evaluation Council's Transmission Corridors Work Group, convened in accordance with Section 25 of CETA. The work group's [final report](#) to Washington's governor was issued in October 2022 and presented principles for transmission system planning, expediting environmental review and siting and constructing new or upgraded transmission infrastructure. It also identified best practices for increasing the efficiency, efficacy and success during the implementation of the transmission system development phases.



# Conclusion

PSE is proud to build on our early start in addressing sustainability issues from first disclosing our GHG inventory in 2002 and adding renewable generation from our first wind farm in 2005 to the comprehensive decarbonization and DEI approaches we are pursuing today. ESG will be our guide as we work to deliver more clean energy in a way that benefits all our customers—with a particular focus on underserved communities—and ensure reliability, affordability and safety are hallmarks of the service we provide.

We look forward to continuing to share our progress and continuing to improve.





