

# Puget Sound Energy

**Type of Engagement:** Annual Review

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**Engagement Team:**

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## Introduction

In June 2024, Puget Sound Energy ("PSE"), a wholly owned subsidiary of Puget Energy, issued green bonds (the "2024 Green Bond") and raised USD 400 million to finance or refinance projects that are expected to support increased renewable electricity generation and distribution and contribute to GHG emissions reductions. In April 2025, PSE engaged Sustainalytics to review the projects financed with proceeds from the 2024 Green Bond (the "Nominated Expenditures") and provide an assessment as to whether they meet the use of proceeds criteria and whether PSE complied with the reporting commitments in the Puget Energy Sustainable Financing Framework (the "Framework").<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in May 2023.<sup>2</sup> This is Sustainalytics' second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in April 2024.<sup>3</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and PSE's reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>Renewable Energy</b>	<p>Construction, development, acquisition, expansion, operation and maintenance of renewable energy projects that align with the CETA definition<sup>4</sup> and the following criteria, including:</p> <ul style="list-style-type: none"> <li>• Wind, solar (photovoltaic), geothermal,<sup>5</sup> and biomass that is derived from waste feedstock and hydropower<sup>6</sup> (including pumped storage)</li> <li>• Long-term renewable energy power purchase agreements (&gt; 5 years)</li> </ul>	<ul style="list-style-type: none"> <li>• New/total distance of transmission lines developed (in km)</li> <li>• Capacity of new owned renewable energy generation facilities</li> <li>• Capacity for new (or recommissioned) renewable energy facilities under PPA</li> <li>• Capacity of renewable energy plant(s) served by transmission system (MW)</li> </ul>

<sup>1</sup> Puget Energy, "Sustainable Financing Framework", (2023), at:

[https://www.pugetenergy.com/document/Puget\\_Energy\\_Sustainable\\_Financing\\_Framework.pdf](https://www.pugetenergy.com/document/Puget_Energy_Sustainable_Financing_Framework.pdf).

<sup>2</sup> Sustainalytics, "Second-Party Opinion, Puget Energy", (2023), at: [https://www.pse.com/-/media/PDFs/Puget\\_Energy\\_Sustainable\\_Financing\\_Framework\\_Second-](https://www.pse.com/-/media/PDFs/Puget_Energy_Sustainable_Financing_Framework_Second-Party_Opinion.pdf?rev=7b454e7b2ebe4d8488a6a5bec5398d52&sc_lang=en&modified=20230510144701&hash=06AD7139B2887B663EAFBDBE2DC004F9)

[Party\\_Opinion.pdf?rev=7b454e7b2ebe4d8488a6a5bec5398d52&sc\\_lang=en&modified=20230510144701&hash=06AD7139B2887B663EAFBDBE2DC004F9](https://www.pse.com/-/media/PDFs/Puget_Energy_Sustainable_Financing_Framework_Second-Party_Opinion.pdf?rev=7b454e7b2ebe4d8488a6a5bec5398d52&sc_lang=en&modified=20230510144701&hash=06AD7139B2887B663EAFBDBE2DC004F9).

<sup>3</sup> Puget Sound Energy, "Annual Review", (2024), at: [https://www.pse.com/-/media/PDFs/Sustainability/Puget-Sound-Energy-2023-Green-Bond-](https://www.pse.com/-/media/PDFs/Sustainability/Puget-Sound-Energy-2023-Green-Bond-Allocation-Report-Sustainalytics-Annual-Review.pdf?rev=478e95889fa448bbb40fb21d97827774&sc_lang=en&modified=20240513230516&hash=872F01DB17492BA583EC94C8B53178C6)

[Allocation-Report-Sustainalytics-Annual-Review.pdf?rev=478e95889fa448bbb40fb21d97827774&sc\\_lang=en&modified=20240513230516&hash=872F01DB17492BA583EC94C8B53178C6](https://www.pse.com/-/media/PDFs/Sustainability/Puget-Sound-Energy-2023-Green-Bond-Allocation-Report-Sustainalytics-Annual-Review.pdf?rev=478e95889fa448bbb40fb21d97827774&sc_lang=en&modified=20240513230516&hash=872F01DB17492BA583EC94C8B53178C6).

<sup>4</sup> <https://app.leg.wa.gov/rcw/default.aspx?cite=19.285.030>.

<sup>5</sup> Geothermal projects must meet emissions threshold of < 100 gCO<sub>2</sub>e/kWh.

<sup>6</sup> Hydropower projects must be run of river or > 25 MW. Projects in operation before 2020 must have a power density of > 5 W/m<sup>2</sup>; projects in operation in 2020 or after must have a power density of > 10 W/m<sup>2</sup>. It includes refurbishment of existing hydro facilities, provided the size of the dam or reservoir is not increased. Power density requirements also apply to pumped storage. New pumped hydro projects will have associated environmental and social impact assessment by a credible body, indicating no significant risk, controversy or expected negative impact.

	<ul style="list-style-type: none"> <li>Investments that increase the share of low carbon electricity in the grid by directly connecting renewable energy, such as connection of renewable energy generation, energy storage systems and battery systems, to increase renewable energy feed-in to the grid</li> <li>Construction, development, acquisition, expansion, operation and maintenance of transmissions and distribution infrastructure that complies with at least one of the following: <ul style="list-style-type: none"> <li>Average system grid emissions factor below threshold of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis, over a rolling five-year period; or</li> <li>&gt; 67% of newly enabled generation capacity below the generation threshold value of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis, over a rolling five-year period</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Renewable capacity connected to the grid (MW)</li> <li>Annual GHG emissions reduced/avoided (in tCO<sub>2</sub>e)</li> <li>Distributed energy resources added (MW)</li> </ul>
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## Issuer's Responsibility

PSE is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from PSE's 2024 Green Bond. The work undertaken as part of this engagement included collection of documentation from PSE and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by PSE. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by PSE.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>7</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use

<sup>7</sup> Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

of proceeds criteria and reporting commitments in the Framework. PSE has disclosed to Sustainalytics that the proceeds from the 2024 Green Bond were fully allocated as of 28 February 2025.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	PSE reported on at least one KPI per use of proceeds category.	None

## Appendices

### Appendix 1: Allocation Reporting<sup>8</sup>

Table 3: Allocation reporting for the 2024 Green Bond

Use of Proceeds Category	Sub-Category	Project Description	Location	Allocated Amount (USD million)
Renewable Energy	Hydro Plant	Lower Baker Dam Grouting	Concrete, Washington	86.50
	Wind	Golden Hills and Clearwater Wind (Long-term PPA)	Sherman County, Oregon	68.91
			Rosebud, Custer, and Garfield counties, Montana	
		Beaver Creek (Under Construction) <sup>9</sup>	Stillwater County, Montana	241.09
Total Amount Allocated				396.50 <sup>10</sup>

### Appendix 2: Reported Impact

Table 4: Reported Impact for the 2024 Green Bond as of December 2024

Use of Proceeds Category	Sub-Category	Project Description	Location	Reported Impact
Renewable Energy	Hydro Plant	Lower Baker Dam Grouting	Concrete, Washington	i. Electricity generated: 327,000 MWh
				ii. Avoided emissions: 143,000 MTCO <sub>2e</sub>
	Wind	Golden Hills (PPAs)	Sherman County, Oregon	i. Electricity generated: 685,000 MWh
		Clearwater Wind (PPAs)	Rosebud, Custer, and Garfield counties, Montana	ii. Avoided emissions: 299,000 MTCO <sub>2e</sub>
				i. Electricity generated: 1,305,000 MWh

<sup>8</sup> In June 2024, PSE issued the 2024 Green Bond and raised USD 396.50 million, of which 39% of the proceeds were used to refinance existing projects and 61% were used to finance new projects.

<sup>9</sup> PSE has communicated to Sustainalytics that the Beaver Creek project is expected to be fully operational by August 2025.

<sup>10</sup> Sustainalytics notes that the underwriting discount for PSE is USD 3.5 million, resulting in total proceeds of USD 396.50 million.

				ii. AVOIDED EMISSIONS: 570,000 MTCO <sub>2</sub> e
		Beaver Creek (Under Construction)	Stillwater County, Montana	i. Estimated electricity to be generated: 760,000 MWh annually  ii. Estimated avoided emissions: 330,000 MTCO <sub>2</sub> e annually

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