



SUSTAINABILITY REPORT

REPORTING YEAR 2022



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Message from the President and CEO

I am pleased to present Puget Sound Energy's (PSE's) third Sustainability Report.

In 2023, PSE celebrated 150 years of serving as the local energy provider to communities located across Western Washington. We are proud to have helped fuel the growth of one of the most innovative and progressive regions in the world.

As we move forward, our Sustainability principles will remain central to how we run our business and serve our customers.

PSE SUSTAINABILITY PRINCIPLES

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.

We are making considerable progress in these areas, with recent highlights including:

- ◆ Adding nearly 2,300 MW of contracted clean energy nameplate capacity since 2021
- ◆ Incorporating climate change into our resource planning
- ◆ Developing customer benefit indicators to guide our decision making and track our progress on improving equitable distribution of benefits and burden reduction

- ◆ Establishing an Energy Equity team
- ◆ Launching new programs to help our customers save energy and money, including demand response and time-of-use rates; electric vehicle charging for multifamily properties, workplaces and fleet; a bill discount rate; and a pilot project to help 10,000 natural gas customers transition to more efficient and sustainable electric technologies for space conditioning and water heating
- ◆ Achieving record-breaking sockeye salmon returns at our Baker Dam facility

Yet accomplishments are only part of our Sustainability journey. Equally important is the opportunity to identify gaps and understand where we can do better. This is essential as we look to our future and how we best serve our customers in the midst of transforming our business to meet Washington State's ambitious clean energy laws and our own aspirational goal of becoming a Beyond Net Zero Carbon energy company by 2045. Based on our history of service, what we have achieved so far, and the direction provided by our Sustainability and other commitments, I am confident in our path forward and future success.

Sincerely,

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 Sustainability disclosures described below, provides 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, 2022 to December 31, 2022 with select updates from calendar year 2023. PSE is the primary operating entity of Puget Energy, and the content of Sustainability-related documents, including this report, apply equally to Puget Energy and PSE. For more information on our corporate structure, please visit the [Company profile and business operations](#) section and our annual [10-K filing](#) with the U.S. Securities and Exchange Commission.

Our Sustainability Report references disclosures from the Global Reporting Initiative (GRI) Standards and aligns with the Sustainability Accounting Standards Board (SASB) Framework. For more information, please visit our [GRI Index](#) and [SASB Index](#).^[1] We also prepare a stand-alone [Task Force on Climate-Related Financial Disclosures \(TCFD\) analysis](#) to enhance PSE's understanding of climate-related risks and opportunities and inform and prioritize future investments. We continue to independently report Sustainability disclosures in line with the [Edison Electric Institute \(EEI\)](#) and [American Gas Association \(AGA\)](#) Environmental, Social, Governance and Sustainability Metrics templates. Additionally, we publish relevant Sustainability metrics in our [Data appendix](#) and our [annual greenhouse gas \(GHG\) inventory](#).

This report highlights information relevant to the [United Nations Sustainable Development Goals \(UN SDGs\)](#). 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.^[2] The table to the right provides a guide to the location of information relevant to the SDGs in this report.^[3]

[1] The SASB Index aligns with the SASB Infrastructure Sector, Electric Utilities and Power Generators and Gas Utilities and Distributors Standards.
 [2] The same SDGs generally apply to PSE's service as a natural gas utility.
 [3] We also included SDG 14, "Life Below Water" to highlight our relevant conservation measures.

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.

Metrics calculated using the [GHG Reporting Protocol's Corporate Standard](#) within this report are subject to change if changes in methodology occur, either as a result of a different interpretation or application of the protocol or formal changes made to its guidance.

SDGS AND RELEVANT REPORT SECTIONS

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

✓ 5 GENDER EQUALITY	✓ 8 DECENT WORK AND ECONOMIC GROWTH	Our communities	Our employees
		Our commitment to diversity, equity and inclusion	Leadership
✓ 6 CLEAN WATER AND SANITATION	✓ 7 AFFORDABLE AND CLEAN ENERGY	Resource planning	
		PSE's plan to go Beyond Net Zero Carbon	
✓ 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	✓ 11 SUSTAINABLE CITIES AND COMMUNITIES	Core business operations	
		Environmental compliance	
✓ 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	✓ 13 CLIMATE ACTION	Our customers	
		Our communities	
		Our ethics: Doing the right thing	
✓ 14 LIFE BELOW WATER	✓ 15 LIFE ON LAND	Environmental compliance	
		Biodiversity and habitat protection	

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, Inc., owned through a holding company structure by Puget Holdings, LLC (Puget Holdings). Puget Holdings is owned by 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 3,250 full-time equivalent employees.^[1] For additional operational specifics, please see our [SASB Index](#) and the [Data appendix](#).

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

[1] As of December 31, 2022.



Core business operations

PSE's core business operations include electricity generation, electric power transmission and distribution, natural gas distribution and natural gas storage.^[2] Our operations are regulated by the Washington Utilities and Transportation Commission (WUTC).

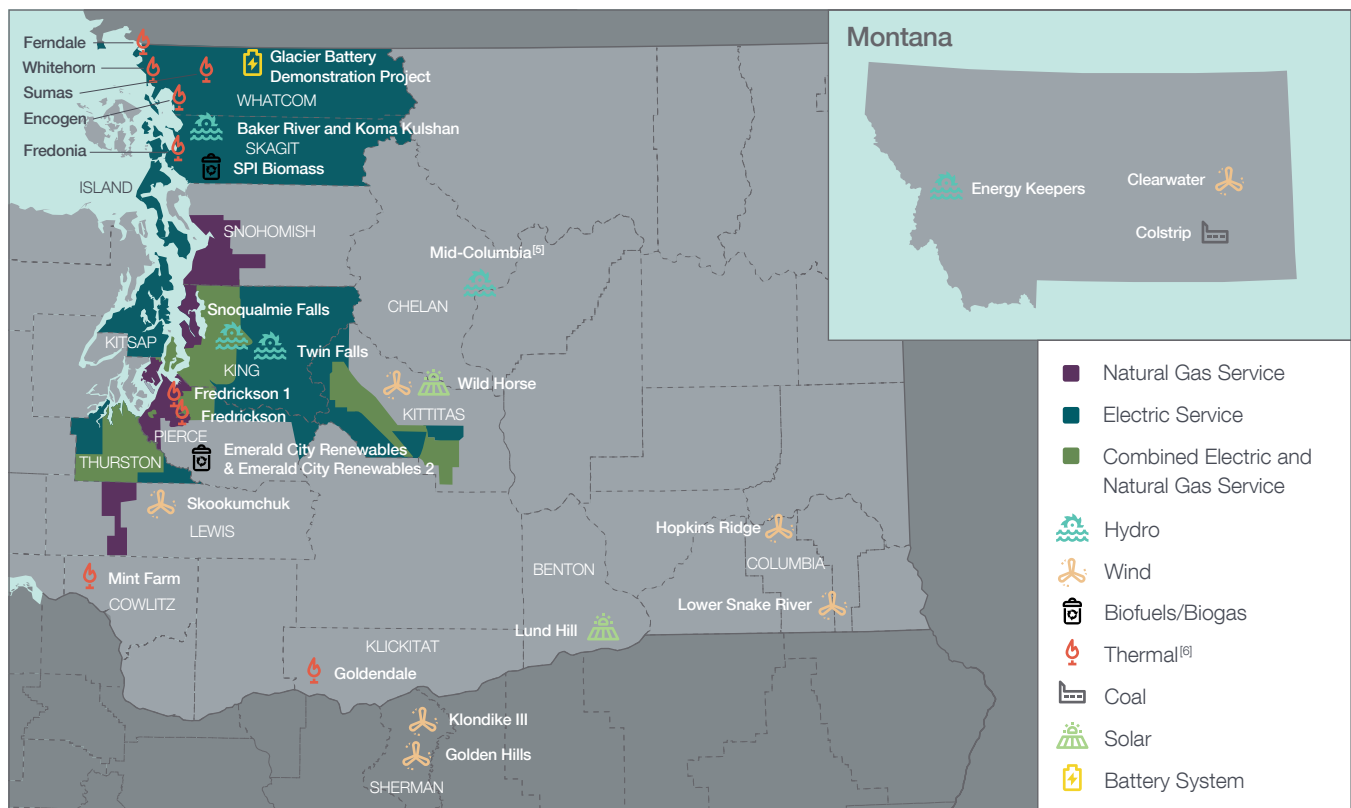
Diversified electricity generation portfolio

To ensure system reliability, we maintain a diverse portfolio of generation resources to serve our customers. As of December 31, 2022, our electric power resources (company-owned, controlled or under long-term contracts) had a total nameplate capacity of approximately 6,566 megawatts (MW), generating almost 22 million megawatt-hours (MWh) annually.

The locations of PSE's generation facilities are shown in the map below.

PSE's coal resources include part ownership of the Colstrip Steam Electric Station (Colstrip power plant) in Colstrip, Montana^[3] and a power purchase agreement (PPA) with TransAlta's Centralia, Washington coal plant. As described in the [Cleaner energy](#) section, at the end of 2025 PSE will no longer serve customers with coal-generated electricity.

OWNED AND CONTRACTED GENERATION MAP^[4]



[2] PSE's parent company, Puget Energy, also has a wholly-owned, non-regulated subsidiary, Puget LNG, which has the sole purpose of owning, developing, and financing the non-regulated activity of a liquefied natural gas facility at the Port of Tacoma, Washington.

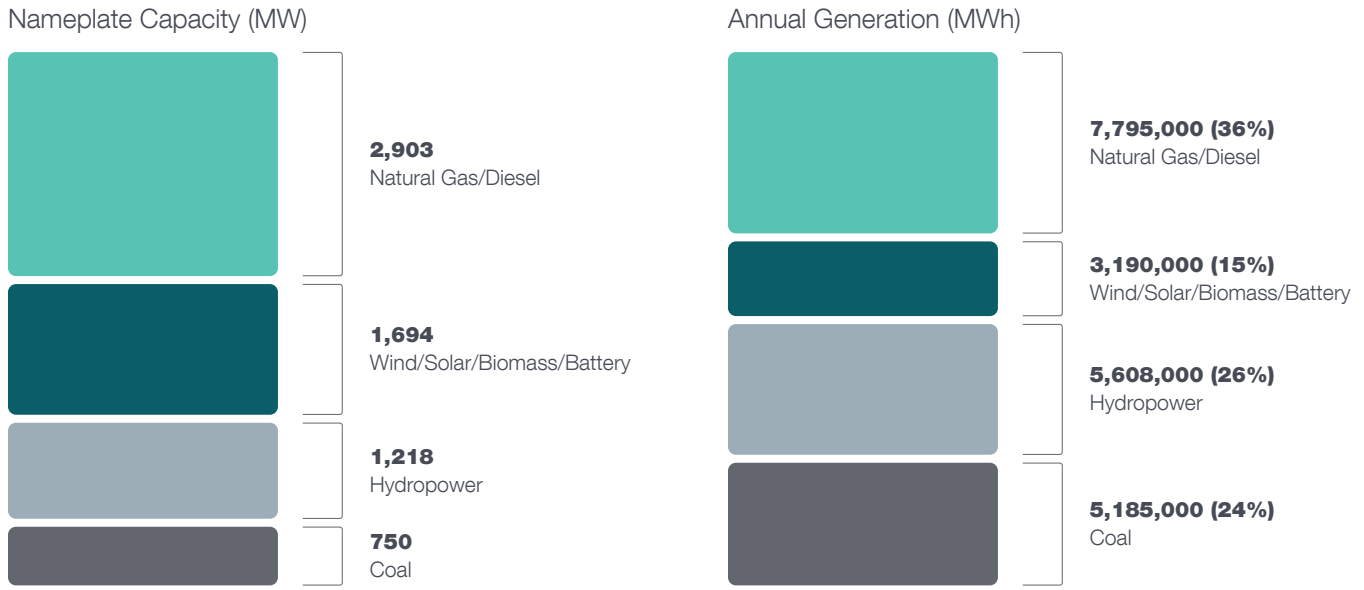
[3] PSE co-owns Colstrip power plant, along with Avista Corporation, Portland General Electric, PacifiCorp, NorthWestern Energy and the operator, Talen Energy.

[4] Map shows primary generating resources owned by PSE or under long-term contract.

[5] Mid-Columbia includes long-term contracts with the hydro resources Priest Rapids, Rock Island I & II, Rocky Reach, Wanapum and Wells.

[6] 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 (not shown).

2022 PSE OWNED AND CONTRACTED ELECTRIC GENERATING RESOURCES^[7]



[7] Source: PSE 2022 10-K. 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.

Natural gas supply and storage

PSE purchases fossil natural gas for power generation and customer end-use from Canada and the Rocky Mountain States. PSE also purchases renewable natural gas (RNG) from various sources. Natural gas acquired for customer use is distributed through more than 26,600 miles of PSE-owned gas mains and service lines.

We manage a strategically diversified gas-supply portfolio to mitigate impacts to customers from 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 to help provide a more 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 for an extended period on our coldest winter days. We also store natural gas in Questar's Clay Basin underground facility in northeast Utah to provide operational flexibility and price protection.

PSE and our sister company, Puget LNG, co-own a liquefied natural gas (LNG) facility at the Port of Tacoma, which can produce approximately 250,000 gallons of LNG per day with a storage capacity of approximately 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 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.

PSE also operates a LNG storage facility in Gig Harbor, Washington that serves PSE's natural gas customers in the Gig Harbor area by meeting peak demand when temperatures drop. For more information on PSE's natural gas storage and LNG initiatives, please visit the [Energy Supply](#) page on our website.



Resource planning

PSE follows an [integrated resource planning process](#) to forecast and plan for the following 20-year period to help ensure there is sufficient electric and gas supply and delivery infrastructure to provide safe and reliable energy. This process is published in [Integrated Resource Plans \(IRP\)](#) for gas and electric. Each IRP outlines the forecasted energy resource demand and models resource supply scenarios, including conservation, resource procurement and major delivery infrastructure necessary to meet that demand.

A fundamental shift in mandate for resource planning

Traditionally, our 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 GHG emissions by 2045. It also requires an equitable distribution of benefits from the cleaner energy transition for all utility customers and adds and expands energy assistance programs for low-income customers.

PSE integrated CETA goals into our electric resource planning process, as reflected in our most recent electric IRP published in 2021 and our [2023 Electric Progress Report](#),^[8] which is an update to the 2021 IRP.^[9]

CETA requires us to prepare additional planning documents which we incorporate into our electric 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 actions we will take to meet CETA's milestones and outlines our expected new resource investments and procurements.

In 2021, Washington passed the [Climate Commitment Act \(CCA\)](#), which puts a price on carbon for energy generated in Washington State or delivered to serve Washington's energy demand. The CCA gives electric and gas utilities a certain amount of no-cost carbon allowances to ease the cost burden on customers with a priority focus on low-income customers. PSE incorporated the requirements of this carbon pricing regime into our [2023 Gas Utility IRP](#) and is planning to incorporate these requirements in our next electric IRP.

[8] The 2023 Electric Progress Report is our first resource plan to incorporate climate change temperature predictions in its analysis.

[9] Under WAC 480-100-625, PSE was required to file an electric IRP by January 1, 2021 and every four years thereafter, and a progress report (IRP update) two years after each IRP.

Community engagement in resource planning

Through our CEIP process, we aim to find affordable, cleaner energy solutions that benefit all customers while reducing burdens on highly impacted communities and vulnerable populations.^[10] The [2023 Biennial CEIP Update \(Biennial Update\)](#), filed with the WUTC in November 2023, includes updated goals and targets and outlines our specific actions, including our efforts supporting equity and public engagement.

We collaborated with customers, community-based organizations and advisory groups to develop our CEIP. These parties comment on the plan and provide input on cleaner energy values, customer benefits and barriers. In 2021, PSE convened our inaugural Equity Advisory Group (EAG) to help identify potentially affected interested parties and seek perspectives from and broaden engagement with the communities we serve.

PSE specifically focused on historically underrepresented populations, including Black, Indigenous and People of Color (BIPOC) communities or communities of individuals with limited income. EAG members provide their expertise and share their lived experiences related to environmental justice, tribal interests, highly impacted communities, vulnerable populations, social services, affordable housing and other community needs. The group developed an equity lens focused on accessibility, affordability and accountability to frame their input on cleaner energy planning. PSE staff collaborated with the EAG to include additional factors in the “vulnerable population” definition as part of the 2021 CEIP and future resource planning, including race/ethnicity, historically redlined communities and disability as factors.

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

[10] Definitions for “highly impacted communities” and “vulnerable populations” may be found [here](#).

Customer benefit indicators

As part of the implementation 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. PSE is continuing to collect and refine CBI data, as discussed in the Biennial Update.

As we implement the CEIP, we intend to evaluate the baseline data collected for each CBI, understand trends or stories that underlie the data and assess disparities or burdens faced by customers. We will collaborate with the EAG in 2024 to undertake this work. Once baseline data is developed, we will look to establish interim goals for some or all of our CBIs for the 2025 CEIP.

In the 2023 Electric Progress Report, we updated our Economic, Health and Environmental Benefits Assessment to reflect recent developments in identifying named communities, which are customers burdened by social, economic, health and environmental impacts, including highly impacted communities and vulnerable populations. We also updated the customer benefits analysis used in the 2021 IRP to enhance the portfolio benefit analysis and incorporate a revised set of CBIs.

For more information on how we support access to energy for named communities, please visit the Energy Affordability section of [our SASB Index](#).



Environmental



Working to reduce carbon emissions and support a cleaner energy future

PSE's aim to go Beyond Net Zero Carbon

PSE has long been a leader in working towards a cleaner energy future, investing billions in energy efficiency and wind, solar and other renewable resources for homes and businesses. In 2021, we announced our aspirational goal to be a Beyond Net Zero Carbon (BNZC) energy company by 2045. In addition to reducing our own carbon emissions, we aim to go beyond by enabling carbon reduction in other sectors across our region by supporting low-carbon transportation.

The transition to BNZC will require a concentrated effort in every aspect of our business and collaboration with legislators, regulators, customers and communities. To accelerate the decarbonization of our energy portfolio, we continue to monitor evolving technologies, such as hydrogen production, carbon capture and small modular nuclear, and pilot technologies, such as hydrogen blending, long duration battery storage and targeted electrification. The infographic on the next page shows the focal points of our Pathway to Beyond Net Zero.

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

Funding our cleaner energy commitment

In May 2023, we published our [Sustainable Financing Framework](#), which defines investment areas aligned with PSE's cleaner energy strategy and other Sustainability objectives. Sustainalytics issued its [Second Party Opinion](#) that our Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and Social Loan Principles 2023.

Establishing this framework is an important step to further our journey towards our Sustainability goals, including investing in renewable energy to support a cleaner energy future that is safe, reliable and more equitable. PSE is planning to allocate proceeds from our 2023 green bond issuance to our Baker River Hydroelectric grouting project, which will reduce flow beneath the dam, allowing us to maximize renewable power production and operational flexibility while meeting in-stream flow and other requirements and to various wind project development and acquisition activities.



Our Aspirational Commitment to Beyond Net Zero

PSE operations and electric supply



Our goals include:

- ◆ Net zero carbon emissions for all PSE electric supply by 2030
- ◆ Aim to achieve net zero gas and electric operations by 2030
- ◆ 100% non-emitting 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 lower-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
- ◆ PSE fleet electrification
- ◆ EV charging stations
- ◆ Renewable diesel
- ◆ Coal power elimination
- ◆ Utility-scale solar/wind
- ◆ H₂ pilot tests and innovation initiatives
- ◆ Maximize forest offsets potential on PSE land
- ◆ Demand response programs
- ◆ Energy storage pilot tests and innovation initiatives
- ◆ Distributed energy resources (renewable and storage)

- ◆ H₂ investment
- ◆ Carbon capture, utilization, storage
- ◆ Transmission capacity for renewables
- ◆ Additional carbon offsets



- ◆ Energy efficiency
- ◆ Energy conservation
- ◆ Methane leak reduction
- ◆ Targeted electrification pilot
- ◆ RNG support
- ◆ H₂ pilot tests and innovation initiatives

- ◆ Additional carbon offsets
- ◆ H₂ investment



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

- ◆ Fleet and marine vessel H₂
- ◆ 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

Cleaner energy

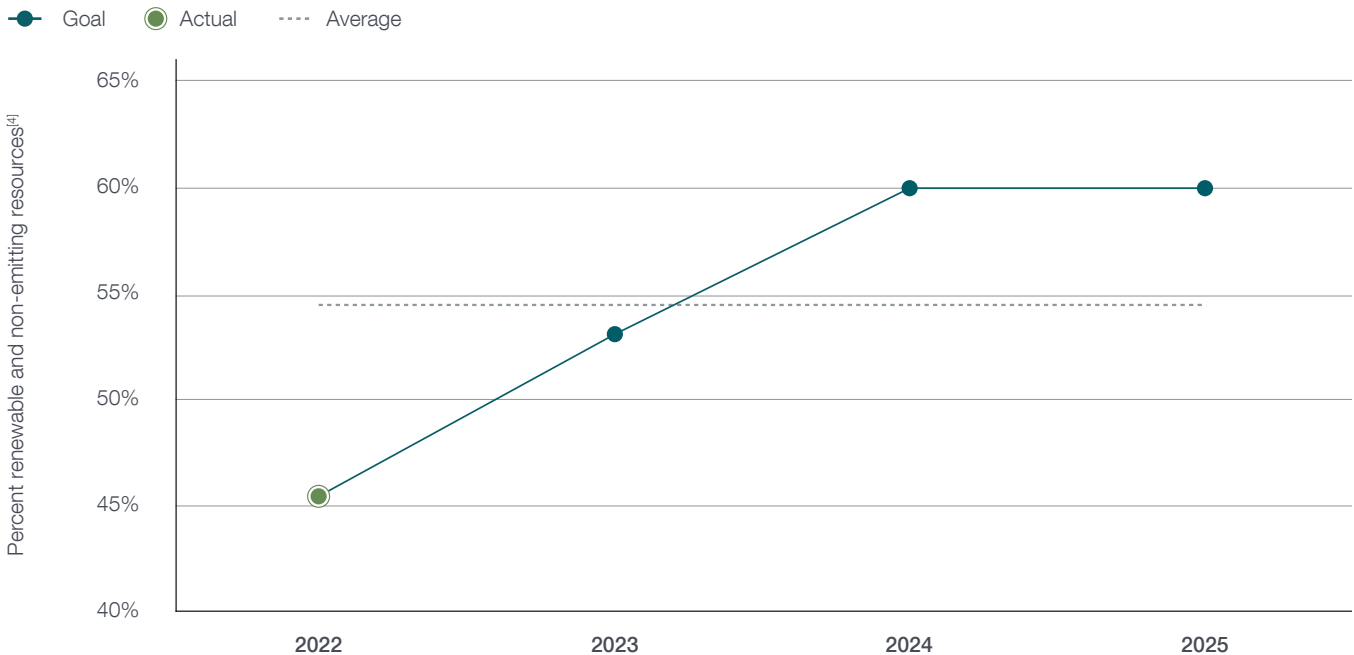
We are driving our net zero transition and reducing our GHG emissions through investments in lower carbon and zero carbon energy. As part of our CEIP, we identify interim targets that align with our plans to acquire additional renewable and non-emitting resources, which will help us meet the overarching goal of CETA—to reach 100% clean electricity delivery by 2045. We set a variety of interim goals and targets to help ensure we are on track to meet the CETA goal.

2022–2025 SPECIFIC TARGETS OR SUBTARGETS^[1]

 Target is on track



CETA RENEWABLE GENERATION GOALS AND ACTUAL-TO-DATE^[1]



[1] These goals are proposed in the 2023 Biennial Update.

[2] CETA-eligible energy refers to retail electric load from renewable energy, like solar and wind, and non-emitting energy. Power purchases from a qualifying facility pursuant to the Public Utility Reform Policies Act of 1978 or voluntary renewable program reduce retail load rather than contribute to meeting CETA goals (RCW 19.405.020(36)).

[3] This CETA-eligible energy percentage goal is an average calculated by summing the four annual percentage goals in 2022, 2023, 2024, and 2025, which equals 218, and then dividing by the number of percentages (4), which equals 54.5%.

[4] Percent of retail electric load as defined at RCW 19.405.020.



We have continued to phase out coal-fired electricity from our portfolio since shutting down Units 1 and 2 of the Colstrip power plant in Montana in January 2020. Additionally, we have eliminated half of the coal-fired generation from our PPA with TransAlta's Centralia, Washington coal plant with the shut down of its Unit 1 at the end of 2020. PSE has committed to transferring our remaining ownership interest in the Colstrip power plant, Units 3 and 4, 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

Joining forces with Western utilities to provide clean, reliable energy

Utility companies from Oregon, Washington, Idaho and British Columbia, including PSE, are joining together to commit to a binding resource adequacy program in the region called the Western Resource Adequacy Program (WRAP). More than 11 utilities in four states and territories spanning from Canada to the Western region of the U.S. signaled their intent to join WRAP.

WRAP will plan for resource adequacy by leveraging broad geographic resource diversity and regional load-peaking diversity, and it will enable access to capacity reserves during times of peak demand. By bringing together a group of cleaner energy-focused utilities, WRAP is expected to reduce required system-wide generation and transmission investment and provide greater reliability. This new partnership will also help guarantee that cleaner energy resources will produce enough energy to serve the growing demand in the region while managing costs and maintaining reliability for customers.

PSE's newest wind farm: Beaver Creek

We are excited to announce that we are expanding our renewable energy fleet by constructing a new 248 MW utility-scale wind project in Stillwater County, Montana. Montana wind has a high winter production rate that is especially valuable during extremely cold weather in the Pacific Northwest, when Washington wind farms produce less energy. This wind project—known as Beaver Creek—will generate enough capacity to power approximately 83,000 homes in a year. Beaver Creek will connect with NorthWestern Energy's system and use PSE's existing Colstrip Transmission System rights to bring the wind energy to our customers.

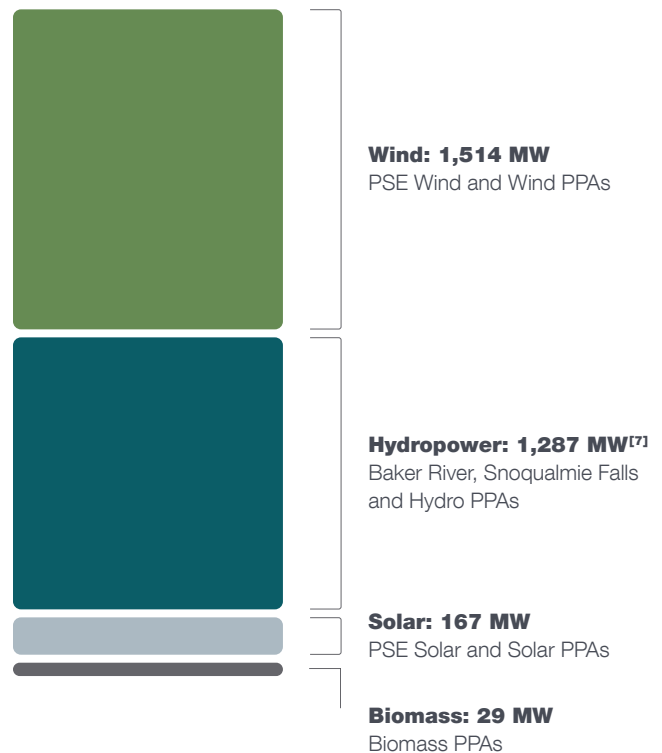
Construction on the Beaver Creek wind farm will start in the spring of 2024, and we anticipate beginning operation by 2025. In future project phases, PSE may consider installing a battery energy storage system to account for variable wind output and potentially build additional turbines.



Growing our renewable energy fleet

PSE plans to continue to expand our renewable energy supply. Our CEIP targets forecast adding about 3.5 million more megawatt-hours of clean energy by the end of 2025 than projected in the 2021 CEIP. We announced a 15-year PPA for 90 MW of wind generation capacity with Invenergy's Vantage Wind Energy Center, beginning in 2025. Most recently we announced our newest wind farm, Beaver Creek, as highlighted to the left. 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^{[5],[6]}



[5] Reflects owned and contracted resources as of December 31, 2022 as identified in the 2023 Electric Progress Report.

[6] For Snoqualmie Falls, the FERC license authorizes the full 54.4 MW; however, the project's water right issued by the Washington State Department of Ecology limits flow to 2,500 cubic feet and therefore output to 47.7 MW. Also, 40 MW capacity of the Columbia River PUD contracts are delivered to Canada pursuant to the provisions of a treaty between Canada and the United States and Canadian Entitlement Allocation agreements as of December 31, 2022.

[7] In November 2022, PSE elected to take its portion of the Priest Rapid Meaningful Priority and was granted 4.13% share of the 2023 Priest Rapids Project output. This one-year contract began on January 1, 2023, and continued through December 31, 2023. This agreement increases PSE's share of output by 4.13%, which equates to an additional capacity of 39 MW for Priest Rapids Development and 51 MW for Wanapum Development.

Alternative lower-carbon and carbon-free fuels

PSE's 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 support voluntary customer choice RNG programs please visit the [Our customers](#) section.

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 while evaluating 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 system components.

PSE also recently conducted test runs on renewable diesel (R99^[8]) at the Crystal Mountain Generator and at the Frederickson Generating Station. Renewable diesel is a hydrocarbon fuel designed to be chemically identical to petroleum diesel, typically developed from vegetable oil or animal fat wastes.

The first test run was conducted on our Crystal Mountain emergency generator in 2022. The test run confirmed that renewable diesel could be a replacement fuel source for diesel with minimal effects on the engine's internal components. A larger scale test run was conducted on Frederickson Generating Station's simple cycle combustion turbine in 2023. Results indicate a reduction in nitrogen oxide (NO_x) and sulfur dioxide (SO₂) emissions during R99 combustion compared to ultra-low sulfur diesel combustion, which the facility currently uses. We continue to evaluate R99's potential as a replacement fuel for diesel combustion.^[9]

[8] R99 is a blend of 99% renewable diesel and 1% petroleum diesel.

[9] Some PSE combustion turbines have the capability of burning distillate (diesel) as a secondary fuel, but this is currently only utilized in emergency situations if the natural gas supply becomes unavailable.

Building a regional clean hydrogen hub

In 2023, the Pacific Northwest Hydrogen Association was selected by the U.S. Department of Energy (DOE) for award negotiations to establish a regional clean hydrogen hub. PSE was selected as a major industry partner to participate in the Pacific Northwest hydrogen hub, which is eligible to receive up to \$1 billion in federal grant funding. The Pacific Northwest hydrogen hub plans to have eight production and consumption locations spread across Washington, Oregon and Western Montana. The funding will be used to kick-start the production and use of hydrogen, which is a critical element to reducing pollution and emissions from difficult-to-electrify heavy industry.

While electrolytic hydrogen is rapidly emerging as a lower-carbon energy of choice, PSE is continuing to evaluate the use and feasibility of clean hydrogen derived from natural gas through the methane pyrolysis process. This process captures all of the carbon in natural gas in a solid form and benefits from the existing supply and dispatchability capacity of the natural gas system. The solid carbon can be incorporated into solid surfaces or resold into carbon-black markets as a useful product, creating a downstream decarbonization effect.

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.

Advancing our understanding of hydrogen through pilot projects

In 2023, we began development of our Phase III hydrogen pilot, which involves the procurement and installation and, in the initial phase, temporary use of a 1 MW electrolyzer unit for the Frederickson Generating Station. With a target completion date in 2025, we hope to further our understanding of how hydrogen is produced. We also seek to better understand the operational characteristics of creating, storing, transporting and utilizing hydrogen for blending into the natural gas distribution system and power generation applications.

In 2023, we expanded the Up & Go Electric for Multifamily and Workplace pilots into a program by covering up to 100% of the cost to install multifamily and workplace charging stations. In addition, PSE expanded the program to offer assistance in fleet electrification for businesses, transit authorities, government agencies, community-based service providers and other commercial organizations. The Fleet Program includes fleet advisory services, turnkey infrastructure incentives and charger rebates. Future program offerings will include residential rebates and public charging solutions planned to launch in 2024.

As part of our commitment to reduced emissions from operations, 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.

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.

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 we match every public station charge with 100% renewable energy. Through our pilot programs, we have installed charging stations in residential homes, multifamily properties, workplaces and public areas. All of PSE's Up & Go Electric programs include enhanced Empower Mobility incentives for projects benefiting historically underrepresented communities.





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 LNG to Potelco, one of PSE's major infrastructure service providers, for its LNG truck fleet. LNG use significantly reduces NO_x , SO_2 and particulate emissions compared to existing fuels, such as bunker oil and diesel fuel. It also reduces 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 ambition as we "go beyond" addressing our own carbon emissions to help the transportation and maritime industries decarbonize.

Targeted electrification

For PSE, “targeted electrification” describes geographic areas and customer classes of PSE’s gas load that can be transitioned over time to electric load using electric appliances to reduce gas volume in order to relieve gas delivery constraints or protect low-income customers. “Targeted electrification” with regard to low-income customers means placing focus on low-income and named communities who, without financial and technical support electrifying, would be at risk of paying higher gas system fixed costs as more building electrification occurs.

PSE is developing a comprehensive plan to leverage targeted electrification for effective emissions reduction. Our plan is comprised of three primary initiatives: (1) an updated decarbonization study; (2) a targeted electrification pilot and (3) a targeted electrification strategy that will be informed by findings from both the study and pilot. Our overarching objective is to significantly reduce carbon emissions at the lowest reasonable cost to customers. The targeted electrification pilot is the first step for us to identify measures to encourage optimal phased electrification through a combination of programs, incentives and promotional activities for our customers. PSE’s targeted electrification strategy will reflect a comprehensive approach that balances our carbon emission reduction and equity with cost effectiveness, customer impact considerations and collaborative efforts with interested parties to drive phased electrification within PSE’s service territory. It will be published in January 2025 and help inform PSE’s 2025 Natural Gas IRP.

Methane emission reduction efforts

Methane is the primary component of natural gas. While it is a potent greenhouse gas with a global warming potential that is approximately 25 times greater than carbon dioxide (CO₂),^[10] it has a half-life in the atmosphere of approximately 10–12 years,^[11] so reductions today have near-term benefit.

[10] Global warming potential AR4 standard for 100-year lifecycle relative to CO₂.

[11] Source of methane’s lifespan is from EPA’s [“Methane and Nitrous Oxide Emissions from Natural Sources”](#) document.

Supporting ferry electrification in Washington State

In 2023, we signed a Memorandum of Understanding with Washington State Ferries, which includes the electrification of eight ferry terminals in the PSE service area, beginning with the Bainbridge Island terminal. This work will help support Washington State Ferries’ transition to a hybrid-electric ferry system that will reduce GHG emissions and improve local air quality.



Accordingly, reducing methane emissions from our gas system operations is an important part of our fight against climate change. As a long-time member of the U.S. Environmental Protection Agency’s (EPA) voluntary Methane Challenge Program, we report our comprehensive efforts to reduce methane emissions. In alignment with our BNZC ambition, we aim to eliminate distribution system methane leaks to the extent practical (e.g., expedited repair following leak identification) and reduce or offset all other methane emissions from the operation and maintenance of our gas infrastructure.

Advanced leak detection equipment finds leaks faster and reduces emissions

In December 2023, PSE purchased new leak detection equipment that will be used by our leak survey service provider. The equipment is much more sensitive to natural gas and has the ability to detect parts per billion of methane in the air. Finding leaks faster allows for early repair, thereby reducing emissions.

The equipment is vehicle-mounted, which enables much faster detection than standard walking leak surveys. This new technology allows PSE to perform leak surveys more easily and at an increased frequency, including at night when traffic levels are low.

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

- ◆ Completed the elimination of all cast iron piping in 2007 and all unprotected steel piping in 2014 from our distribution system.
- ◆ Completed the elimination of non-hazardous leak^[12] backlog in 2023. All leaks are now addressed as they are identified.
- ◆ Began reporting methane emissions from leaks by source category to the WUTC in 2021. These emission reports provide a basis for identification of emission reduction priorities. Currently, the largest emissions contribution is from third-party damages to the natural gas system.

[12] Non-hazardous ("Grade C") leaks do not pose a current safety risk to persons or property. Federal law requires only monitoring of Grade C leaks.

- ◆ Adopted targeted operating procedures to minimize releases associated with third-party excavation damage, consistent with emission reduction opportunities identified above. PSE identifies the highest risk activities based on a review of utility locate requests and provides additional observation and education resources to minimize damage at those locations. Our efforts have resulted in a 50% reduction in third-party damages since 2015, and we expanded our contractor outreach group in 2023 to focus additional resources on this work.
- ◆ 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 to invest in advanced vehicle-mounted sensing technology, which enables us to complete leak surveys faster and more frequently. PSE purchased equipment in 2023 and will implement the new technology in 2024.
- ◆ 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, PSE works to flare natural gas during maintenance to reduce GHG emissions intensity by converting it to CO₂ instead of methane.

PSE also recognizes lifecycle emission impacts associated with natural gas and advocates for a reduction in upstream methane emissions. PSE is a participating member of AGA and EEI's Natural Gas Sustainability Initiative (NGSI) protocol, launched in February 2021, to calculate methane emissions intensity for operations across the natural gas supply chain.





Greenhouse gas (GHG) policy statement

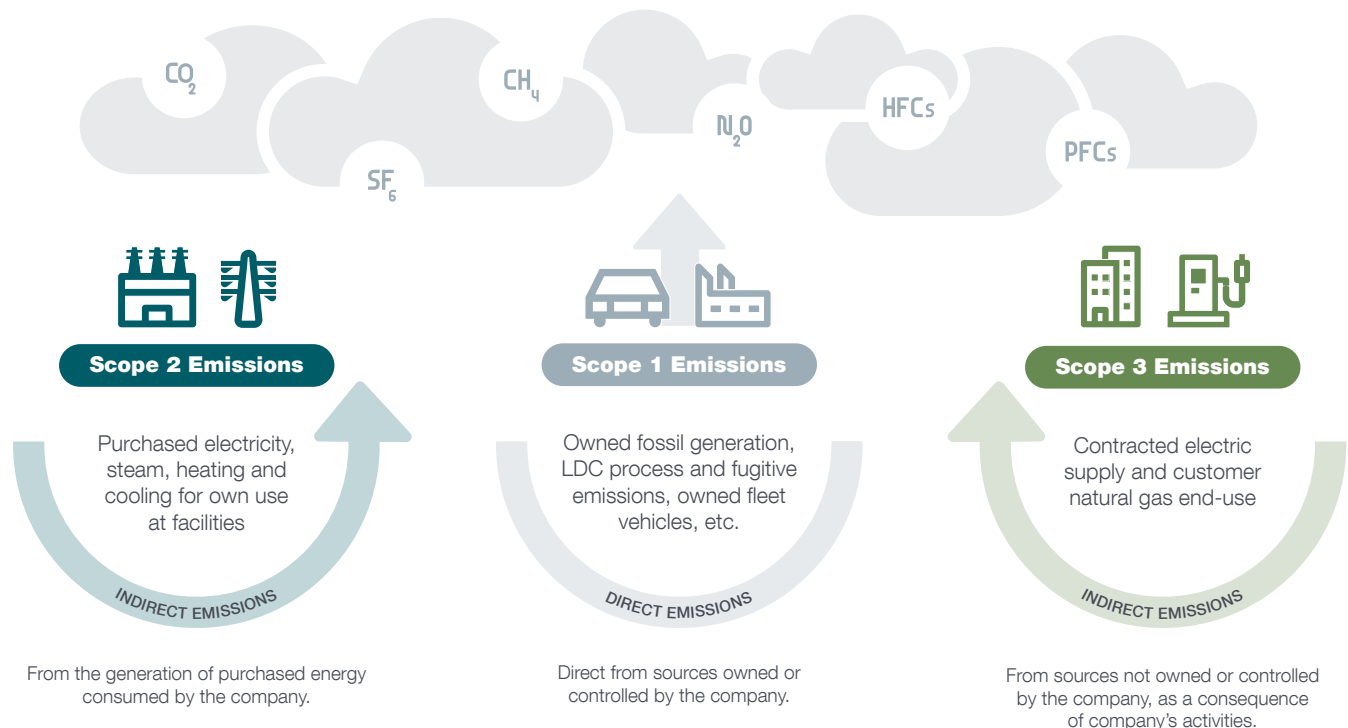
Our [GHG policy statement](#) sets forth our commitment to protect the environment for future generations and our concerns about the urgent impacts of climate change. It also captures our commitment to GHG emission reductions and our support in achieving the objectives of CETA and CCA.

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 CO₂ 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, please visit our [GHG inventory](#).^[13]

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

PSE GHG EMISSIONS BY SCOPE^[14]

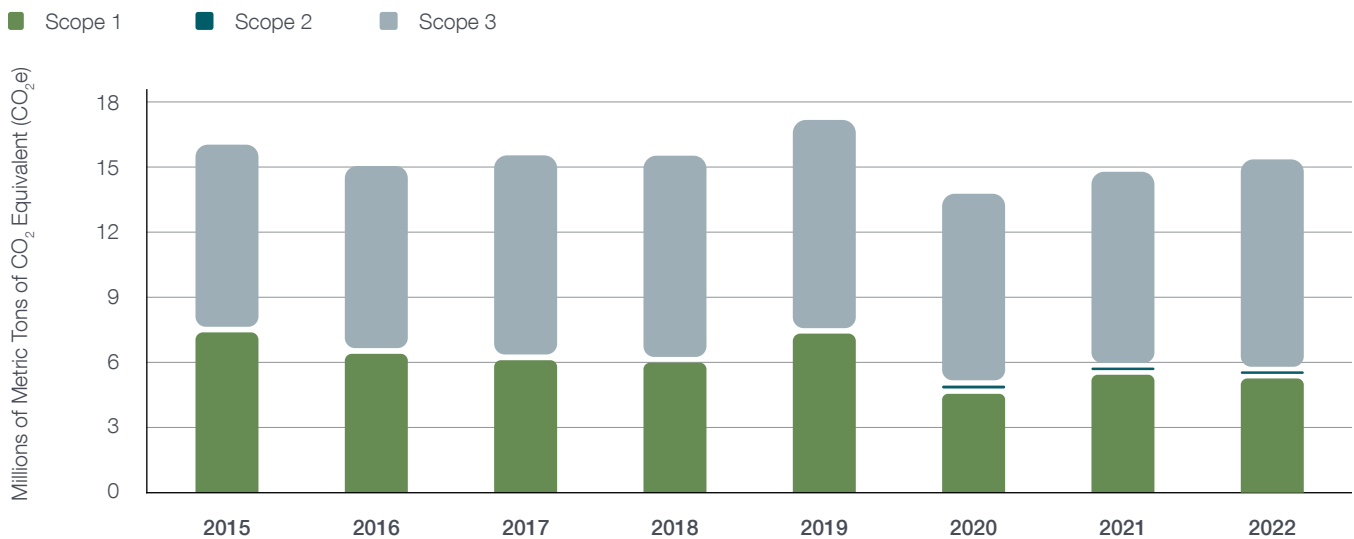


[14] Definitions follow The Greenhouse Gas Protocol.

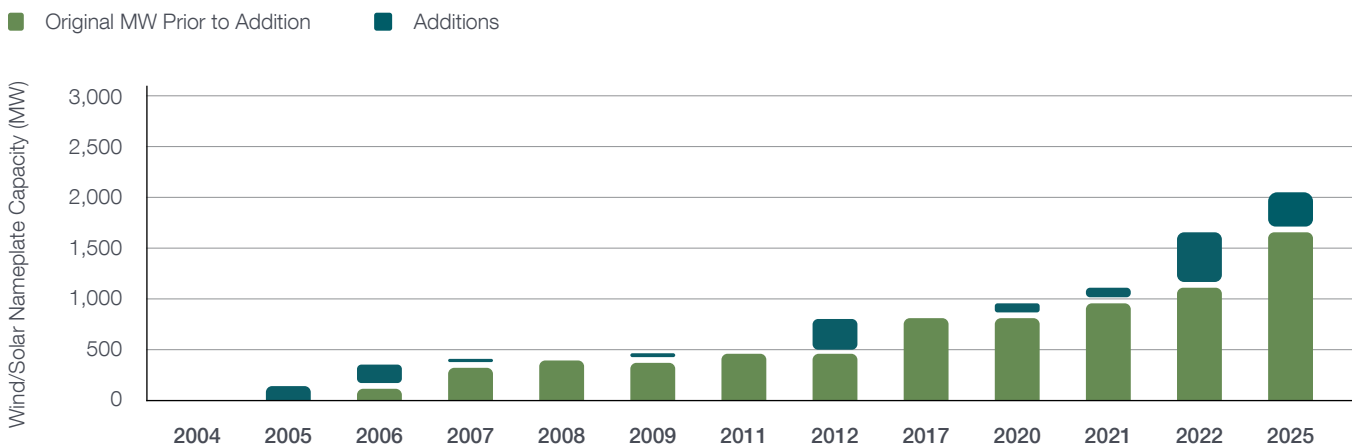
Our GHG emissions for 2015 through 2022 are illustrated below.^[15] While our emissions can vary due to the intermittent nature of renewable resources, such as the impact of snowpack on hydroelectric power capacity and seasonal wind patterns, we expect to further reduce our GHG emissions in coming years as we transition off coal (by the end of 2025) to cleaner energy resources.

A key element of our plans to reach net zero emissions from electric generation by 2030 is the addition of non-emitting generation resources such as wind and solar to our portfolio. PSE's first wind farm came online in 2005, with substantial wind resource additions to our portfolio through 2022. We have plans to acquire and contract for more wind and solar capacity between now and 2030, as demonstrated by our recent acquisition of the Beaver Creek wind farm.

PSE GHG EMISSIONS^{[16],[17]}



PSE PORTFOLIO WIND AND SOLAR GENERATION PROGRESS UP TO 2025^[18]



[15] GHG emissions from 2015 to 2020 have not been third-party verified. 2021 GHG emissions from our Washington-based thermal power plants were third-party verified based on Washington's GHG regulatory requirements. As of December 2023, GHG emissions from 2022 are undergoing third-party verification.

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

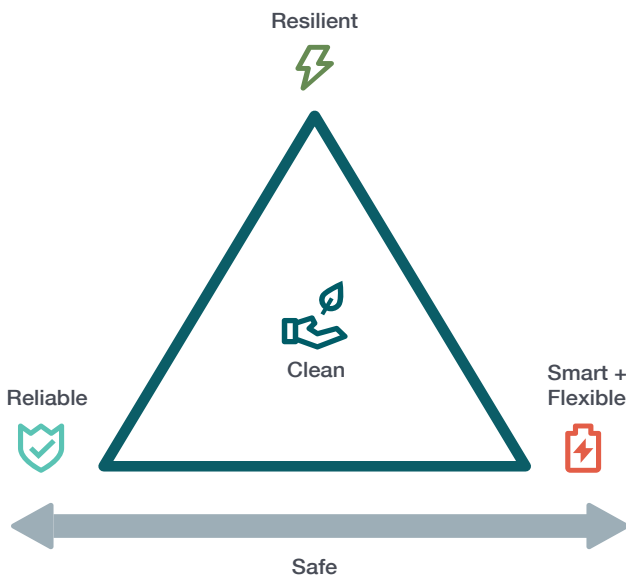
[17] Scope 2 was added to PSE's GHG inventory in 2019.

[18] Portfolio includes CETA-eligible, owned wind/solar resources and/or long-term firm contract.

Climate resiliency

Climate change not only increases temperatures but also exacerbates and increases the frequency of 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 and modernizing our grid by updating and improving our infrastructure to create a more reliable and resilient grid and reduce the physical risks posed by 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. For PSE, this means taking a holistic approach to updating and improving our infrastructure to create a grid that is safe, reliable, resilient, smart and flexible in the face of climate change.



We are currently piloting new [Demand Response \(DR\) programs](#) so in the future, our customers can choose to reduce their energy use during times of peak demand. This enables us to continue providing energy while meeting increased load requirements during prolonged periods of extreme heat or cold.

PSE is also implementing a Virtual Power Plant software solution to help manage 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](#).

PSE maintains a [Wildfire Mitigation and Response Plan](#), which documents PSE's wildfire preparation strategies, operational procedures and system investments. The plan establishes safety as the first priority and outlines methods that PSE uses to address situational awareness, notification, preventative measures and response and recovery actions for wildfire risks. This plan is reviewed and updated as our collective understanding of wildfire risk evolves and new risk reduction strategies and technologies emerge.

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

Enhancing resiliency through microgrids

For the past several years, PSE has worked in partnership with Washington State Department of Commerce on designing, installing and testing the Tenino installation, the first utility-scale battery-plus-solar microgrid in our service area. Performance testing is tentatively scheduled for 2025.

The primary installation will be an approximately 1 MW lithium-ion battery and solar array on adjacent land, complementing existing solar panels at the nearby Tenino High School. Combined, the systems will form a microgrid capable of providing temporary back-up power to the school during an outage, increasing local reliability and resiliency.

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 trainings on certain topics to increase awareness of regulatory requirements and proper procedures for maintaining environmental compliance. Training programs for individual departments are based on specific operations, business activities and the applicable EMS program areas.

Environmental audits

Through our internal environmental audit program, we regularly evaluate environmental regulatory compliance at most PSE facilities (excluding office-only locations and locations with little to no environmental requirements) and verify that our Corporate Environmental Policy and EMS are being properly implemented. Facility audits are generally conducted every three to five years, depending on environmental requirements, 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 where appropriate, and identify and share best practices.

Cultural resources

We work with Tribal Nations, government agencies, other interested parties and the general 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. We also endeavor to work with relevant government agencies and Tribal Nations to verify that appropriate engagement and cultural resource surveys are conducted prior to development to prevent impacts on tribal resources. For more information on how we work with Tribal Nations, please visit the [Tribal engagement](#) section.

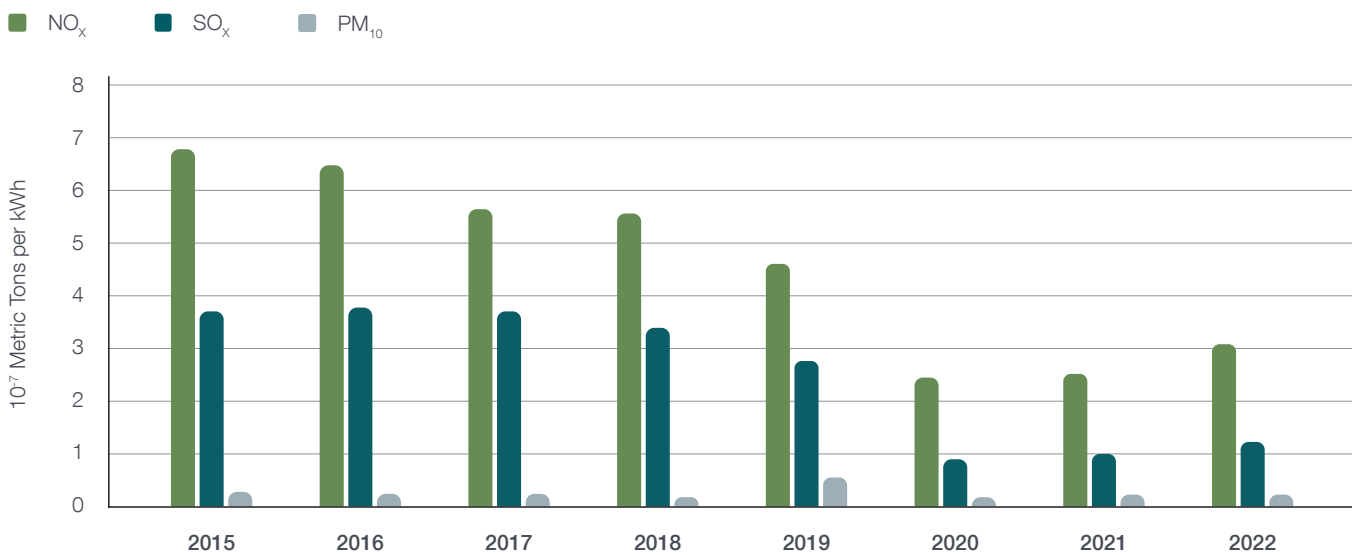


Air

We recognize that air pollution can negatively impact the environment and public health and can disproportionately impact named communities on a cumulative basis. 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 also invest in control technology for all of our plants to reduce the impact of non-GHG emissions. PSE works closely with local 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 NO_x, sulfur oxides (SO_x) and particulate matter (PM₁₀) from our air-permitted generation sources have decreased over time, as shown in the graph below.¹⁹ Our overall 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 the remaining coal power from our portfolio to serve customers after 2025 and continues to increase renewable generation resources in our portfolio.

AIR EMISSIONS INTENSITY⁽¹⁹⁾



[19] Total air emissions for NO_x, SO_x, PM₁₀, mercury and lead are reported in our [SASB Index](#). Volatile organic compounds (VOCs) and PM_{2.5} emissions are reported in our [Data appendix](#).

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 also 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 Services (ES) department oversees our hazardous waste management policies and procedures, employee training, compliance tracking and vendor management.

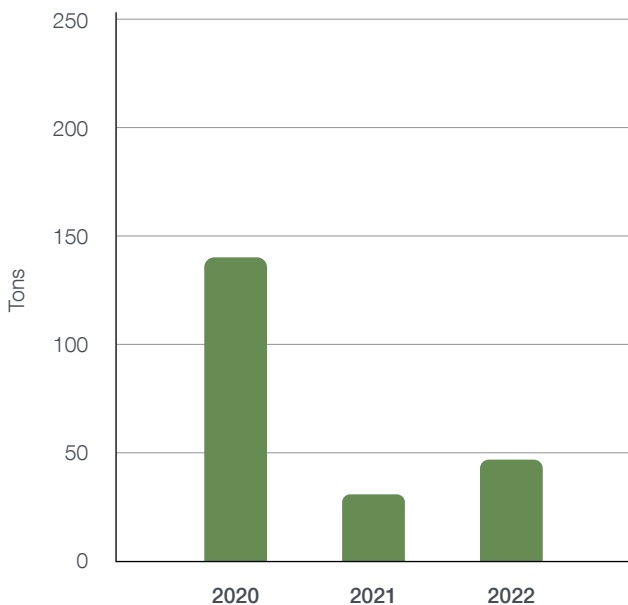
The South King County Waste Management Facility (SKC-WMF) is a permitted Moderate-Risk Waste Facility. Waste that contains polychlorinated biphenyl (PCB) at one part per million or greater is transported from other PSE facilities to the SKC-WMF for consolidation and proper disposal, pursuant to applicable regulations. In addition, the SKC-WMF is permitted by Washington State Department of Ecology (WDOE) 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.^[20]

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.

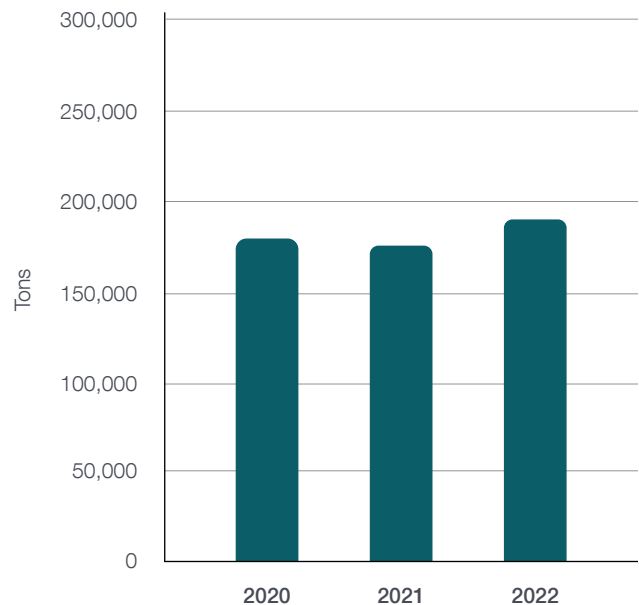
[20] The equipment stored for emergency reuse cannot be tested without jeopardizing the integrity of the device; therefore, the Toxic Substances Control Act regulations require that PSE assume the equipment is PCB-containing.

WASTE GENERATED^[21]

TSCA/Hazardous Waste^[22]



Non-Hazardous Waste



[21] Excludes remediation.

[22] TSCA is an abbreviation for Toxic Substance Control Act. PCBs are identified as TSCA waste.

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 promote responsible water use. In the future, we expect our water withdrawal, consumption and discharge 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](#) and [Data appendix](#).

Industrial and stormwater discharge

Our water discharge program provides oversight and management for industrial wastewater and stormwater discharges from our facilities. The ES department assists in the acquisition, compliance, renewal and updating of wastewater and stormwater permits. PSE major projects and construction project staff and land use planners also work with the WDOE and local jurisdictions to align our management practices with stormwater permitting requirements applicable to construction projects. In 2022, we had zero non-compliance events for wastewater and stormwater discharges.

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. This “Low” identification includes our Goldendale Generating Station and Colstrip power plant, which are located in arid regions of Washington and Montana, respectively. Accordingly, 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.

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](#) section.



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 addressing legacy environmental impacts from historic operations 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.

Remediation of the 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 legacy contamination, PSE agreed to purchase 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. It involved, among other things, the excavation, removal and replacement of the top 15 feet of soil and the installation of a bentonite slurry wall to prevent contaminants from moving offsite.



Spill prevention and response

PSE has oil-filled devices, such as transformers, in service throughout our territory. Oil spills can occur from these oil-filled devices 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 began a robust 24-hour Spill Response Program in 1992. Our Spill Response Program focuses on training and quick spill containment and minimization efforts to reduce spill impacts to the environment. 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.

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 certain assets, including our hydroelectric and wind facilities, for potential effects on biodiversity. PSE's biologists and other subject matter experts provide technical support to PSE planning and operations to avoid or reduce negative impacts to protected and sensitive 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 and provide safe and efficient fish passage. We operate two hydroelectric facilities (Snoqualmie Falls Project and Baker Project) and implement various measures to mitigate our impacts on these critical ecosystems. For example, our Snoqualmie Falls Project—a 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 enhanced trap-and-haul facilities to move fish up and downstream, enabling migration. Part of our success is due to our innovative \$50 million Floating Surface Collector—one of the most sophisticated fish passage systems in the country—which attracts and safely holds juvenile salmon for downstream transport by “fish taxi.” We also operate state-of-the-art hatcheries and protected spawning areas for species, such as the sockeye salmon.

For more information on our efforts to limit impacts on fish populations, please visit the [Fish Protection](#) page on our website.

Record sockeye salmon run at PSE's Baker Dam

In 1985, only 99 sockeye salmon were recorded returning to the Baker River. Because of the collaborative efforts of PSE, the National Oceanic and Atmospheric Administration (NOAA) Fisheries and additional federal, state and tribal partners, we are proud to report that salmon populations have rebounded to record levels. In 2023, a historic 65,000 salmon returned to the Baker River—more than double the predicted amount. We also reached new highs in juvenile fish passage with 1.23 million seaward-bound salmon transported downstream through our floating surface collectors.

Because of this increased sockeye population, the Upper Skagit Indian Tribe was able to increase their time on the water for commercial and subsistence fishery.

“Although we are not quite to our 2003 management objective, we are getting closer and Upper Skagit fishers get to have a sockeye fishery at our ancestral village of Sbalikwh, at the mouth of the Baker River, almost every year—a cultural experience that was denied prior to 2003,” said elder Scott Schuyler, the Upper Skagit Indian Tribe's natural resource policy representative.

“With effective collaboration, communication and trust between Skagit River sockeye co-manager Tribes, Washington Department of Fish and Wildlife (WDFW) and PSE over the past decade, a strong foundation has been built for Baker Lake sockeye recovery,” says Dr. Mickey Agha, WDFW's Salmon Science Policy Analyst.^[23]

[23] Source of quote is from the WDFW's article located [here](#).

Protecting rattlesnakes at the Wild Horse Wind Facility

Our Wild Horse Wind Facility is home to many native Washington species, including the Northern Pacific rattlesnake. While rattlesnakes can pose a hazard near populated areas, they play a critical role in keeping rodent and tick populations in check and maintaining the balance of the ecosystem. PSE partners with Central Washington University (CWU) graduate students to help safely relocate rattlesnakes when they are on the road or in an area at the visitor center where people may try to interact with them. Through our partnership, we also educate the public on the value of rattlesnakes and offer relocation services so that people do not resort to harming snakes found near their homes.



Wildlife and habitat protection

We are committed to sustaining the valuable, diverse ecosystems present throughout our operating areas. Through our conservation efforts, we have undertaken mitigation on 25,900 acres of land^[24] 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 strive to select construction methods that minimize the duration and extent of disturbance and partner with specialized consultants, interested parties and resource agencies 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.

[24] This includes 7,000 acres of conservation easement to safeguard shrub-steppe habitat, 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 strives to reduce our electrical delivery system's potential to harm birds, maintaining service reliability for our customers and complying with state and federal regulations protecting birds. PSE maintains an Avian Protection Plan, which provides guidance and procedures for minimizing risk to avian species company-wide. All of PSE's wind farms have bird and bat conservation strategy plans—including eagle conservation plans—which detail facility-specific best management practices to protect these animals and their habitats from wind turbine operations.

In 2022, we completed 31 projects, modifying 145 avian-safe units (poles and line spans) 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. Through these initiatives, we help minimize our impacts on avian species during vegetation management and construction activities.

For more information on our bird protection efforts, please visit the [Bird Protection](#) page on our website.

Vegetation management

PSE is responsible for trimming or removing incompatible trees near our power lines to comply with local, regional, state and federal laws to keep the public safe and maintain service reliability. PSE must make every effort to maintain reliable electrical service to our customers by striving to reduce power outages, the majority of which are caused by incidents with trees. These outages occur when unhealthy trees fall into the electrical lines, windblown branches cross lines as they fall to the ground and tree limbs grow into power lines.

When tree removal is necessary, we balance it with mitigation, partnering with local, state and federal agencies to identify the best mitigation sites that are currently degraded and could benefit from additional vegetation. Our goal is to convert these critical areas into thriving ecosystems by planting tree and shrub species native to western Washington which provide shade for salmon habitats, perches for birds, decaying wood for amphibians and cavity-dwellers like woodpeckers and foraging material for mammals. We implement best practices during vegetation management activities as needed to avoid and minimize potential impacts to projected bird nests. We are committed to providing safe and reliable service to our customers while taking a responsible approach to protect and restore 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.

For more information on our tree maintenance program, please visit the [Tree Trimming](#) page on our website.

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 communities 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, PSE strives to keep energy affordable as we accelerate a just, cleaner energy transition. Energy costs generally pose a greater burden on under-resourced and minority communities, making it more challenging for them to pay for other necessities. Often, families with high energy burdens may limit their energy use to save on costs, resulting in unhealthy living conditions. Under CETA, we focus on the equitable distribution of benefits and energy burden reduction for highly impacted communities and vulnerable populations.

Contributing to the just transition

One way PSE is working toward a just transition is through our ownership 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 of the Colstrip community, reflected in the \$10 million Colstrip Community Fund we initiated for community transition planning. As part of this transition, we also 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 provide 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.



Helping incentivize natural gas customers to adopt electric technology

In September 2023, we launched a targeted electrification pilot to incentivize up to 10,000 of our natural gas customers to transition to more efficient and sustainable electric technologies for space conditioning and water heating. The pilot will help PSE design effective programs and rebates to help customers take advantage of newer technologies, such as high-efficiency electric heat pumps, to lower their carbon footprint and contribute to Washington's clean energy transition.

As part of the pilot, selected PSE natural gas customers will receive a free in-person home electrification assessment that will provide them with a comprehensive roadmap to electrifying their home. The pilot also includes a special direct-install plan for income-qualified customers where PSE will cover the full cost associated with the electrification project, including the heat pump, panel upgrades, installation charges, home weatherization upgrades and similar work. For more information on our targeted electrification strategy, please visit the [Targeted electrification](#) section.



Supporting our customers during the COVID-19 pandemic

We recognize that many customers experienced financial struggles from the ongoing effects of the COVID-19 pandemic. PSE has distributed approximately \$25.1 million to almost 57,000 customers using state COVID-19 relief funds. PSE distributed these funds in 2022 to pay off or reduce unpaid electric and natural gas utility bills for current and former customers who received bill assistance during the pandemic.

Our Low-Income Advisory Committee (LIAC) advises us on how we can reduce customer energy burden. We offer a variety of assistance programs and resources to help low-income 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). The [Bill Discount Rate Program](#) provides savings of 5% to 45% a month on utilities bills depending on household income and household size. 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 PSE's programs to improve energy affordability, please visit the [Assistance Programs](#) page on our website.



Renewable energy and customer energy management programs

We believe our customers should be informed and supported 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.

Our customer management teams are committed to the equitable distribution of energy benefits and burdens—or distributional justice—across all community segments within PSE’s service territory. Notable efforts over the years include partnerships on the Low-Income Weatherization program; designing and implementing direct-install programs to serve the unique needs of residential and business customer renters and increased incentives for income-qualifying customers via many residential programs. PSE strives to be a trusted energy partner in all the communities it serves, seeking customer collaboration with a focus on highly impacted and vulnerable communities.

Providing increased access to solar energy

Through our Green Power and Solar Choice programs, we awarded over \$750,000 in grant funding to nine organizations and tribes across our electric service area, serving low-income or BIPOC community members. The grants will be used to install new solar projects. One of the solar grant recipients is Fishline Food Bank, which provides food and access to resources that offer stability, improve health and well-being and help people onto a path to self-sustainability.

“Fishline Food Bank and Comprehensive Services is overjoyed to have been awarded the PSE solar power grant,” Executive Director Lori Maxim said. ***“Our mission to promote self-sustainability in our community pairs nicely with this opportunity to help utilize renewable energy on our campus. We are truly grateful for this opportunity.”***



Renewable energy programs

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 footprints and encourage renewable electricity growth across the state to further progress toward our decarbonization goals. For a complete list of PSE's products and services, please visit our [Products and Services](#) webpage.

PSE CLEANER ENERGY PRODUCTS AND SERVICES



Green Power

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

- ◆ PNW REC purchases
- ◆ 66k residential, corporate, municipal customers



Solar Choice

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

- ◆ Solar RECs WA and ID
- ◆ 14.5k residential, small commercial customers



Carbon Balance

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

- ◆ PNW third-party verified carbon offsets
- ◆ 24.5k customers



Community Solar

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

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



Renewable Natural Gas

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

- ◆ Replaces a portion of gas usage with local RNG supply
- ◆ 8.4k customers



Green Direct

[Commercial](#)

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



Net Metering

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

- ◆ Up to 100 kW
- ◆ 20k customers, total of 164 MW
- ◆ All customer types



Small Power Producers

[Commercial](#)

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

Demand response programs

From September 2022 through May 2023, PSE engaged with interested parties on future distributed energy resource (DER) programs, including batteries, solar installations and demand response (DR) programs. We listened through focus groups, workshops and surveys to better understand the benefits and barriers customers may face when it comes to DER products so that future program design can alleviate these barriers and maximize the desired benefits.

In 2023, PSE established the following voluntary DR programs for customers with advanced metering infrastructure (AMI) meters that heat or cool their homes with PSE electricity:

- ◆ [Flex Smart](#): Through this program, customers are rewarded for enrolling their eligible thermostats and will receive notifications of upcoming DR events. PSE will adjust the customer's temperature set point by a few degrees during an extreme weather event to help reduce energy demand. In 2024, customers will be eligible to enroll EVs, batteries and water heaters for additional rewards.
- ◆ [Flex Rewards](#): This program uses smart technology to smooth out the demand for energy when it's at its highest. Customers without an eligible Flex Smart device will be rewarded with one after enrolling. Ahead of times of peak demand, PSE will send customers a notification to reduce their energy usage, and they will be rewarded based on how much energy they save.
- ◆ [Flex Events](#): Participants will receive email notifications of upcoming DR events with energy efficiency tips to help maximize their savings. Customers will receive a post-event email containing their results compared to similar homes. In 2023 and 2024, PSE plans to expand notification types to include SMS and Interactive Voice Recording.
- ◆ [Flex Rewards–Business Demand Response](#): Business customers can partner with PSE to create a customized energy curtailment plan and receive incentive payments for reducing electrical usage during DR events.

Energy efficiency programs

PSE helps customers better manage their energy usage and save money on their utility bills through our dozens of energy efficiency programs. Over the last five years, we have helped customers cut their electricity and natural gas consumption by approximately 1.2 billion kilowatt-hours (kWh) and 18 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 large or small home efficiency upgrades, including home weatherization, major appliance upgrades or heating and cooling system improvements. The [Efficiency Boost program](#) offers higher rebates on energy-efficient upgrades to income-qualified customers. 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. Customers in multifamily housing benefit from rebates for residents, property managers and builders.

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



Property management services

We also offer services for property managers to help make utility bill and energy management smarter, easier and more streamlined across properties. In partnership with the energy management software experts at [EnergyCAP®](#), we provide PSE customers and property management professionals with a robust suite of data resources to help manage their energy portfolio. The software enables energy managers to centralize a large volume of data into one system for easy analysis and evaluation of energy saving actions.

EnergyCAP facilitates our customers' compliance with the City of Seattle Energy Benchmarking Ordinance and the Washington State Clean Buildings Act [HB1257]. It also allows them to benchmark their buildings' energy profiles using EnergyCAP's Cost Avoidance analysis tools.

Helping organizations support their communities

Our Powerful Partnerships program is committed to working with organizations that are taking steps to address their own sustainability goals while positively impacting their communities. In 2023, we distributed \$125,000 across 10 nonprofit organizations to educate their clients, employees and donors on ways to save energy and money on their bills and decrease their carbon emissions. Safety and emergency preparedness are also focal points within the education program. The Powerful Partnerships program, now in its seventh year, has worked with a total of 80 organizations and has donated \$830,000 as of 2023.



Customer outreach and engagement

Our outreach teams continuously work to improve the reach and effectiveness of our communications to increase customer awareness of the services we offer that reduce their carbon footprints and enhance public safety and energy affordability. For example, we developed an equity tool in 2023 to identify named communities so that we can focus and build key relationships with local customer groups, businesses and organizations. Our outreach teams also work closely with local human service organizations in our service areas to raise awareness about available programs. PSE also offers website content and written materials in multiple languages to expand access to non-English speaking communities and businesses. For more information on our engagement efforts, please visit the [Community engagement](#) section and the [Community Engagement](#) page on our website.

Customer experience

We are committed to providing our customers with quality service, support and resources for a seamless and intuitive customer experience. Our customer assistance programs strive to deliver clear and transparent communications to help meet customers' needs through multiple communication channels that include our call center, website and social media channels. We also help customers stay up to date on important outage information through our [Outage Map](#), which shows current outage locations and the 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 2022, we conducted a reputation survey, and the results indicated that 69% of customers viewed PSE favorably, and 74% believed PSE has a good or excellent reputation. We report our service quality index metrics annually to the WUTC, and it is a quantitative factor in annual employee incentives.

Being there for our customers during outages

Our Community Incident Outreach (CIO) team provides assistance to communities impacted by unexpected emergency events, storms and planned system work. After intense storms in Point Roberts and Langley in November 2022, members of our CIO team engaged directly with customers in person—providing hand crank PSE flashlights, hand warmers and refreshments to customers who stopped by our tables. The team also answered questions regarding reporting outages and general storm outage guidance and shared updates around restoration efforts. Customers were grateful for our presence in their communities and expressed their desire to thank the service crews personally for working in such harsh conditions.





Our communities

PSE strives for active engagement within our communities, fostering trusted relationships and building partnerships supported by transparent communication.

Community engagement

Participation and feedback from local communities are integral to our work. Trusting partnerships involve dialogue, listening, understanding and collaboration. We also understand that historically marginalized communities have not had a voice in decision-making processes, and we are committed to forming long-lasting relationships with the communities we serve, particularly with underserved communities.

PSE has executive- and director-level oversight of community engagement. We also have dedicated Community Affairs team members who work with nonprofits and community-based organizations (CBOs) on local issues and partnerships. We convene a Low Income Advisory Committee and Conservation Resource Advisory Group to promote two-way dialogue with local community leaders. For more information on our efforts, please visit the [Community Engagement](#) page on our website.

Customers and other interested parties can provide feedback through avenues such as the following:

- ◆ [General PSE customer feedback form](#)
- ◆ [PSE contact information](#)
- ◆ [Major projects contact information](#)
- ◆ [Equity Advisory Group comment submittal form](#)

We conduct post-project surveys for every energy efficiency project as well.

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

Project-specific outreach and education

Engaging with interested parties is important to us as we develop large-scale projects. We conduct active outreach to communities, local, state and federal governments and Tribal Nations during early stages of projects to provide information on project context, needs and impacts. For example, [PSE on Bainbridge Island](#) has a community sounding board for new and current projects. We also work to ensure 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 CWU to help staff the Center and provide CWU students with hands-on learning opportunities



Corporate giving and community service

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 2022, PSE Foundation granted nearly \$1.2M in charitable grants to local nonprofit organizations throughout the communities we serve and have facilities. These contributions supported food security, emergency preparedness, shelter, literacy in all forms and other community programs that provide essential needs and services. Additionally, PSE Foundation provided grants to support our partners through nonprofit staff training and development and capacity building projects.

We encourage our employees to get involved in their communities by volunteering, donating and participating in service events. Employees and retirees can match their charitable donations and volunteer hours to qualifying local nonprofit organizations 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.



Supporting community voices through participatory grant making and employee engagement

In an effort to better support community experiences and equity, the PSE Foundation established a new grant-making program that engages PSE employees in the grant review and decision-making process in the county where they live and work. PSE employees receive professional training and development on grant-making, including research and direct interviews with interested parties. This program allows community organizations to be recognized and valued for their work and expertise. The program also enables PSE employees to build new professional and interpersonal skills, including a deeper understanding of social issues in their communities. Employees also gain experience on board engagement, elevating the voices of everyone involved.



> \$8.3M

PSE Foundation grants since 2018



~\$12.0M

Corporate donations, sponsorships and contributions since 2018

Our employees

Our ability to meet our cleaner energy goals and aspirations depends in large part 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 energy transition. We place employee needs and safety as our top priority and strive to be the employer of choice by promoting a dynamic workforce.

Talent acquisition

We design our talent pipeline development strategy to recruit innovative, diverse and robust talent. PSE partners with industry organizations, external organizations and educational institutions to recruit top talent to enable our company to achieve each of our corporate goals. We also offer a variety of programs to identify and upskill new talent pools and provide internship opportunities, including underrepresented groups in the energy industry.

Hosting Washington State University students

In March 2023, we partnered with Potelco to host 10 students from Washington State University for their annual power engineering practicum. The students heard from engineering teams about their own career experiences and learned about real-world utility engineering in both a classroom setting and the field. This is the second year we have hosted students from the university.

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 mentorship opportunities in the energy industry.
- ◆ **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 natural gas industry required for the position. PSE regularly assesses the impact of our outreach efforts to increase diverse representation in this program.
- ◆ **Pathway to Apprenticeship Program:** PSE's Pathway to Apprenticeship is a state-recognized workforce development program designed to develop a pipeline of qualified, journey-level workers for PSE's electric operations in partnership with International Brotherhood of Electrical Workers Union (IBEW) 77. Apprentices receive one-on-one mentoring from experienced PSE journey-level workers to review skills, desired work habits, safety and performance. This mandatory pathway model from pre-apprentice to apprentice to journey-level worker helps ensure we develop and retain engaged and safe electric utility professionals trained in PSE procedures.

PSE collaborates with external partners, such as Circa, to promote our career opportunities through their nationwide networks of locally-focused and diversity niche sites. We continue to assess our recruitment practices and engagements to improve how we attract and recruit diverse talent. For example, we revised certain outdated job qualifications and requirements so candidates aren't unintentionally deterred from applying. Periodic employee surveys and exit interviews also inform efforts to increase and retain the diversity of our workforce.

Expanding opportunities in STEM education

In 2022 through the iEngineering program, we developed two capstone projects with the University of Washington for five junior and senior high school students. The students earned three transferable college credits after they successfully completed their capstone projects, and we awarded each student with a surprise \$1,000 scholarship. Our engagement promoted awareness of the engineering discipline to students at an early stage and provided exposure to the various career opportunities at PSE.

Further, after seeing how enriching the iEngineering program was for students and mentors, in 2023 the Pole Services group decided to take the experience a step further and select an outstanding student for an iUrban Teen's summer internship program. This program has been such a success that the team plans to keep it going in years to come.



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.

Great Place to Work[®] survey

In 2023, 80% of PSE employees participated in our Great Place to Work[®] survey, and 73% responded that PSE is a great place to work. Employees continued to highlight our top strengths as safety and recognizing a culture of inclusion. We conduct this survey every two years, with pulse surveys conducted in between those years.

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 so they are thriving personally and professionally.

All employees participate in a review process to evaluate their performance. Employees represented by a collective bargaining agreement have an annual performance review each year with their immediate supervisor and non-represented employees have two formal performance reviews each year. PSE employees have ongoing career and development conversations with their immediate supervisor and are expected to update their career development plans.

Performance calibration is a fundamental part of awarding merit-based compensation increases each year. Calibration promotes fairness in the application of performance and competence ratings. We also review increases to base pay for fairness across the organization.



PERFORMANCE REVIEW CYCLE



Professional development and succession planning

We provide employees with the tools, training and career growth opportunities they need to be successful at their jobs. PSE has multiple training programs and modules designed to educate employees on health and safety practices and certifications, corporate ethics and compliance, business management, unconscious bias, employee relations, environmental awareness, community engagement, regulatory compliance and emergency preparation and response. PSE also offers a tuition reimbursement program for all full- and part-time employees with at least one year of service to support their enrollment in employment-related college programs. We provide up to \$5,250 per year for full-time employees and a pro-rated amount based on number of hours worked for part-time employees.

PSE uses a multi-faceted approach to professional 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):** Connects new employees 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:** Supports employees entering leadership roles for the first time or those joining PSE as leaders to address common management functions.
- ◆ **Development Focus for All Employees:** Comprehensive suite of trainings and development programs to enable all employees to be successful in their jobs and achieve their goals. Non-represented employees, including those in leadership, complete individual development plans through this program.
- ◆ **Leadership Development Programs:** Supports manager development through coaching and mentoring, including 360° feedback and skills training in areas such as strategic decision-making, managing performance and business acumen. Offers an annual leadership conference for mid-level and frontline leaders which focuses on topics such as DEI, leadership skills and employee development.
- ◆ **Executive Development:** Targets senior leaders and their successors, driven by development plans and career goals.

We also provide operational training activities to upskill our employees. Certain divisions within PSE implement talent development practices to build technical and problem-solving abilities within their specific functions. For example, the Engineering group offers the PSE Engineering Development Program, a multi-year career advancement program designed to provide entry-level and early-career engineers a roadmap for professional development. The mission of this program is to support the growth of engineers as they learn core business expertise, respond to future industry needs and position themselves for increasingly challenging roles over the life of their career.

We conduct succession planning annually for key and critical roles, 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 their career aspirations and goals and promote development programs to promote employee readiness as opportunities become available.

Enabling creative problem solving during PSE’s Hackathon

In 2022, we hosted a Hackathon, where PSE’s IT organization and peers came together in person to collaborate on creating high-quality, innovative solutions to unique problems in the workplace. After 24 hours of collaboration and team work, judges reviewed 17 ideas to select three finalists.



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, prevention of forced and compulsory labor and other labor laws.

We respect and support the right of our employees to seek union representation. As of December 31, 2022, approximately 970 PSE employees, or about 30% of our workforce, were represented by the 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. There are two IBEW contracts; one was ratified effective April 1, 2020 and will expire on March 31, 2026, and the other was ratified effective May 1, 2023 and will expire April 30, 2027.

Employee benefits and wellness

PSE is dedicated to its workforce and offers a comprehensive benefits package to help employees and their families stay healthy physically, emotionally and financially throughout all stages of life. We understand that supporting life-work harmony is essential to delivering company business objectives. Our benefits package provides the choice and flexibility necessary to attract and retain talented people, address employee needs and create a culture where employees thrive both personally and professionally. Other benefits include PSE-provided smart cards for use in public transit in the Puget Sound region. For a summary of our employee benefits, please visit the [Why Work For Us](#) page on our website.

The myWellness at PSE program is our branded company well-being program, which is designed to enhance the health and well-being of PSE employees and families through tools, education and activities that support resiliency and healthier lifestyles. We desire to foster an environment that is confidential and encourages members to improve their whole-person well-being—physical, mental, emotional, financial and work, through various programs and tools. We do this by providing the resources employees need, removing barriers to access, building trusting relationships and offering programs to support life's challenges.

Our commitment to diversity, equity and inclusion

DEI is 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.

PSE requires leaders to participate in training on unconscious bias and offers optional additional training on exploring equity issues. All employees are encouraged to attend unconscious bias training, and we include topics such as promoting inclusivity and raising awareness of unconscious bias in our leadership pipeline programs: Exploring Leadership and the Leadership Mentoring Program. We also maintain a library of e-learning modules and on-demand learning courses to promote DEI awareness.

LEADERSHIP DIVERSITY^[1]

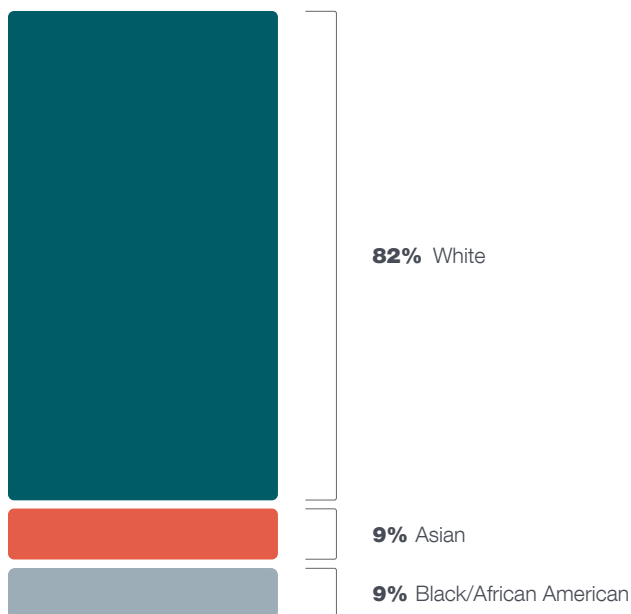
Gender Diversity



Age Group Distribution



Race/Ethnic Diversity

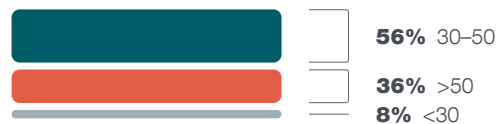


TOTAL WORKFORCE DIVERSITY^[1]

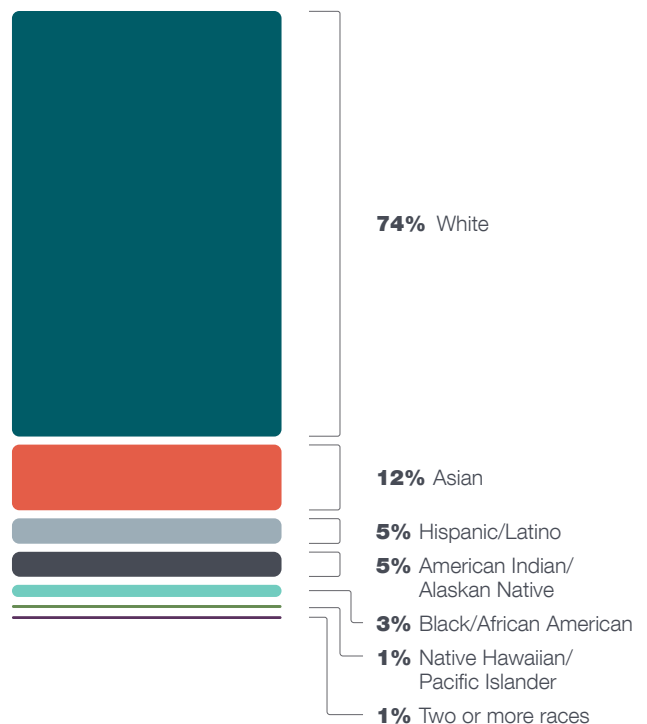
Gender Diversity



Age Group Distribution



Race/Ethnic Diversity



[1] Percentages that do not add up to 100% are due to rounding.

DEI Playbook

DEI is an essential part of our journey on which we must focus both internally and externally. The DEI Playbook has four focus areas, one of which is People. Each focus area aligns 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 with 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 the assess phase, we focused on benchmarking to establish a baseline for tracking our progress annually. We created a DEI Index in our Great Place to Work® engagement survey, which measures the health of our company culture and the impact of our DEI efforts. Throughout the execution of our DEI strategy, we continue to develop mechanisms to track our progress and work with key interest groups. Additionally, we are continuously identifying new ways to engage with our community to raise the voices of underrepresented groups.





Employee resource groups

PSE has many 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 are voluntary employee groups which help to 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.



AAPI Advocates

Spreading awareness of Asian American and Pacific Islander (AAPI) cultures and history.



PSEEA

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



AAL-Voices

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



PSE Toastmasters

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



Green Team

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



teamPSE

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



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.



Troopers, Warriors and Supporters (TWS)

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



PRISM

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



Women's Impact Network

Bringing together employees passionate about representing women across all facets of PSE's business.



DEI partnerships

PSE participates in best practice sharing and education through engagement with external consortiums, such as:

- ◆ [Washington Employers for Racial Equity](#)
- ◆ [Edison Electric Institute](#)
- ◆ [WUTC diversity forum](#)
- ◆ [Seattle Metro Chamber of Commerce](#)
- ◆ [Tabor 100](#)

For the past two years, PSE has partnered with Gonzaga University and its Center for Leadership Studies to develop and implement DEI and leadership workshops covering topics such as Growing Equity, Servant Leadership, Feedback as a Relationship Building Tool and Inclusive Leadership.

We are all investors in the success of our DEI strategy, which is a critical component of advancing our cleaner energy business strategy. 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. PSE is a strong supporter of diverse suppliers.

We strive to conduct business honestly, fairly and ethically as outlined in our Code of Conduct and expect suppliers to value and maintain ethical business conduct. Suppliers are expected to comply with all applicable laws concerning discrimination in hiring and employment practices. PSE will consider whether a prospective supplier has a record of demonstrated compliance, i.e., the prospective supplier has no record of significant violations of laws, rules or regulations pertinent to the work to be performed.

PSE strives to be a good neighbor where we do business. We endeavor, when reasonably feasible, to hire local labor when working in smaller communities.

Growing our diverse supplier base

PSE is a strong supporter of diverse suppliers. For example, our Pole Services group established a contract with Cannon Companies as a service provider for pole attachments in 2021. Cannon is part of the Bristol Bay Native Corporation and a Minority Business Enterprise (MBE), certified through both the Office of Minority & Women's Business Enterprise and the National Minority Supplier Development Council. This contract has been so successful that Pole Services is currently engaged in expanding our scope of work with them.

Safety and health

The health and safety of our employees, contractors, customers and communities is an uncompromising core value at the foundation of everything we do, and PSE's culture incorporates safety and health 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 customers. Our leadership team sets the standard for prioritizing safety and well-being and our objective that "Nobody Gets Hurt Today."

Promoting a safe work environment during Safety Days

Throughout the summer of 2022, departments across PSE partnered with security, safety, vendors and others to plan and complete Safety Days events at locations across our service area, culminating in hands-on, in-person training. Safety Days events featured presentations and topics relevant for employees within an organization or department and others who may work with them. The goals of Safety Days are to celebrate accomplishments in safe work practices, learn information for safe actions at work and at home and continue to make safety a priority.



Employee safety

An executive-level safety committee (ESC) oversees employee safety performance and programs and drives continuous improvement in our safety processes and programs. The ESC meets every six weeks and is chaired by the Corporate Safety Manager. The committee provides officer- and director-level review of all safety and health-related matters brought before them, and each committee member has the authority to order a review of any safety-related matter within the company. PSE's President and CEO maintains oversight of the ESC, and matters are reviewed with the President and CEO and the Board periodically through the year.

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 and health 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 Administrative Code (WAC) rules and regulations. Our workplace safety program works to first identify workplace hazards and then address and mitigate them. We implement a Hazard Reporting Program that 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. Our regional safety consultants respond to safety reports by identifying hazards and modifying work processes to minimize risks to workers. All serious hazards involving high energy sources are investigated.

Our safety and health 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.

Our Safety Management System covers all PSE employees, who 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.

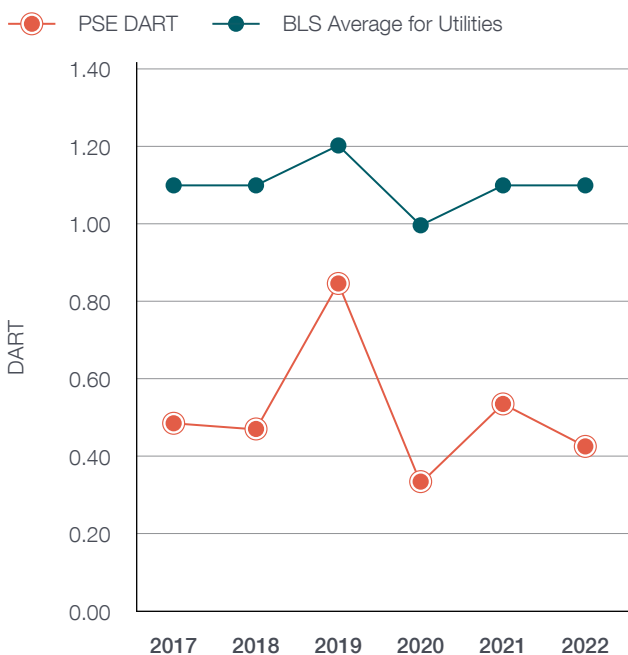
PSE vehicles, equipment and construction practices meet all applicable regulations and codes for worker and public safety. Additionally, we leverage engineering controls and provide necessary personal protective equipment (PPE) to address hazards.

Safety performance metrics

PSE continually tracks and analyzes safety key performance indicators (KPIs) to determine where additional investments are needed and drive progress toward our corporate safety goals. We value transparency, and our metrics are both reported monthly to the executive-level steering committee and posted on our Corporate Safety Dashboard, which is visible to all employees. 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

Due to PSE’s large service territory and the breadth of work required in our offices, in the field and while working on our system, there may be over 300 contractors performing services for PSE at any given time. 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. For instance, 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.

PSE Contractor Safety Forum

PSE, Potelco/Infrasource and Wilson Construction partnered to deliver the second annual PSE Contractor Safety Forum. The forum brought PSE personnel, service providers and contractors together to share workplace safety experiences and strategies. Highlights included dynamic safety presentations and illustrations and acknowledged the organizations and personnel that make delivering reliable energy to our customers happen.

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.



Preparing for public safety events

The PSE Amateur Radio Emergency Services (PSEARES) participated in a major international disaster drill simulating a full rupture of the entire Cascadia subduction zone fault, which produced tsunamis along the Washington coast and within Puget Sound, plus numerous other events that hampered emergency response efforts. PSEARES is a volunteer organization of mainly PSE employees who are licensed amateur radio operators. Participating in the drill helps keep PSEARES ready to bridge the gap should communication fail during PSE emergencies and outages.

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. PSE's Board of Directors comprises nine owner members, three independent members and our President and CEO as of December 31, 2022.

Our independent Chairperson is not employed by PSE and does not hold affiliations with any of our investors. PSE aims to have a diverse board and as of December 31, 2022, 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 Sustainability-related responsibilities. Annually, we review and assess our governance guidelines to ensure effective oversight and governance. Sustainability expertise on the Board derives from experience in asset management in the U.S. and internationally and corporate responsibility in the U.S., including that of the Senior Vice President (SVP) of Public Affairs and Sustainability for Alaska Airlines.

Linking compensation to Sustainability performance

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

We review the KPIs periodically to promote continued relevance to our Sustainability objectives.



Sustainability governance

Our Chief Sustainability Officer (CSO) leads PSE’s enterprise-wide Sustainability strategy and works together with our SVP Chief Customer and Transformation Officer (CCTO), Vice President (VP) of Clean Energy Strategy and Planning and others to identify interim targets and strategies needed to strive toward our aspirational BNZC goal. Our SVP CCTO is responsible for our customer programs, solutions and new product development and their contributions to our overall cleaner energy transformation. 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 SVP of Energy Resources—who oversees our VP of Clean Energy Strategy and Planning—our Chief Financial Officer and our SVP of Energy Operations 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 President and CEO.

Board Oversight of Sustainability

As outlined in PSE’s Corporate Governance Guidelines, the Board oversees the business affairs and management of the company, including appointing and overseeing senior management. It reviews regulatory affairs and accounting, financial and legal compliance controls and processes and progress toward Sustainability objectives.



Relevant Board Committees

<p>Audit Committee</p> <p>Maintains process and controls to ensure that Sustainability disclosures are accurate, comparable and consistent. Reviews any Sustainability-related disclosures that are required to be included in the Company’s annual Form 10-K.</p>	<p>Governance Committee</p> <p>Oversees our corporate governance in all matters, including Sustainability, as reflected in our Corporate Governance Guidelines.</p>	<p>Compensation Committee</p> <p>Develops PSE’s compensation philosophy that ensures a linkage between executive operational performance and executive compensation that is aligned with operating goals. Supports continued emphasis on low-cost, safe, reliable and equitable service to customers in a manner consistent with the Company’s Sustainability objectives and commitments.</p>
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Chief Executive Officer

Ultimately responsible for the implementation of PSE’s Sustainability strategy.



Management Oversight: Sustainability Executive Committee

<p>Reports routinely to the CEO and Board on Sustainability matters, demonstrating oversight and accountability. Facilitates routine communication and collaboration across departments and functions. Promotes integration of Sustainability objectives into business planning and project execution/tracking.</p>	<p>Members include:</p> <ul style="list-style-type: none"> ◆ Chief Sustainability Officer (chair) ◆ SVP Chief Customer and Transformation Officer ◆ SVP Energy Resources ◆ SVP Energy Operations ◆ VP Clean Energy Strategy and Planning ◆ SVP External Affairs ◆ Chief Human Resources Officer ◆ Treasurer
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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.

Compliance and Ethics Week

We join hundreds of organizations every November to celebrate Compliance & Ethics week. This year's theme of "Compliance, Leadership, Ethics, Accountability and Respect" (CLEAR) highlights the clear value of ethical leadership for all employees. Throughout the week, we implemented activities to communicate the centrality of compliance and ethics in all that PSE does and to recognize employees for ethical behaviors and leadership.

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 Compliance & Ethics Committee provides the oversight necessary to the Chief Ethics & Compliance Officer and senior leadership to 1) monitor and assess the effectiveness of the Company's Compliance & 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.

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 support 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 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 2022, we refreshed our Code training and 100% of our employees completed their Code 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. 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.

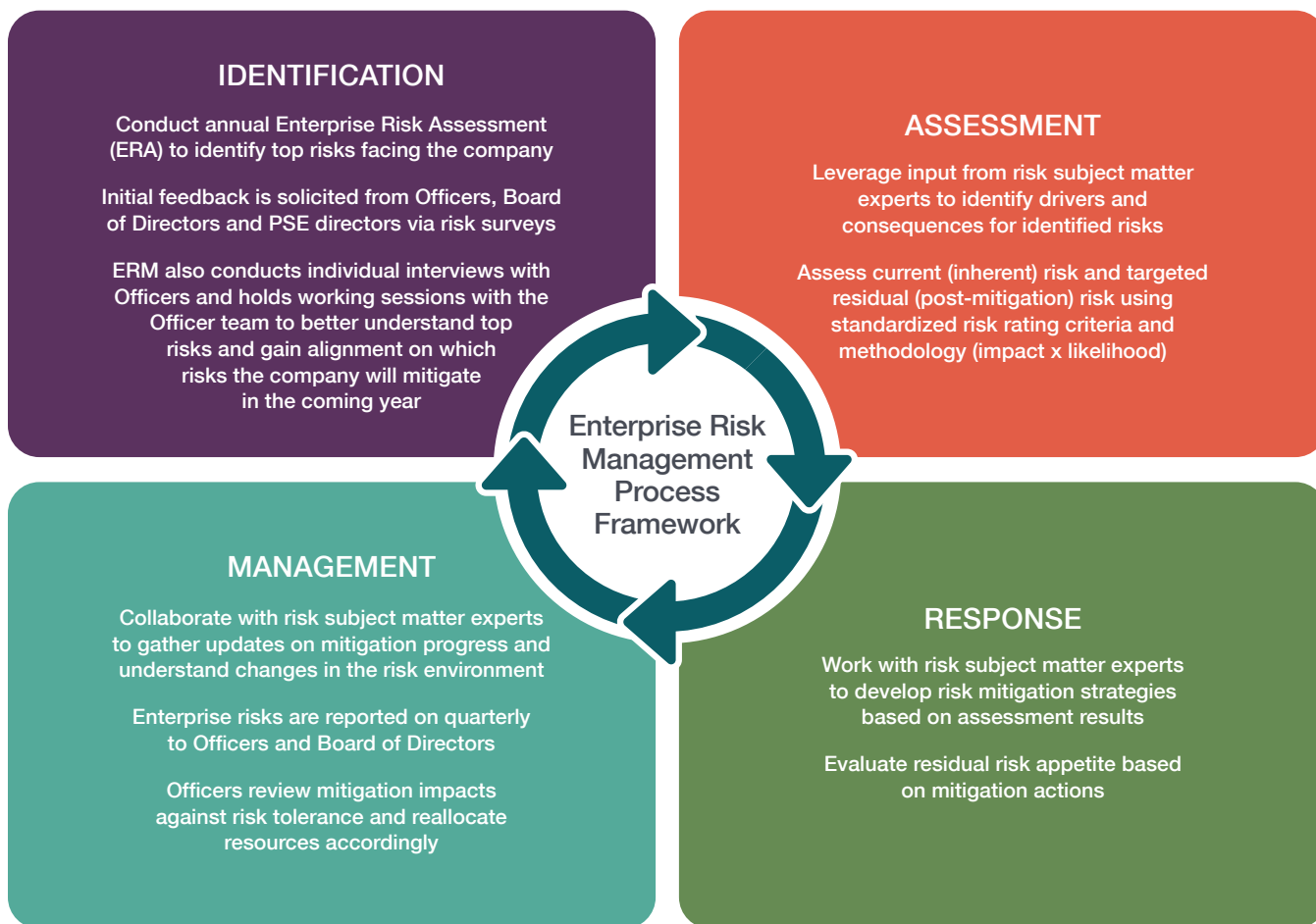
Risk management

PSE operates critical infrastructure to deliver reliable energy to our customers, which comes with inherent risks. We work to effectively identify and address potential risks associated with our infrastructure through our established Enterprise Risk Management (ERM) process, allowing us to integrate risk management into our strategy, governance, reporting procedures and culture. To help 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 as depicted in the infographic.



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, seismic events, 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 and attacks that seek to impact the power grid and potentially critical infrastructure. PSE strives to maintain a comprehensive cybersecurity program to achieve our overall cybersecurity and cyber-resiliency goals through strategically deploying 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, North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) and Transportation Security Administration (TSA), 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.

We perform biennial, external security assessments using the NIST cybersecurity framework to evaluate the safety and security of our infrastructure. We also conduct penetration testing and vulnerability scanning as part of our security assessments, including product implementations and upgrades. We continually scan our website for vulnerabilities, scan internal systems at least twice a month and apply patches for both at least every 30 days.

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.

Both training and awareness are cornerstones 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,^[1] including serving on the membership executive committee for NERC's Electricity Information Sharing and Analysis Center (E-ISAC) and Downstream Natural Gas-ISAC (DNG-ISAC).

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.

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





Tribal engagement

There are 29 federally recognized tribes and five non-federally recognized tribes that have a long history within our region. PSE acknowledges that tribes are key interested parties with specialized expertise in cultural and natural resources and land stewardship. Tribes and tribal members are also customers and thought leaders that deserve recognition and respect.

While recognizing that we have a long way to go, we work to develop and maintain long-lasting individual relationships with Tribal Nations. We are also working with some tribes to increase equitable access to our energy services and community programs. In these relationships, PSE seeks to work collaboratively with tribal government departments regarding project activities that could affect important tribal interests such as natural or cultural resources.

We conducted specific training in 2023 to senior leadership and are working to make training available to all PSE employees on how to respectfully work on tribal lands and engage with Tribal Nations. Through our proactive outreach and employee education, we are trying to build a culture that consistently recognizes tribal knowledge, interests and needs and advances equity and policy development within our industry. By understanding our impacts on all communities and the environment, we are better equipped to make decisions within our service territory.

Increasing tribal access to cleaner energy

PSE seeks to partner with Tribal Nations as energy partners. We completed a project in 2023 with the Nisqually Tribe, which is a leader in clean energy and sustainability. Our collaborative effort to deploy solar energy installations and lighting upgrades aims to enhance energy efficiency, reduce electrical costs and foster a more sustainable future for the Tribe and its members. This collaboration resulted in nearly 700 light retrofits which the Tribe anticipates will reduce electrical costs by an estimated \$150,000 over the next decade. These lighting retrofits, combined with solar energy panels on the reservation, are saving the Tribe more than \$100,000 every year. Looking to the future, we are proud to continue partnering for additional solar projects and supporting the Nisqually Tribe with their goal to make the reservation free of its electric and propane bills in 10 years.

Another project in 2022 involved working with Energy Keepers, Inc., the tribally-owned corporation of the Confederated Salish and Kootenai Tribes, to finalize the purchase of 40 MW of zero-carbon energy produced by the Selis Ksanka Qlispe hydroelectric project through 2035.

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 volunteer to participate in the Puget Sound Energy Political Action Committee (PAC) for Good Government, which contributes to federal candidates and committees.

In 2022, we combined all external-facing functions into one External Affairs team to advance our government relations, public policy and strategic communications efforts with a key focus on equity. 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 seek to deliver positive change in the communities we serve. In 2019, we supported the passage of CETA to enable Washington State to achieve its long-term climate goals, grow the economy and improve community health.

PSE also seeks to tap into the benefits afforded by recent federal climate policies like the Inflation Reduction Act and the Infrastructure Investment and Jobs Act. PSE is currently examining all relevant federal and state grant opportunities which could deliver benefits—directly or indirectly—for the customers and communities we serve.

Advocating for climate-oriented public policies

Our advocacy for lower-carbon policies includes supporting the passage of Washington's CCA and the Clean Fuel Standard in 2021. 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 breathe 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.

In 2023, PSE supported the successful passage of several policies to accelerate the development of renewable resources and transmission infrastructure in Washington State. This is critical to meeting Washington State's climate goals and PSE's own BNZC ambition.





Transmission expansion collaboration groups

PSE actively supports streamlining the 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.

In 2023, the Western Power Pool, of which PSE is a member, released a concept paper to propose a West-wide effort to expand transmission to support future energy grid needs. The group heading this effort, the Western Transmission Expansion Coalition (WTEC), is currently reviewing comments received on the concept paper and developing a framework to steer regional coordination on this transmission expansion effort.

For more information on our participation in other collaboration groups, such as WRAP, please visit the [Cleaner energy](#) section.

Conclusion

PSE is undergoing the most significant transformation in our history as we strive to meet our state's aggressive clean energy laws while continuing to provide our customers with the safe and reliable energy they expect. As reflected throughout this report, our Sustainability goals and aspirations and our obligations to the customers and communities we serve guide that journey.

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



2022 Data appendix

Our 2022 Data appendix discloses relevant Sustainability metrics for PSE. The data listed in the table below reference disclosures from the GRI Standards and SASB Framework. For more information on how our disclosures align with these frameworks, please visit our [GRI Index](#) and [SASB Index](#).

Disclosure	PSE Response			GRI/SASB Alignment
	2022	2021	2020	
Energy				
Total energy consumed	13,747,342 MWh	15,265,552 MWh	12,761,662 MWh	GRI 302-1: Energy consumption within the organization
Non-renewable energy consumed	13,727,028 MWh	14,781 MWh	11,230 MWh	
Renewable energy consumed	20,315 MWh	15,250,771 MWh	12,750,432 MWh	
Water	2022	2021	2020	
Total water withdrawn ^[1]	11,123 ML	10,806 ML	9,714 ML	GRI 303-3: Water withdrawal GRI 303-4: Water discharge GRI 303-5: Water consumption SASB IF-EU-140a.1: Water Management
Percentage in regions with High or Extremely High Baseline Water Stress	0%	0%	0%	
Total water consumed ^[1]	10,095 ML	9,490 ML	8,542 ML	
Percentage in regions with High or Extremely High Baseline Water Stress	0%	0%	0%	
Total water outflows and discharges ^[1]	1,028 ML	1,316 ML	1,172 ML	
Surface water outflows and discharges	761 ML	857 ML	827 ML	
Groundwater outflows and discharges	0 ML	0 ML	0 ML	
Seawater/brackish water outflows and discharges	0 ML	0 ML	0 ML	
Third-party water re-use outflows and discharges	0 ML	0 ML	0 ML	
Third-party water treatment outflows and discharges	268 ML	459 ML	293 ML	
Scope 1 GHG Emissions^[2]	2022	2021	2020	
Total Scope 1 GHG emissions	5,339,892 t CO ₂ e	5,767,646 t CO ₂ e	4,884,170 t CO ₂ e	GRI 305-1: Direct (Scope 1) GHG emissions
Biogenic CO ₂ emissions	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	SASB IF-EU-110a.1: Greenhouse Gas Emissions & Energy Resource Planning

[1] The total water withdrawn, consumed and discharged are for thermoelectric facilities only.

[2] The GHGs calculated include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and sulfur hexafluoride (SF₆). The remaining gases, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and nitrogen trifluoride (NF₃), are not currently accounted for in the inventory due to a lack of robust data collection on usage at this time. Specific details on calculation methodologies are summarized in our GHG inventory report that can be reviewed on our [GHG Policy Statement webpage](#).

Disclosure	PSE Response			GRI/SASB Alignment
	2022	2021	2020	
Scope 2 GHG Emissions^[2]	2022	2021	2020	
Total Scope 2 GHG emissions (market-based)	219,938 t CO ₂ e	177,987 t CO ₂ e	229,949 t CO ₂ e	GRI 305-2: Energy indirect (Scope 2) GHG emissions
Total Scope 2 GHG emissions (location-based)	219,938 t CO ₂ e	177,987 t CO ₂ e	229,949 t CO ₂ e	
Scope 3 GHG Emissions^[2]	2022	2021	2020	
Total Scope 3 GHG emissions:	9,770,657 t CO ₂ e	8,875,023 t CO ₂ e	8,692,966 t CO ₂ e	GRI 305-3: Other indirect (Scope 3) GHG emissions
Biogenic CO ₂ emissions	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Scope 3 categories: ^[3]				
Emissions from investments	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from franchises	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from downstream leased assets	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from end-of-life treatment of sold products	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from use of sold products	5,775,555 t CO ₂ e	5,596,196 t CO ₂ e	4,860,623 t CO ₂ e	
Emissions from processing of sold products	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from downstream transportation & distribution	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from upstream leased assets	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from employee commuting	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from business travel	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from waste generated in operations	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from upstream transportation & distribution	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from fuel- and energy-related activities	3,995,102 t CO ₂ e	3,278,827 t CO ₂ e	3,832,343 t CO ₂ e	
Emissions from capital goods	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
Emissions from purchased goods and services	0 t CO ₂ e	0 t CO ₂ e	0 t CO ₂ e	
GHG Emissions Intensity^[2]	2022	2021	2020	
GHG emissions intensity (Scopes 1, 2 & 3)	0.0036 t CO ₂ e/\$ revenue	0.0039 t CO ₂ e/\$ revenue	0.0042 t CO ₂ e/\$ revenue	GRI 305-4: GHG emissions intensity

[2] The GHGs calculated include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and sulfur hexafluoride (SF₆). The remaining gases, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and nitrogen trifluoride (NF₃), are not currently accounted for in the inventory due to a lack of robust data collection on usage at this time. Specific details on calculation methodologies are summarized in our GHG inventory report that can be reviewed on our [GHG Policy Statement webpage](#).

[3] Aside from emissions from use of sold products and from fuel- and energy-related activities, the other Scope 3 categories were deemed immaterial compared to those two categories and were not calculated.

Disclosure	PSE Response			GRI/SASB Alignment
	2022	2021	2020	
Air Emissions^[4]	2022	2021	2020	
Air emissions from:				
Nitrogen oxides (NO _x)	2,725,196 kg	2,545,198 kg	2,062,167 kg	GRI 305-7: Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions SASB IF-EU-120a.1: Air Quality
Sulfur oxides (SO _x)	1,105,863 kg	965,004 kg	754,852 kg	
Volatile organic compounds (VOC)	96,915 kg	90,004 kg	71,757 kg	
Particulate matter (PM):				
PM _{2.5}	104,760 kg	128,338 kg	130,191 kg	
PM ₁₀	183,131 kg	203,595 kg	167,466 kg	
Lead ^[5]	1.1 kg	0.2 kg	0.2 kg	
Mercury ^[5]	8.5 kg	7.9 kg	7.2 kg	
Waste^[6]	2022	2021	2020	
Non-hazardous waste generated	173,058 tonne	159,938 tonne	162,391 tonne	GRI 306-3: Waste generated
Hazardous waste generated	43 tonne	29 tonne	129 tonne	
Employee Training	2022	2021	2020	
Average hours of training per year per full-time employee (FTE)	24.7 hours per FTE	21.2 hours per FTE	20.2 hours per FTE	GRI 404-1: Average hours of training per year per employee
Employees	2022	2021	2020	
Number of employees	3,250	3,185	3,150	GRI 2-7: Employees
Diversity	2022	2021	2020	
Leadership gender percentage: ^[7]				
Female	36.4%	27.3%	44.4%	GRI 405-1: Diversity of governance bodies and employees
Male	63.6%	72.7%	55.6%	
Age group distribution of PSE's leadership:				
Under 30 years old	0.0%	0.0%	0.0%	
Between 30 and 50 years old	9.1%	18.2%	0.0%	
Over 50 years old	90.9%	81.8%	100.0%	

[4] Depending on the facility, NO_x emissions are determined either with Continuous Emissions Monitoring Systems (CEMS) or using fuel input as according to U.S. Environmental Protection Agency (EPA) methodology. The remaining air emissions are calculated using fuel input as according to U.S. EPA methodology.

[5] Not all facilities are required to report for lead and/or mercury. Only reported emissions are included.

[6] Waste generation values excludes remediation.

[7] Leadership entails our C-suite-level executives and vice presidents.

Disclosure	PSE Response			GRI/SASB Alignment
Percentage of leaders classified by race:				GRI 405-1: Diversity of governance bodies and employees
White	81.8%	72.7%	88.9%	
Black/African American	9.1%	9.1%	11.1%	
Asian	9.1%	9.1%	0.0%	
Hispanic/Latino	0.0%	9.1%	0.0%	
American Indian/Alaskan Native	0.0%	0.0%	0.0%	
Native Hawaiian/Pacific Islander	0.0%	0.0%	0.0%	
Two or more races	0.0%	0.0%	0.0%	
Employees gender percentage:				
Female	36.9%	36.5%	35.7%	
Male	63.1%	63.5%	64.3%	
Age group distribution of PSE's employees:				
Under 30 years old	8.2%	4.7%	3.5%	
Between 30 and 50 years old	55.9%	50.6%	48.1%	
Over 50 years old	35.9%	44.7%	48.4%	
Percentage of employees classified by race:				
White	74.2%	74.8%	75.9%	
Black/African American	3.3%	3.3%	3.3%	
Asian	11.6%	12.1%	11.6%	
Hispanic/Latino	4.9%	4.6%	4.2%	
American Indian/Alaskan Native	0.6%	0.8%	0.7%	
Native Hawaiian/Pacific Islander	0.6%	0.7%	0.7%	
Two or more races	4.7%	3.8%	3.6%	
Health & Safety	2022	2021	2020	
Total recordable incident rate	5.39	6.47	7.22	GRI 403-9: Work-related injuries SASB IF-EU-320a.1: Workforce Health & Safety
Fatality rate	0.00	0.00	0.00	
Near miss frequency rate	18.23	8.36	7.93	
Political Contributions	2022	2021	2020	
Total political contributions	Please refer to the Federal Election Commission's website on PSE's political action committee (PAC) and U.S. Senate Lobbying Disclosure database for PSE's lobbying disclosures .			GRI 415-1: Political contributions

