



**PUGET SOUND ENERGY**

**CCA DECARBONIZATION PROGRAMS**

**2026 ANNUAL REPORT**

Filed as Compliance Filing in Docket UG-240884 on April 3, 2026

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# 1. Executive Summary

Puget Sound Energy (PSE) hereby submits this third annual report on its Climate Commitment Act (CCA)<sup>1</sup> Decarbonization Programs (referred to as “programs” throughout this report). The first report, filed November 15, 2024, covered PSE’s programs from Q1 to Q3 2024.<sup>2</sup> The second report, filed October 31, 2025, described program updates through the end of calendar year 2024.<sup>3</sup> This report details program activities in the 2025 calendar year. The next annual report, about program activities in 2026, will be filed in Q1 2027.

PSE’s CCA Decarbonization Programs currently focus on helping PSE natural gas customers convert to electric heat pump systems for space and water heating and providing weatherization services. The programs are voluntary and meant for the benefit of residential low-income customers, multi-family premises with low-income customers or in named communities, and small business customers in named communities.<sup>4</sup>

## ***Background – Program funding and planning***

On December 22, 2023, PSE received approval<sup>5</sup> from the Washington Utilities and Transportation Commission (UTC) to spend \$23 million of proceeds from the sale of natural gas system CCA no-cost allowances at auction<sup>6</sup> to fund voluntary decarbonization projects implemented over the course of 2024-2026. To inform program design for 2024-2026, PSE consulted with its Low-Income Advisory Committee (LIAC), Equity Advisory Group (EAG),<sup>7</sup> and other interested parties in the first quarter of 2024 pursuant to PSE’s proposal<sup>8</sup> and UTC Order.<sup>9</sup> The final design had two phases intended to maximize the impact of the funding. The first phase in 2024 focused on providing funding to partner organizations and launching PSE’s multi-family residential and small business heat pump installation programs (“direct install” programs). The second phase in 2025–2026 continues the direct install work while also awarding longer-term grants to organizations implementing heat pump installation projects.

Building upon the foundational work completed in 2024, in 2025, PSE implemented a diversified portfolio strategy that included direct grant funding to established community organizations, utility partnerships, and in-house direct install programs to address varying customer needs and geographic service areas.

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<sup>1</sup> Washington State Legislature’s 2021 Senate Bill 5126 – also known as the Climate Commitment Act (CCA) or “Cap-and-Invest Program,” codified as Revised Code of Washington (RCW) 70A.65 (effective January 1, 2023).

<sup>2</sup> *Puget Sound Energy CCA Decarbonization Programs 2024 Annual Report as of Q3 2024*, filed on November 15, 2024, Docket UG-230968.

<sup>3</sup> *Puget Sound Energy CCA Decarbonization Programs 2025 Annual Report for CY2024*, filed on October 31, 2025, Docket UG-230968.

<sup>4</sup> Defined by RCW 19.405.020 (2019 Clean Energy Transformation Act) as either a highly impacted community or vulnerable population. PSE’s 2021 Clean Energy Implementation Plan (CEIP) (Chapter 3, available at: <https://www.cleanenergyplan.pse.com/library>) provides the following definitions:

- Highly Impacted Communities (HIC): A community designated by the Department of Health based on the cumulative impact analysis required by RCW 19.405.140 or a community located in census tracts that are fully or partially on “Indian country,” as defined in 18 U.S.C. Sec. 1151.
- Vulnerable Populations (VP): Communities that experience a disproportionate cumulative risk from environmental burdens due to: Adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, linguistic isolation, and sensitivity factors, such as low birth weight and higher rates of hospitalization.

<sup>5</sup> *Washington Utilities and Transportation Commission (WUTC) Order 01*, issued on December 22, 2023, Docket UG-230968.

<sup>6</sup> RCW 70A.65.070.

<sup>7</sup> For more information about PSE’s Equity Advisory Group, visit: <https://www.cleanenergyplan.pse.com/eag>

<sup>8</sup> *PSE’s Greenhouse Gas Emissions Cap and Invest Adjustment (Schedule 111) Tariff Change Filing Proposal Cover Letter*, filed on November 22, 2023, WUTC Docket UG-230968.

<sup>9</sup> See *supra* note 5.

## Summary of PSE CCA Decarbonization Programs in 2025

In 2025, PSE’s CCA Decarbonization Programs:

- Installed 97 electric heat pump systems – 61 for single-family households, 29 for multi-family units, and 7 for small businesses, resulting in an estimated 271 metric tons (MT) reduction in carbon emissions (CO<sub>2</sub>e) per year (or 4,072 MTCO<sub>2</sub>e reduction over the equipment lifespan of 15 years) (Table 1).
- Successfully disbursed \$1,852,280 while securing \$5,482,056 in committed contractual obligations across all program segments (Table 2), serving 226 low-income homes and 5 small businesses in named communities across all program segments (Table 5).

Table 1: 2025 Estimated Carbon Reduction Summary

2025 heat pump installations	Estimated Carbon Reduction (MTCO <sub>2</sub> e)	Expenditures associated with heat pump installations <sup>10</sup>	Cost per MT of Carbon Reduction
97	4,072 MTCO <sub>2</sub> e over 15-year equipment lifespan	\$2,874,768	\$706/MTCO <sub>2</sub> e over 15-year equipment lifespan

In addition to these installations, PSE awarded grants to electrify an additional 150 households (81 single-family and 69 multi-family building units) and engaged 7 multi-family residential sites and 11 small businesses in feasibility planning with intent to install heat pumps. Details for each program area are as follows:

- **Residential Grants:** In 2025, PSE selected six organizations to receive a total of \$3,980,000. These grants were scoped to install electric heat pumps for 114 single-family homes and one multi-family building with 69 units, totaling 183 households. By the end of 2025, the grant awardees had completed 34 heat pump installations for 33 single-family households.
- **Income Qualified Rental Program (IQRP):** In partnership with Tacoma Power, PSE provided 13 space and water heating conversions for 9 single-family low-income households in 2025.
- **Multi-Family Direct Install (MFDI) Program:** PSE completed the installation of 10 heat pumps and 6 heat pump water heaters across 10 units in 2025. PSE also engaged seven multi-family residential sites to discuss installing electric heat pumps for space and water heating. Services included outreach, electrical evaluation and design, and contractor walkthroughs. At the end of the year, five of the sites (including 44 buildings with 276 units) were moving forward with the program at various stages of the outreach and planning process, and 33 units had been confirmed for installation.
- **Small Business Direct Install (SBDI) Program:** In 2025, PSE completed comprehensive site assessments to document electrification readiness and technical feasibility for 16 businesses interested in installing electric heat pumps. By the end of the year, five of those businesses had successfully completed 7 heat pump installations and seven businesses remained in the program pipeline.

<sup>10</sup> The costs associated with 97 heat pump installations in 2025 include \$1,852,280 spent in 2025 (which includes PSE overhead costs) and \$1,022,488 spent in 2024 to cover installations completed in 2025.

- **Seattle HomeWise Partnership:** In 2025, Seattle HomeWise installed 27 total heat pump systems – 13 heat pumps and 1 heat pump water heater in single-family homes, 7 heat pumps in a multi-family building, and 6 heat pump water heaters in a multi-family building.

Table 2 below details funding that PSE spent and committed in the year 2025 from the 2024-2025 planned budgets. Of the original 2024 planned budget of \$7,670,000, PSE had \$2,773,537 remaining at the end of 2024 for use in 2025.<sup>11</sup> PSE also had a planned budget of \$7,670,000 for 2025, resulting in \$10,443,537 available funding for 2025.

In 2025, PSE spent \$1,852,280 and committed \$5,482,056 through active contracts to be fulfilled, leaving \$3,109,201 at the end of the year for use in 2026.

**Table 2: 2025 PSE Spending Summary**

	<b>2024 Funding</b>	<b>2025 Funding</b>	<b>Total</b>
Available funding for 2025	\$2,773,537	\$7,670,000	<b>\$10,443,537</b>
Spent by PSE in 2025	\$1,852,280	\$-	<b>\$1,852,280</b>
Committed by PSE in 2025	\$242,862	\$5,239,194	<b>\$5,482,056</b>
Total spent and committed in 2025	\$2,095,142	\$5,239,194	<b>\$7,334,336</b>
Remaining EOY 2025	\$678,395	\$2,430,806	<b>\$3,109,201</b>

**Report contents overview**

This report provides legislative, regulatory, and program background information in Sections 2 and 3. Section 4 provides program implementation information and budget summary for 2025, including PSE’s residential grants, Income Qualified Rental Program, Multi-Family Direct Install Program, and Small Business Direct Install Program. Section 5 explains plans for future program evaluation and Section 6 concludes the report.

## 2. Background

### 2.1 Legislative Background

In 2021, the Washington State Legislature passed Senate Bill 5126, also known as the Climate Commitment Act (CCA) or “Cap-and-Invest Program,” codified as RCW 70A.65. The CCA went into effect on January 1, 2023,<sup>12</sup> and the first compliance period is calendar years 2023 through 2026.<sup>13</sup>

The CCA establishes an economy-wide, comprehensive, market-based system intended to reduce overall greenhouse gas (GHG) emissions in Washington State. The CCA uses price signals to encourage decarbonization by people and facilities that emit GHGs.

PSE is a covered entity and must participate in the CCA by acquiring compliance instruments (allowances or offsets) equal to emissions from its electric and natural gas operations on behalf of its customers and facilities.

<sup>11</sup> See *supra* note 2.

<sup>12</sup> RCW 70A.65.070.

<sup>13</sup> RCW 70A.65.070(1)(a).

The CCA provides natural gas utilities no-cost allowances “[f]or the benefit of ratepayers.”<sup>14</sup> Natural gas investor-owned utilities receiving these no-cost allowances must adhere to several requirements when using them:

- Utilities must consign a portion of their no-cost allowances to auction for the benefit of their customers, deposit the allowances for compliance, or a combination of the two.<sup>15</sup>
- Utilities must use revenue generated from no-cost allowances at minimum to eliminate additional cost burden to low-income customers, and additional revenue may be used to provide non-volumetric credits on ratepayer utility bills, prioritizing low-income customers, or used to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, bill assistance.<sup>16</sup>
- Customer benefits provided from natural gas utilities’ no-cost allowances must be in addition to existing legal requirements, or requirements found in other statutes or rules.<sup>17</sup>

## 2.2 Regulatory Background

In November 2023, informed by engagement with interested parties,<sup>18</sup> PSE proposed<sup>19</sup> to allocate \$23 million of proceeds from the sale of CCA no-cost allowances at auction<sup>20</sup> to fund voluntary decarbonization projects implemented over the course of three years: 2024-2026.

These decarbonization projects are meant for the benefit of residential low-income customers, multi-family premises with low-income customers or in named communities, and small business customers in named communities. PSE also proposed to work with interested parties over the first quarter of 2024 to develop a program design.

On December 22, 2023, the Washington Utilities and Transportation Commission (UTC) approved<sup>21</sup> PSE’s proposal and required PSE to file (a) updated plans after consultation with interested parties and (b) annual status reports on decarbonization investments.

Subsequently, PSE has undertaken the following compliance actions:

- (1) To inform program design for 2024-2026, PSE consulted with its LIAC, EAG, and other interested parties in the first quarter of 2024, pursuant to PSE’s proposal<sup>22</sup> and UTC Order.<sup>23</sup> PSE provided ongoing updates to the advisory groups and interested parties on an as-needed basis.

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<sup>14</sup> RCW 70A.65.130(1).

<sup>15</sup> WAC 173-446-240(3).

<sup>16</sup> RCW 70A.65.130(2)(b); see also WAC 173-446-300(2)(b)(iii)(A).

<sup>17</sup> RCW 70A.65.130(2)(b); see also WAC 173-446-300(2)(b)(iii)(B).

<sup>18</sup> In order to be proactive on complex CCA implementation issues, PSE organized a series of meetings and workshops with interested parties in 2023 to discuss various gas utility CCA implementation issues germane to preparation of a tariff filing related to CCA compliance costs and no-cost allowance revenues. For more information about PSE’s 2023 CCA Implementation Issues workshop meetings, see *PSE’s Comments* in Docket UG-230470 on July 19, 2023.

<sup>19</sup> See *supra* note 8, at p. 2.

<sup>20</sup> RCW 70A.65.070.

<sup>21</sup> See *supra* note 5.

<sup>22</sup> See *supra* note 8.

<sup>23</sup> See *supra* note 5.

- a. PSE organized three monthly meetings with interested parties<sup>24</sup> in the first quarter of 2024 to consult on program design. In addition, PSE held several one-on-one engagement meetings with various parties, such as potential utility, non-profit, and municipal partners. At the end of the consultation period, all parties supported or were neutral toward final program design for all three program segments: low-income, multi-family, and small business. After the consultations, PSE filed a compliance filing to the UTC on May 30, 2024, outlining the final CCA Decarbonization Programs design and budget plans.<sup>25</sup>
- (2) This report addresses the second part of the compliance requirement from Order 01 (December 22, 2023) in Docket UG-230968 related to submission of annual status reports on CCA Decarbonization Programs. The first annual report, filed on November 15, 2024, covered PSE’s programs from Q1 to Q3 2024.<sup>26</sup> The second report, filed on October 31, 2025, described program updates through the end of calendar year 2024.<sup>27</sup> This report details program activities throughout the 2025 calendar year. The next annual report, about program investments in 2026, is planned to be filed in Q1 2027.

The UTC initially approved PSE's 2025 CCA Decarbonization Programs,<sup>28</sup> but PSE later placed them on hold pending the resolution of related regulatory petitions in May 2025. This pause was necessary because in PSE’s 2024 general rate case (2024 GRC) the Commission rejected<sup>29</sup> PSE’s Targeted Electrification Pilot Phase 2 (TEP2) proposal on the grounds that it might be inconsistent with Initiative Measure No. 2066<sup>30</sup> (I-2066). That decision created uncertainty about whether PSE’s voluntary CCA Decarbonization Programs might also be prohibited under I-2066. In response, PSE filed a declaratory petition<sup>31</sup> seeking clarification on whether it could continue implementing the CCA Decarbonization Programs. At the same time, the Joint Environmental Advocates (JEA) petitioned<sup>32</sup> the UTC to reconsider the rejection of TEP2. Upon reconsideration, the Commission approved<sup>33</sup> TEP2, which allowed PSE to withdraw its declaratory petition; the Commission approved that withdrawal in May 2025.<sup>34</sup> As a result, as further

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<sup>24</sup> The interested parties and advisory groups that were invited and/or participated in PSE’s CCA Decarbonization Programs workshop meetings were: 1. Climate Solutions (CS); 2. Equity Advisory Group (EAG); 3. Northwest Energy Coalition (NWEC)\*; 4. Public Counsel (PC)\*; 5. The Energy Project (TEP)\*; 6. Washington Conservation Action (WCA)\*; 7. Washington Utilities and Transportation Commission (WUTC) Staff\*; 8. Washington State Department of Commerce (Commerce)\*; 9. Tacoma Power (TP); 10. Seattle City Light (SCL); 11. Seattle HomeWise\*; 12. King County Housing Authority (KCHA)\*; 13. Community Action Council of Lewis/Mason/Thurston Counties (CAC LMT)\*. The interested parties marked with an asterisk are also members of PSE’s Low-income Advisory Committee (LIAC). The last three parties in the list are community action partnership (CAP) / community action agencies (CAA) or municipality agency that already work with PSE on low-income weatherization projects as part of PSE’s low-income energy efficiency home weatherization assistance program (WAP) and as part of PSE’s Stipulation O Targeted Electrification Pilot (STEP) low-income offerings. For more information about PSE’s 2024 Q1 engagement with interested parties on CCA decarbonization projects program design, see *PSE’s Compliance Filing*, filed on May 30, 2024, in WUTC Docket UG-230968.

<sup>25</sup> *PSE’s Compliance Filing*, filed on May 30, 2024, WUTC Docket UG-230968.

<sup>26</sup> *PSE CCA Decarbonization Programs 2024 Annual Report as of Q32024*, filed on November 15, 2024, Docket UG-230968.

<sup>27</sup> *PSE CCA Decarbonization Programs 2025 Annual Report for CY2024*, filed on October 31, 2025, Docket UG-230968.

<sup>28</sup> *WUTC Order 01 – Corrected*, December 20, 2024, Docket UG-240884.

<sup>29</sup> *WUTC v. PSE*, Dockets UE-240004 & UG-240005 (consolidated), Order 09 (Jan. 15, 2025) (the “2024 GRC Final Order”).

<sup>30</sup> *Washington State, Secretary of State*. Initiative Measure No. 2066. Filed April 5, 2024.

<[https://www2.sos.wa.gov/\\_assets/elections/initiatives/finaltext\\_3177.pdf](https://www2.sos.wa.gov/_assets/elections/initiatives/finaltext_3177.pdf)>

<sup>31</sup> *PSE Petition for a Declaratory Order Clarifying PSE’s Climate Commitment Act Electrification Requirements*, filed on February 6, 2025, Docket UG-240884.

<sup>32</sup> *Joint Environmental Advocates (JEA) Petition for Clarification and Reconsideration*, filed on January 27, 2025, Dockets UE-240004, UG-240005, UE-230810 (*Consolidated*).

<sup>33</sup> *WUTC Order 11/09*, paragraph 55, March 17, 2025. Dockets UE-240004, UG-240005, UE-230810 (*Consolidated*).

<sup>34</sup> *WUTC Order 04 - Granting Withdrawal*, May 7, 2025, Docket UG-240884.

described in the 2025 Program Design and Implementation sections below, PSE had to pause implementation of the 2025 programs until the petitions were resolved in May 2025, which affected program execution and outcomes.

## 3. PSE's CCA Decarbonization Programs Goals and Launch Phases

### 3.1 Overarching Goals

Working with interested parties, PSE outlined the following overarching goals for its CCA Decarbonization Programs:

1. Facilitate decarbonization projects for low-income residential customers and small business customers in named communities;
2. Decrease customer emissions from natural gas space heating, water heating, and cooking, as applicable;
3. Assist low-income and vulnerable customers with upfront costs associated with electrification, thereby enabling electrification transition for customers who would otherwise not likely be able to afford it;
4. Leverage lessons learned, successful processes, and other feedback from PSE's Targeted Electrification Pilot;
5. Allow for budget flexibility between sub-programs based on program needs, partnerships, and timelines;
6. Incorporate customer education in multiple languages:
  - a. Project expectations, timelines, and other details, and
  - b. Pertinent customer assistance programs;
7. Align CCA funding with other funding sources (e.g., the Inflation Reduction Act, Commerce, federal and state grants), or conservation funding, as much as possible;
8. Benefits to apply to all PSE gas service customers.

### 3.2 2025 Program Design

To inform program design for 2024-2026, PSE consulted with its LIAC, EAG, and other interested parties in the first quarter of 2024. The final design had two phases intended to maximize the impact of the funding. The first phase in 2024 focused on providing funding to partner organizations and launching PSE's direct install programs. The second phase in 2025-2026 continues the direct install work while also awarding longer-term grants.

As discussed in the Regulatory Background section above, PSE paused 2025 program implementation until May 2025 due to regulatory uncertainty. This pause caused delays that resulted in the need for new implementation contracts and expedited program rollouts. Upon re-launching in May 2025, PSE's programs focused on developing strategic partnerships and establishing comprehensive program infrastructure to maximize electrification impact across low-income and named community customer segments. Building upon the foundational work completed in 2024, PSE implemented a diversified portfolio strategy incorporating direct grant funding to established community organizations, utility partnership models, and in-house direct install programs to address varying customer needs and geographic service areas.

The 2025 program design prioritized scalability and sustainability through multi-year grant commitments, enabling partner organizations to develop robust operational capacity and customer engagement protocols. PSE's approach integrated existing weatherization program infrastructure with electrification services, leveraging established community relationships and trusted service delivery networks to reduce barriers for income-qualified customers. The program strategy prioritized comprehensive whole-home solutions addressing both space and water heating conversions while incorporating weatherization measures to optimize customer comfort and energy burden reduction.

PSE implemented enhanced contractor management and quality assurance protocols during 2025, including the initiation of Request for Proposal processes to transition to dedicated electrification implementors by Q2 2026. This strategic restructuring addresses identified limitations in program delivery capacity and ensures focused expertise in heat pump technology installation and customer service delivery.

Recipients of PSE CCA Decarbonization Program funding also leverage other funding sources to maximize resource utilization and enhance program accessibility for income-qualified customers. Diverse revenue sources include municipal rebate programs, private building owner capital contributions, and funding from other utilities. For example, Energy Smart Eastside leverages municipal funding in combination with PSE's CCA grant funding, and Tacoma Public Utilities (TPU) provides funding for weatherization, windows, and other energy efficiency upgrades to be paired with PSE's CCA funded heat pump systems, electrifying participants' space and water heating.

## 4. 2025 Program Implementation

This section details calendar year 2025 activities for each of PSE's program areas: residential grants, Income Qualified Rental Program (IQRP), Multi-Family Direct Install (MDFI) program, Small Business Direct Install (SBDI) program, and Seattle HomeWise partnership.

### 4.1 Residential Grants

In 2025, PSE awarded \$3,980,000 in grants to six organizations. Although the initial budget planned to award \$3,000,000 in grant funding, PSE utilized unspent 2024 overhead funding to award an additional \$980,000. Grant applications were opened and announced on May 21 to community action agency partners, city departments and programs, electrification non-profits, and the LIAC. PSE hosted an informational webinar on June 5 to review the grant requirements and scoring mechanisms with interested parties in preparation for application submission deadline on June 27. A panel of PSE team members, including a representative from PSE's Low-Income Home Weatherization Assistance program, reviewed nine applications requesting \$8,025,000 total and selected six awardees, who were notified on July 14.

The awarded grants will provide electric heat pumps for 114 single-family homes and one multi-family building with 69 units, impacting 183 total households. By the end of 2025, PSE had disbursed \$837,974 (21% of the total awarded grants) and the grant awardees had installed 34 heat pumps for 33 single-family households. The remaining \$3,142,026 is committed via active contracts.

PSE provides detailed information for each of these grants below.

**Table 3: 2025 Awarded Residential Grants**

Category	Grantee	Grant Request, Award, and Disbursement					Installed Heat Pump Systems* in 2025	Households with Installed Heat Pumps in 2025	Additional Planned Households
		Requested Amount	Awarded Amount	% of Request Awarded	Amount Disbursed in 2025	% of Award Disbursed			
County level	King County Energize	\$1,000,000	\$1,000,000	100%	\$250,000	25%	24	23	19
	Pierce County	\$750,000	\$300,000	40%	\$75,000	25%	0	0	10
	Snohomish County	\$1,000,000	\$1,000,000	100%	\$72,974	7%	2	2	22
City level	Energy Smart Eastside	\$1,175,000	\$400,000	34%	**\$0	0%	6	6	14
Non-profit	Bellwether Housing	\$800,000	\$800,000	100%	\$200,000	25%	0	0	69
	United Hub	\$800,000	\$480,000	60%	\$240,000	50%	2	2	16
<b>Total</b>		<b>\$5,525,000</b>	<b>\$3,980,000</b>	<b>72%</b>	<b>\$837,974</b>	<b>21%</b>	<b>34 heat pumps</b>	<b>33 households</b>	<b>150 households</b>

\*Includes heat pumps and heat pump water heating systems.

\*\*\$107,086 was invoiced in late 2025 but not disbursed until January 2026.

Below are the three requested grants that PSE did not award:

**Table 4: 2025 Non-Awarded Residential Grant Applicants**

Category	Applicant	Requested Amount
County level	Thurston County & South Puget Sound Habitat for Humanity	\$1,000,000
City level	City of Seattle Clean Heat Program	\$1,000,000
	Energize Shoreline	\$500,000
<b>Total</b>		<b>\$2,500,000</b>

## (1) King County Energize

PSE awarded a \$1,000,000 grant to King County Energize, representing 100% of their requested amount, to install electric heat pumps in 42 single-family low-income homes in King County. This established program offers county-wide reach through strong partnerships and maintains an excellent track record in weatherization and electrification programs, providing robust infrastructure to serve income-qualified households with comprehensive offerings designed to reduce energy burden.

The grant agreement was signed in September of 2025, and the initial 25% of the awarded grant amount (\$250,000) was issued at that time. In 2025, King County Energize completed 24 heat pump system installations at 23 low-income sites using the awarded funding.

## (2) Pierce County

PSE awarded a \$300,000 grant to Pierce County, representing 40% of their requested amount, to install electric heat pumps in 10 single-family low-income homes outside Tacoma. Pierce County applied for grant funding to scale its established weatherization program that serves diverse low-income customers. The County demonstrated the ability to implement projects regardless of partial funding.

The grant agreement was signed in December of 2025, and the initial 25% of the awarded grant amount (\$75,000) was issued at that time, with work planned to begin early 2026.

## (3) Snohomish County

PSE awarded a \$1,000,000 grant to Snohomish County, representing 100% of their requested amount, to install electric heat pumps in 24 single-family low-income homes. This program features an innovative post-weatherization electrification model that leverages existing weatherization program infrastructure with a clear low-income focus. The initiative employs a comprehensive whole-home approach addressing space and water heating at pre-identified sites, supported by strong organizational capacity and proven experience.

The grant agreement was signed in October of 2025 and was designed to issue monthly payments matching the expenses incurred by Snohomish County. By the end of 2025, 2 projects had been completed and \$72,974 had been issued.

## (4) Energy Smart Eastside

PSE awarded a \$400,000 grant to Energy Smart Eastside, representing 34% of their requested amount, to install electric heat pumps in 20 single-family low-income homes across Bellevue, Issaquah, Kirkland, Mercer Island, Redmond, and Sammamish. Energy Smart Eastside applied for grant funding to scale their program, which has a proven track record of 222 heat pumps installed. The organization demonstrated the ability to implement projects regardless of partial funding, with potential to partner with United Hub to maximize impact in their shared service area.

The grant agreement was signed in October of 2025 and was designed to issue quarterly payments matching the expenses incurred by Energy Smart Eastside. By the end of 2025, 6 heat pump installations in 6 low-income homes had been completed and invoiced for \$107,086. However, the payment was not disbursed until January 2026.

## (5) Bellwether Housing

PSE awarded an \$800,000 grant to Bellwether Housing, representing 100% of their requested amount, to electrify one multi-family building with 69 units in Seattle. This program directly serves the deepest need populations including transitional, senior, and disability housing through existing multifamily property infrastructure with a clear focus on 100% low-income tenants and renters. The initiative proactively replaces inefficient natural gas equipment scheduled for near-term retirement and submitted a strong grant application with detailed implementation plans.

The grant agreement was executed and 25% of the funding allocation (\$200,000) was disbursed in November 2025. At the end of 2025, the project was preparing for permitting and planning to place equipment procurement orders in early 2026.

## (6) United Hub

PSE awarded a \$480,000 grant to United Hub, representing 60% of their requested amount, to install electric heat pumps in 18 single-family low-income homes across King, Snohomish, and Pierce Counties. This organization applied for grant funding to scale their pre-existing program and demonstrated the ability to implement projects regardless of partial funding. The initiative also has the potential to partner with Energy Smart Eastside to maximize impact in their shared service area.

Following the execution of the grant agreement in September 2025 and the disbursement of the initial 50% funding allocation (\$240,000), United Hub successfully scaled program infrastructure and operational frameworks. The organization demonstrated effective partnership coordination by collaborating with Energy Smart Eastside to host a multi-lingual Chinese educational workshop in September 2025, enhancing community outreach and accessibility within their shared service area. The initial implementation period focused on standardizing processes and establishing web-based application systems to support increased program delivery capabilities now feasible with PSE grant funding. Due to demand exceeding capacity, United Hub established a formal waitlist protocol after grant award funds were earmarked for qualified applicants. By the end of 2025, the program had completed two installations, utilizing \$7,247 from their 2025 grant allocation. In early 2026, United Hub will be continuing the planned installations, incorporating additional projects identified in their waitlist as applicable.

## 4.2 Tacoma Income Qualified Rental Program

PSE's Income Qualified Rental Program (IQRP), in partnership with Tacoma Power, facilitated 13 heat pump installations for 9 single-family rental homes while also offering customers Tacoma Power's integrated whole home weatherization offerings. The program serves properties meeting income qualification requirements of 80% Area Median Income or below, targeting four-unit-or-less buildings with existing electric heating infrastructure within Tacoma Power's service territory.

Program implementation in 2025 included coordinated marketing and outreach efforts through two promotional cycles utilizing email distribution and direct mail invitations, supplemented by Tacoma Power's established marketing channels to maximize participant engagement.

In 2025, PSE disbursed \$245,366 total, \$124,358 of which covered the electrification of 3 units completed in 2024 but invoiced in early 2025, and \$121,008 of which covered the 13 heat pump installations in 2025. The partnership agreement between PSE and TPU allows up to \$800,000 a year in spend for electrification projects; unused annual funds are reallocated to other CCA programs the following year.

Due to the compressed 2025 program timeline resulting from regulatory approval delays, PSE marketing teams faced resource allocation constraints that contributed to reduced marketing support capacity and lower than anticipated participation rates. For IQRP programs in 2026, PSE requested enhanced internal marketing support allocation to expand outreach capacity and increase participation rates within the qualified rental property market segment.

### 4.3 PSE Multi-Family Direct Install Program

PSE's Multi-Family Direct Install (MFDI) CCA Decarbonization Program provides full cost coverage for converting natural gas space and water heating systems to electric heat pump technologies in multifamily residential buildings with low-income customers or in named communities. In 2025, the MFDI program was administered by PSE's multifamily retrofit implementor, CLEAResult. The program targets PSE's low-income residential customers, with priority consideration for properties located within designated named communities.

In 2025, the MFDI program completed installations for a low-income multifamily site which included 10 heat pumps and 6 heat pump water heaters across 10 units.

Additionally, the program engaged seven income-qualified multifamily sites across various stages of outreach, assessment, and planning, building a strong pipeline for future electrification projects. Services included outreach, electrical evaluation and design, and contractor walkthroughs. In 2025, PSE committed \$1,041,820 through active contracts, using funding from both 2024 and 2025 budget years. Progress on additional installations in 2025 was affected by the delayed execution of the updated CLEAResult agreement, which was not finalized until September 2025. This shortened operating window limited the program's ability to advance new projects through design and installation within the same year.

Of the seven sites engaged in 2025 for outreach, assessment, and planning, five are slated to move forward with the program in 2026. Details for each site are as follows:

Sites continuing in 2026:

- Site A, comprising 24 units across 4 buildings serving households at 50% Area Median Income with minimum four-person household requirements, is currently in the installation phase. In 2025, the site completed proposal submission, electrical design development, and contractor walkthroughs in partnership with Energy Smart Eastside.<sup>35</sup> Under the collaborative funding structure, Energy Smart Eastside covers

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<sup>35</sup> This project was separate from the grant awarded to Energy Smart Eastside.

furnace electrification costs while PSE funds heat pump water heater installations and electrical design documentation. Of the 24 eligible units, three residents have opted out of participation.

- Site B encompasses 9 units across 5 buildings and is in the assessment phase. Originally built for 50% AMI buyers, current resident income levels reach 80% AMI due to property resales and aging demographics. Site activities included walkthrough completion for two units, initial data collection, and electrical engineering evaluation. The project awaits one-line diagram results to proceed with formal proposal development.
- Site E remains in the early outreach phase, but the site consists of 40 units between 4 buildings.
- Site F outreach was suspended in 2025 due to flood damage at the 85-unit, 10-building development.
- Site G, a 118-unit, 21-building community, expressed interest in heat pump water heater conversion but awaits site viability assessment pending receipt of unit-specific needs documentation.

Discontinued sites:

- Site C included ductless heat pumps for 20 units within 1 building. The site managers determined that required electrical infrastructure upgrades would necessitate 2-3 days of service interruption, combined with additional downtime for heat pump installation, creating unacceptable operational disruption to tenant services.
- Site D was discontinued in 2025 despite demonstrating ideal electrification timing for a 50-unit building. Following recent boiler system failure, contractor assessments revealed inadequate boiler room space for heat pump system installation, and split system configurations are unavailable through current contractor and distributor networks. The implementor will check in regularly with contractors and distributors to see if equipment availability changes and, if it does, will re-engage with this site to determine if electrification is still viable.

Overall, in 2025, the MFDI program spent \$358,180, all of which came from dollars carried over from 2024. PSE also committed \$1,041,820 through active contracts in 2025: \$52,626 from the 2024 budget, leaving zero remaining, and \$989,194 from the 2025 budget. At the end of 2025, \$410,806 remained from the 2025 budget, which was carried forward to 2026. Any unutilized committed dollars in CLEAResult's 2025 contract will also be carried forward to 2026 for future projects.

Looking forward, PSE is actively transitioning to a single-implementor model through a competitive RFP process, with the new implementor expected to launch in Q2 2026 and serve both the Multifamily and Small Business Direct Install programs. This restructure is designed to resolve existing program limitations, particularly the reliance on conservation-focused teams for electrification services, and will provide dedicated electrification resources, clearer workflows, and improved delivery capacity.

## 4.4 PSE Small Business Direct Install Program

PSE's Small Business Direct Install (SBDI) CCA Decarbonization Program was designed to serve small business customers located within or directly serving PSE's designated named communities, with a focus on funding upgrades from natural gas space heating and water heating systems to electric heat pump technology.

During 2025 program implementation, PSE completed comprehensive site assessments for 16 businesses to document electrification readiness and technical feasibility for natural gas to electric heat pump conversions. By the end of 2025, five businesses successfully completed electrification upgrades through the program (four heat pumps and three heat pump water heaters), achieving full conversion from natural gas heating systems to electric heat pump technology. Of the five businesses, four were located in a named community, while one business was serving named community members through community services. Seven additional businesses remain active in the program pipeline and are scheduled to continue implementation in early 2026, with projects currently progressing through various stages including contractor bid solicitation, permit acquisition, and installation scheduling coordination. The remaining businesses assessed either did not meet program eligibility requirements or elected not to proceed with proposed electrification upgrades at this time.

In 2025, the SBDI program spent \$151,791, which came from dollars carried over from 2024. PSE also committed \$1,298,209 through active contracts in 2025: \$48,209 from the 2024 budget, leaving zero remaining, and \$1,250,000 from the 2025 budget. At the end of 2025, \$200,000 remained from the 2025 budget, to be carried forward to 2026.

### 4.5 Seattle HomeWise Partnership

Using funds disbursed in 2024, Seattle HomeWise installed 27 heat pump systems in 2025 for a total of 160 multifamily units and 13 single-family homes. In single-family low-income homes, 13 heat pumps and 1 heat pump water heater were installed. In multi-family properties, 7 heat pumps were installed in one building and 6 heat pump water heaters were installed in another building. PSE did not disburse any additional funding to HomeWise in 2025. In 2024 and 2025, HomeWise spent \$1,334,437, or 47% of the 2024 disbursement (\$2,755,548). The remaining \$1.49 million from the 2024 disbursement is to be used to complete additional low-income electrification projects in 2026.

### 4.6 Summary of Heat Pumps Installed and Customers Served in 2025

Below is a summary of heat pump installation numbers and customers served by all 2025 programs: residential grants, IQRP, MDFI, SBDI, and Seattle HomeWise.

Table 5: 2025 Heat Pump Installation and Customers Served Summary

	Heat pump systems installed*	Single-family low-income homes served	Multi-family low-income/named community units served	Total homes served	Named community small businesses served
Residential Grants	34	33	0	33	N/A
IQRP	13	9	0	9	N/A
MDFI	16	N/A	10	10	N/A
SBDI	7	N/A	N/A	N/A	5
Seattle HomeWise	27	14	160	174	N/A
<b>Total</b>	<b>97</b>	<b>56</b>	<b>170</b>	<b>226</b>	<b>5</b>

\*Includes heat pumps and heat pump water heating systems.

## 4.7 Summary of 2025 Budgets

PSE's CCA Decarbonization Program funding management demonstrates strategic budget allocation and rollover protocols designed to maximize program effectiveness across the three-year implementation period. The overall funding approach enables PSE to maintain program continuity while accommodating the extended timelines inherent in electrification project development and implementation.

### 2024 Rollover Funding

During 2024, PSE utilized \$4,896,463 of the initial \$7,670,000 allocation and carried forward the remaining \$2,773,537 to support continued program operations and partnership commitments in 2025. PSE also had a planned budget of \$7,670,000 for 2025, resulting in \$10,443,537 available funding in 2025.

The 2025 program year was delayed until May 2025 due to extended regulatory approval processes and required new contracts with two program implementors, which postponed execution of first-round residential grant agreements and concentrated program activities into the latter half of the year. This resulted in actual 2025 expenditures of \$1,852,280.

An additional \$5,482,056 was committed in 2025 through active contracts to be fulfilled, leaving \$3,109,201 at the end of the year for use in 2026. The table below details funding that PSE spent and committed in the year 2025 from the 2024-2025 planned budgets.

Table 6: 2024-2025 Budget Overview

	2024 Funding	2025 Funding	Total
Available funding for 2025	\$2,773,537	\$7,670,000	\$10,443,537
Spent in 2025	\$1,852,280	\$-	\$1,852,280
Committed in 2025	\$242,862	\$5,239,194	\$5,482,056
Total spent and committed in 2025	\$2,095,142	\$5,239,194	\$7,334,336
Remaining EOY 2025	\$678,395	\$2,430,806	\$3,109,201

### 2025 Spending Summary

In 2025, program-specific expenditure patterns reflect varying implementation timelines and operational requirements across PSE's diversified portfolio approach.

Overall, PSE disbursed \$1,593,310 to CCA Decarbonization Programs in 2025 and spent an additional \$837 for marketing activities and \$258,133 for program labor costs. Evaluation activities remained unspent pending program maturation and data collection requirements. The total \$1,852,280 spent in 2025, plus the \$5,482,056 committed in 2025 through active contracts expected to be fulfilled, brings the total 2025 financial obligation to \$7,334,336.

Table 7: 2025 Program Budget Summary

		Total	Grants	IQRP	MFDI	SBDI	Home Wise	PSE Overhead <sup>1</sup>
Available funding for 2025	Remaining from 2024 budget	\$2,773,537	\$980,000	\$800,000	\$410,806	\$200,000	\$4,452	\$378,279
	2025 budget	\$7,670,000	\$3,000,000	\$800,000	\$1,400,000	\$1,450,000	\$-	\$1,020,000
	<b>Total</b>	<b>\$10,443,537</b>	<b>\$3,980,000</b>	<b>\$1,600,000</b>	<b>\$1,810,806</b>	<b>\$1,650,000</b>	<b>\$4,452</b>	<b>\$1,398,279</b>
Spent by PSE in 2025	From 2024 budget	\$1,852,280	\$837,974	\$245,366	\$358,180	\$151,791	\$-	\$258,970

	From 2025 budget	\$-	\$-	\$-	\$-	\$-	\$-	\$-
	<b>Total</b>	<b>\$1,852,280</b>	<b>\$837,974</b>	<b>\$245,366</b>	<b>\$358,180</b>	<b>\$151,791</b>	<b>\$-</b>	<b>\$258,970</b>
<b>Committed by PSE in 2025<sup>2</sup></b>	From 2024 budget	\$242,862	\$142,026	\$-	\$52,626	\$48,209	\$-	\$-
	From 2025 budget	\$5,239,194	\$3,000,000	\$-	\$989,194	\$1,250,000	\$-	\$-
	<b>Total</b>	<b>\$5,482,056</b>	<b>\$3,142,026</b>	<b>\$-</b>	<b>\$1,041,820</b>	<b>\$1,298,209</b>	<b>\$-</b>	<b>\$-</b>
<b>Remaining EOY 2025</b>	From 2024 budget	\$678,395	N/A	\$554,634	\$-	\$-	\$4,452	\$199,309
	From 2025 budget	\$2,430,806	\$-	\$800,000	\$410,806	\$200,000	\$-	\$1,020,000
	<b>Total</b>	<b>\$3,109,201</b>	<b>\$-</b>	<b>\$1,354,634<sup>3</sup></b>	<b>\$410,806</b>	<b>\$200,000</b>	<b>\$4,452</b>	<b>\$1,139,309</b>

1. Includes Marketing, Evaluation, and PSE Labor. The 2024 remaining overhead budget was originally \$1,358,279, but \$980,000 was reallocated to residential grants, leaving \$378,279.

2. Dollars committed via active contracts and expected to be spent. Amounts unspent at the end of individual contract terms will be reallocated to other 2026 CCA decarbonization programs.

3. The partnership agreement between PSE and TPU allows up to \$800,000 a year in spend for electrification projects; unused annual funds are reallocated to other CCA decarbonization programs the following year.

## 5. Future Program Evaluation

PSE will evaluate the CCA Decarbonization Programs alongside other targeted electrification pilots (the Targeted Electrification Pilot and its Phase 2) and will conduct a comprehensive assessment of programs offered during 2024-2026 enabling an analysis of program effectiveness across PSE's low-income residential decarbonization portfolio.

In December 2025, the Commission ordered PSE to “hire a third party to conduct an evaluation of the customer benefit and cost-effectiveness of decarbonization projects and to work with parties to ensure the third-party evaluation includes mutually agreeable ways to measure benefits of the projects.”<sup>36</sup> In compliance with the Commission’s order, PSE plans to facilitate interested party input in Q2 of 2026.

PSE will provide evaluation results and findings in the subsequent annual report to the UTC following completion of the evaluation process in 2027.

## 6. Conclusion

PSE’s CCA Decarbonization efforts serve low-income and named communities in the single-family, multi-family, and small business segments within its natural gas customer territory. By developing in-house programs and utilizing external partnerships, PSE is using its natural gas CCA no-cost allowance revenue for the benefit of customers, prioritizing low-income customers and centering equity in program design. These programs enable PSE’s low-income and named community customers to decarbonize through electrification at no cost.

Following delayed program initiation in 2025, PSE focused the remainder of the year on establishing updated contractual frameworks with implementors and executing residential decarbonization grant agreements. Despite the compressed operational timeline, in 2025, PSE’s CCA Decarbonization Programs:

<sup>36</sup> WUTC Order 01, issued on December 24, 2025, Docket UG-250843. Paragraph 37(4.4) on page 12.

- Successfully disbursed \$1,852,280 while securing \$5,482,056 in committed contractual obligations across all program segments (Table 2), serving 226 low-income homes and 5 small businesses in named communities across all program segments (Table 5).
- Installed 97 electric heat pump systems – 61 for single-family households, 29 for multi-family units, and 7 for small businesses, resulting in an estimated 271 MTCO<sub>2e</sub> reduction in carbon emissions per year (or 4,072 MTCO<sub>2e</sub> reduction over the equipment lifespan of 15 years) (Table 1).

The 2025 implementation period established program infrastructure including partnership agreements with six residential grant recipients, updated implementor contracts for direct install programs, and comprehensive site assessment protocols for multi-family and small business electrification projects.

Because 2025 represented a transitional year with significant program expansion and partnership development activities, the majority of contracted work is scheduled to carry through 2026 and beyond. Multi-year grant commitments totaling \$3,980,000 will continue implementation across residential partners, while direct install programs maintain active project pipelines with committed funding for ongoing electrification installations. The unutilized 2025 funding was carried forward and allocated to the 2026 CCA Decarbonization Programs portfolio in accordance with applicable regulatory provisions, supplemented by additional UTC-approved funding of \$15,140,00.<sup>37</sup> This funding rollover and the associated program activities will be documented and reported in PSE's next CCA Decarbonization Programs annual report for 2026 calendar year, planned to be submitted to the Commission in Q1 2027.

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<sup>37</sup> *WUTC Order 01*, issued on December 24, 2025, Docket UG-250843.