

Puget Energy

2023 September Fixed Income Investor Roadshow

September 2023



PUGET
SOUND
ENERGY

Cautionary Statement

Information Current as of August 3, 2023 (except as expressly noted)

Except as expressly noted, the information in this presentation is current as of August 3, 2023 – the date on which PUGET ENERGY, INC. (“PE”) and Puget Sound Energy, Inc. (“PSE” and, together with PE, “Puget”) filed their Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 – and should not be relied upon as being current as of any subsequent date. Puget undertakes no duty to update the presentation, except as may be required by law.

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Puget Team Members

Cara Peterman – Corporate Treasurer



Kendall Cammermeyer – Assistant General Council &
Chief Ethics and Compliance Officer



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**Business Updates
&
2023 YTD
Financial Results**

Puget Energy 2023 YTD⁽¹⁾ net income growth of 11% over 2022 YTD⁽²⁾ primarily driven by recent rate increase approvals

Highlights

Financial Performance

- New electric and gas rates took effect in January 2023
- YTD revenue increased by 22% from \$2,036M in 2022 to \$2,494M in 2023
- YTD net income increased by 11% from 185M in 2022 to \$205M in 2023⁽²⁾

Load and Customers



- Temperatures YTD were 9.2% warmer than last year (heating degree day basis)
- Electric load was marginally higher and gas load was 3.0% lower YTD

Spending Performance



- Increased opex spending according to 2022 GRC order; implementing clean energy strategy
- Managing capital spending and rate base growth to align with 2022 GRC order earnings targets, which are based on rate base in service at year-end

Regulatory & Legislative



- Carbon allowance auctions under the Climate Commitment Act took place, tariff filings approved and new tariff will be implemented in Q3 2023
- TEP and CEIP tracker tariffs were effective starting March 2023 and September 2023, respectively. LNG tracker filing is still pending

Key Takeaways

- **Higher rates in 2023, including power/gas cost recovery, and sales to other utilities drove performance**

- **Warmer temps reduced heating load vs. PY. However, decoupling dampens the financial impact**

- **Capital and opex portfolios are prioritized towards safety, reliability/resiliency improvements, risk mitigation investments, and clean energy investments**

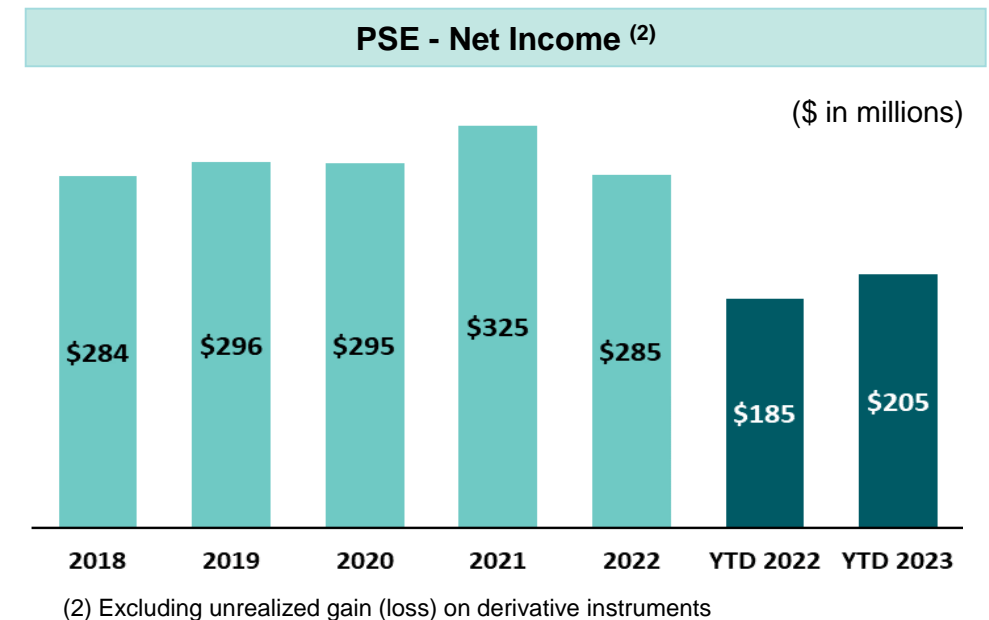
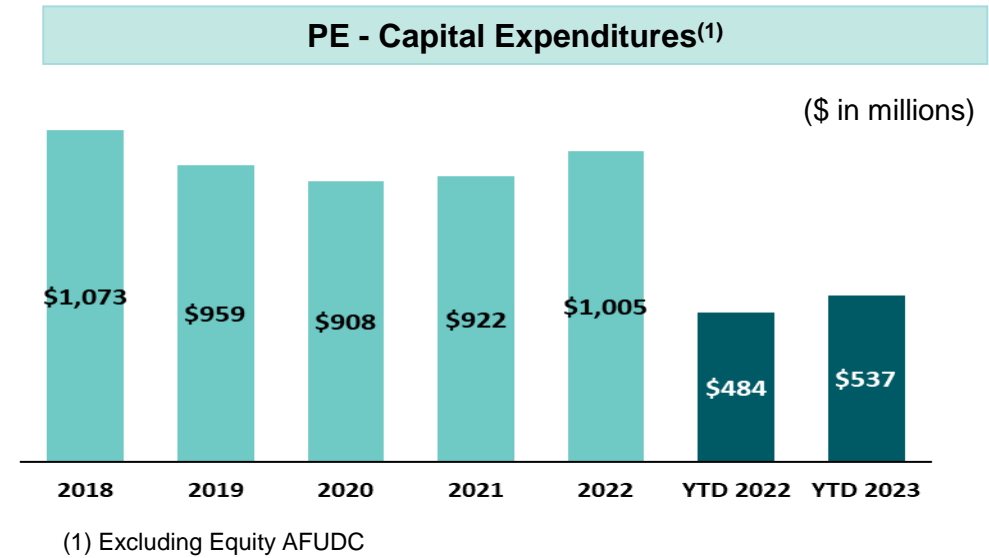
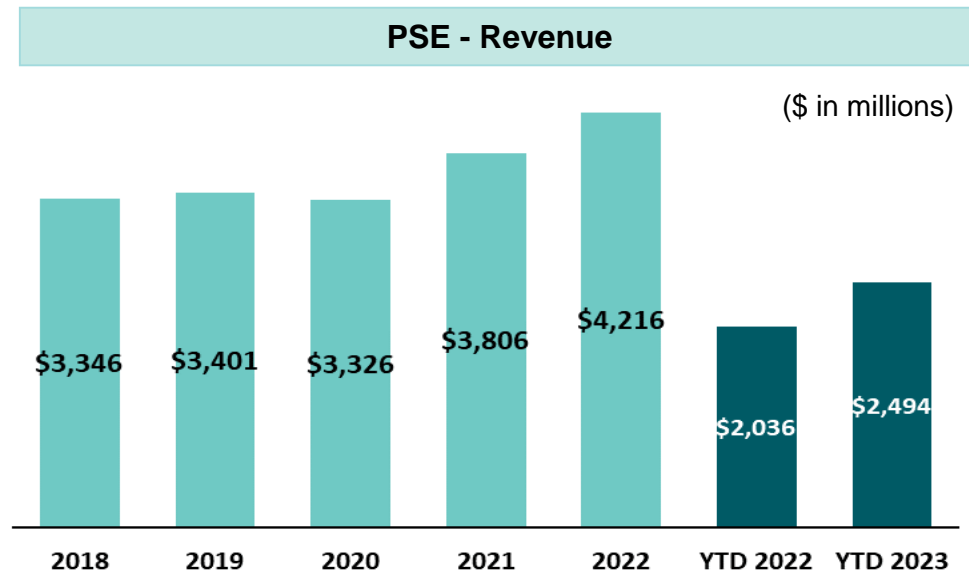
- **Actively mitigating risks associated with new legislation**

(1) YTD as of 6/30/2023

(2) Net income figures exclude unrealized gains/losses

Impact of new rates and cost recovery seen in 2023 YTD financial metrics

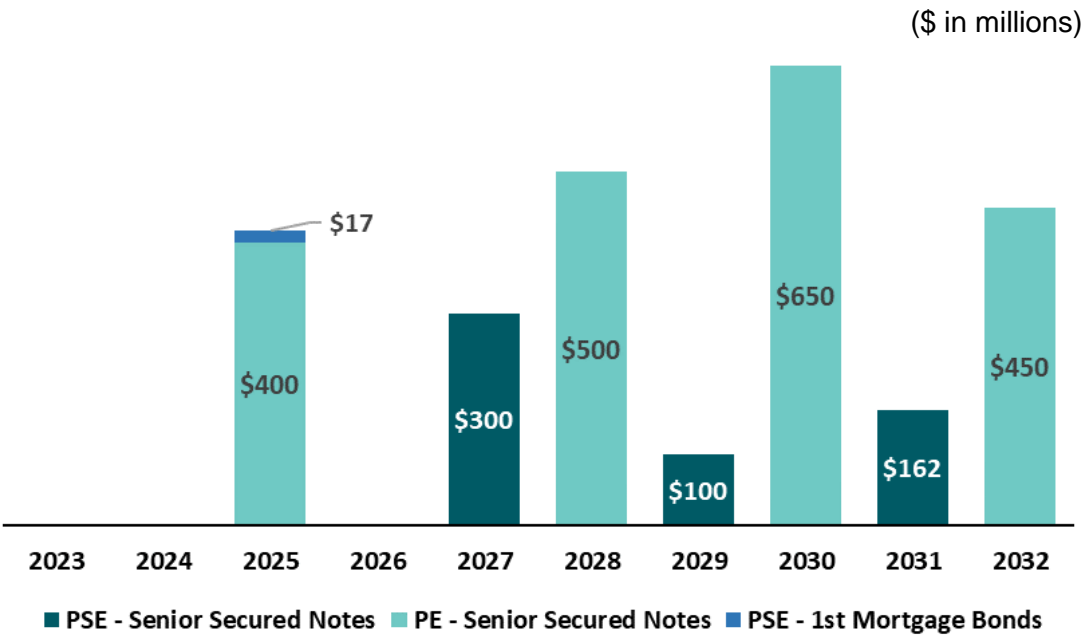
- Higher rates from multi-year rate plan, including power/gas cost recovery, and sales to other utilities led to an increase in revenue of 22% over the same period in 2022. Net Income increased 11%



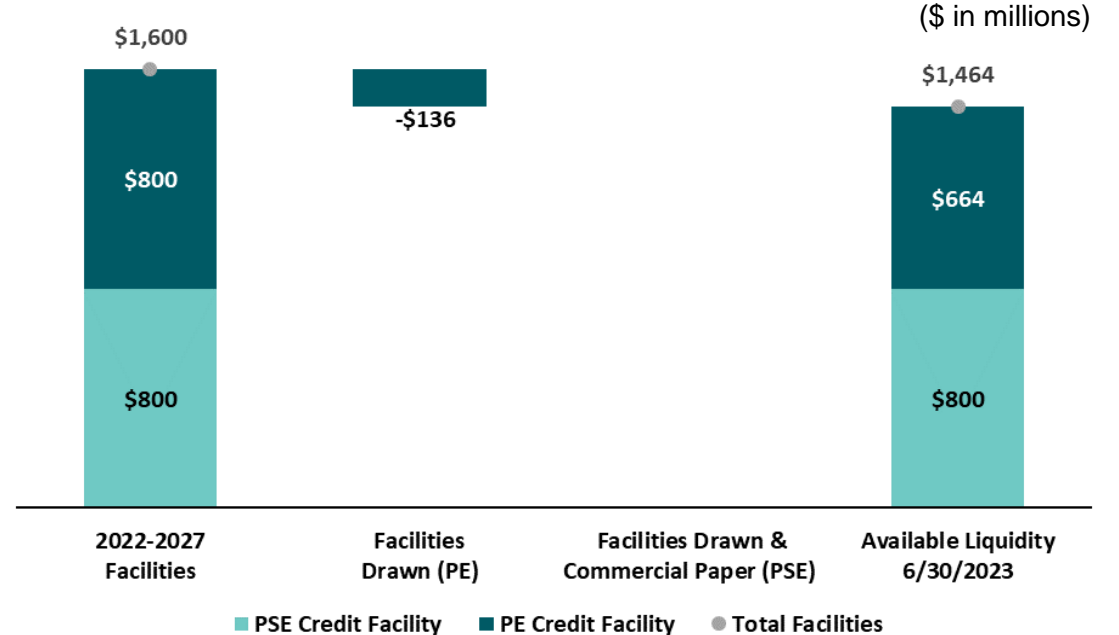
PE/PSE has a manageable debt profile, with strong access to the capital markets and ample liquidity to properly finance the business

PSE issued its inaugural green bond in May 2023 – a \$400M 30-year senior secured note - to fund eligible projects

Debt Maturity Profile (6/30/23)



Liquidity Profile (6/30/23)



Improved cash flows from the GRC/MYRP order and power/gas cost recovery have significantly improved credit metrics in the past 6 months

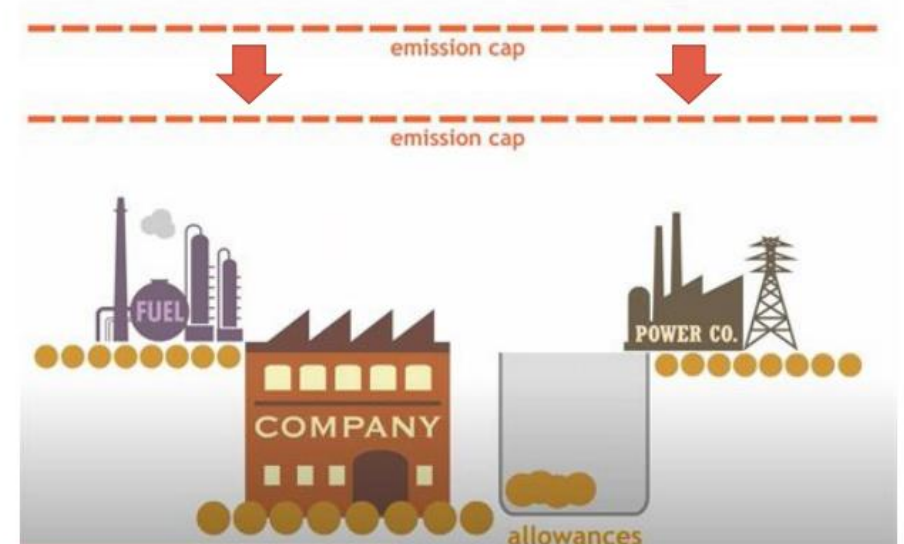
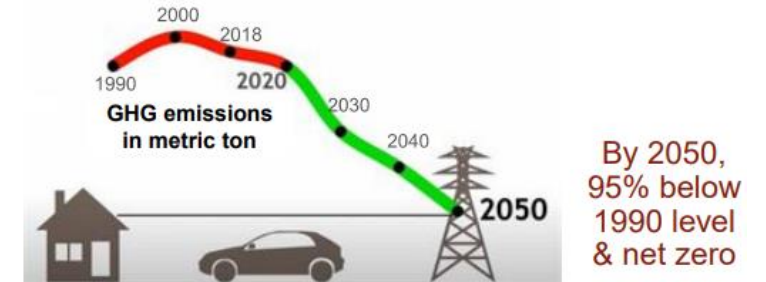
	PE	PSE	Outlook
S&P Global Ratings	BBB-	BBB	Stable
MOODY'S	Baa3	Baa1	Stable
FitchRatings	BBB-	BBB+	Stable

	(A)	(B)	(C)	(D)
	PSE	Benchmark	2022	Q2 2023 LTM
1	S&P FFO to Debt	>=20%	17.8%	19.6%
2	Moody's CFO pre WC	>=19%	16.1%	18.9%
3	Fitch FFO Adjusted Leverage	<=4.75x	4.6x	4.0x
	PE			
4	S&P FFO to Debt	>=13%	12.7%	14.0%
5	Moody's CFO pre WC	>=13%	11.2%	13.3%
6	Fitch FFO Adjusted Leverage	<=5.5x	6.3x	5.5x

We have been preparing the business for implementation of the Climate Commitment Act (CCA)

WA Legislature passed a law in 2021 to reduce greenhouse gas (GHG) emissions statewide. Program began January 1, 2023

- On February 28, 2023, the Washington Commission approved PSE's accounting petitions to defer the cost of emission allowances. As of June 30, 2023, PSE deferred \$129M and \$70M of CCA compliance costs for natural gas and electric liabilities, respectively
- PSE made two filings this year (June and September) to recover 2023 CCA net compliance costs. PSE will begin recovering net CCA costs starting October 1, 2023, with an another rate increase starting November 1, 2023 (aligning with PGA credit), pending WUTC approval



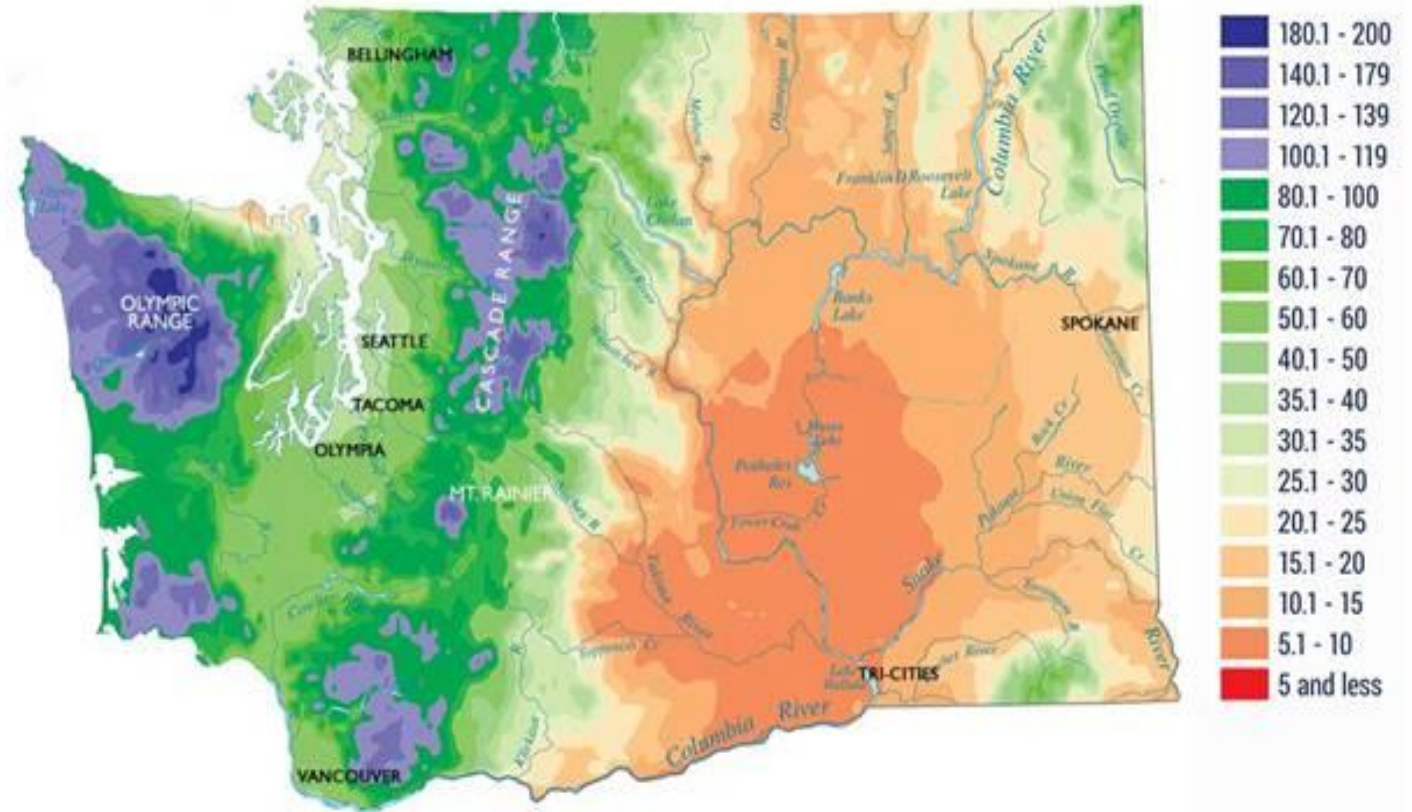
Source: Department of Ecology

**PSE
Wildfire
Risk**

Washington Weather – Annual Rainfall (West vs. East)

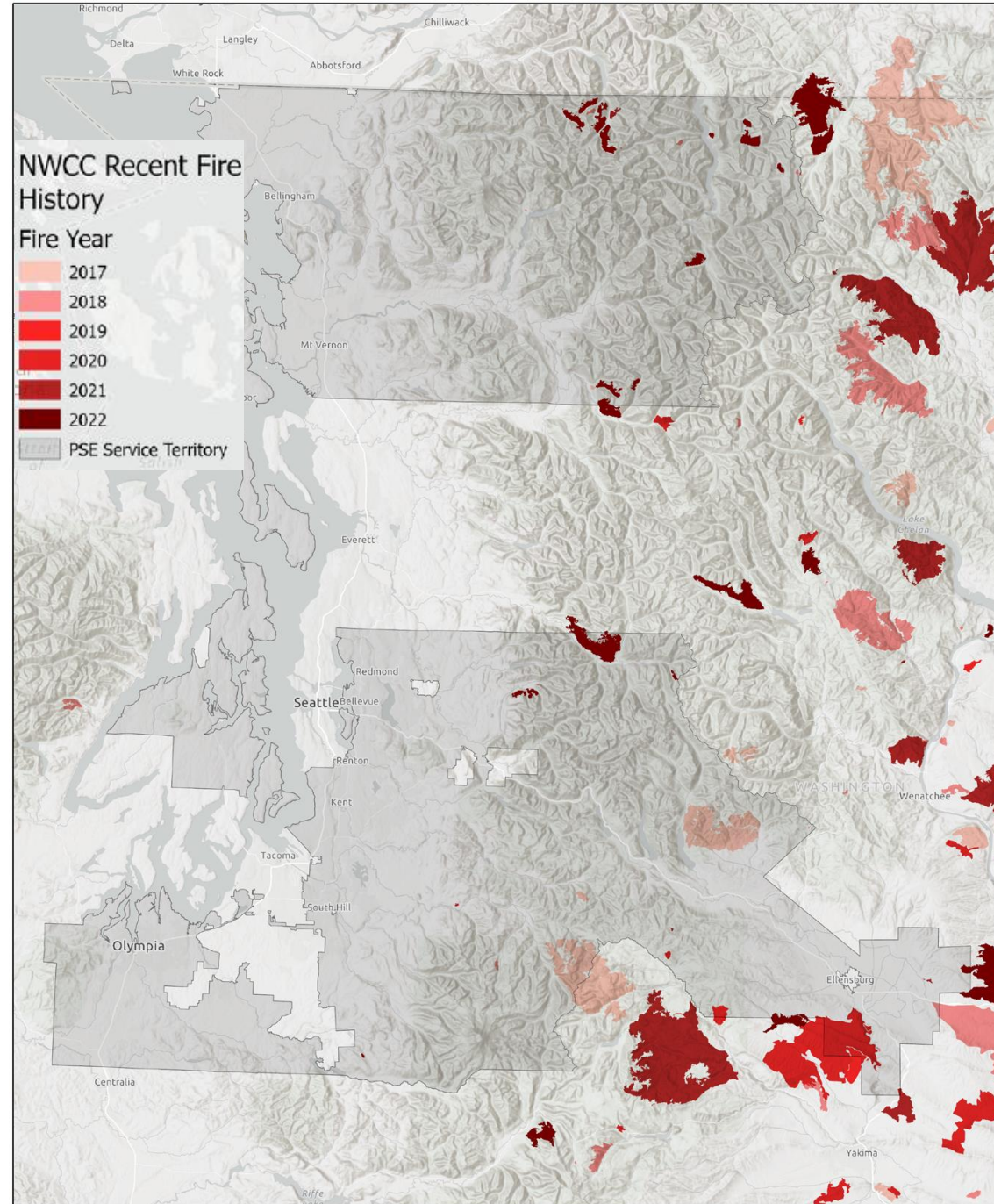
- [The Amazingly Diverse Climate and Geography of Washington State \(choosewashingtonstate.com\)](http://www.choosewashingtonstate.com)

Annual Precipitation



Source: www.choosewashingtonstate.com/research-resources/about-Washington/climate-geography
(last accessed 08/23/23)

Historically, large fires within PSE service territory boundaries have been relatively infrequent



Source: PSE's 2023 Wildfire Mitigation and Response Plan:
<https://www.pse.com/en/pages/Wildfire-preparedness>, last accessed September 18, 2023

Large Fires Since 2017

Data Source: NIFC Northwest Coordination Center

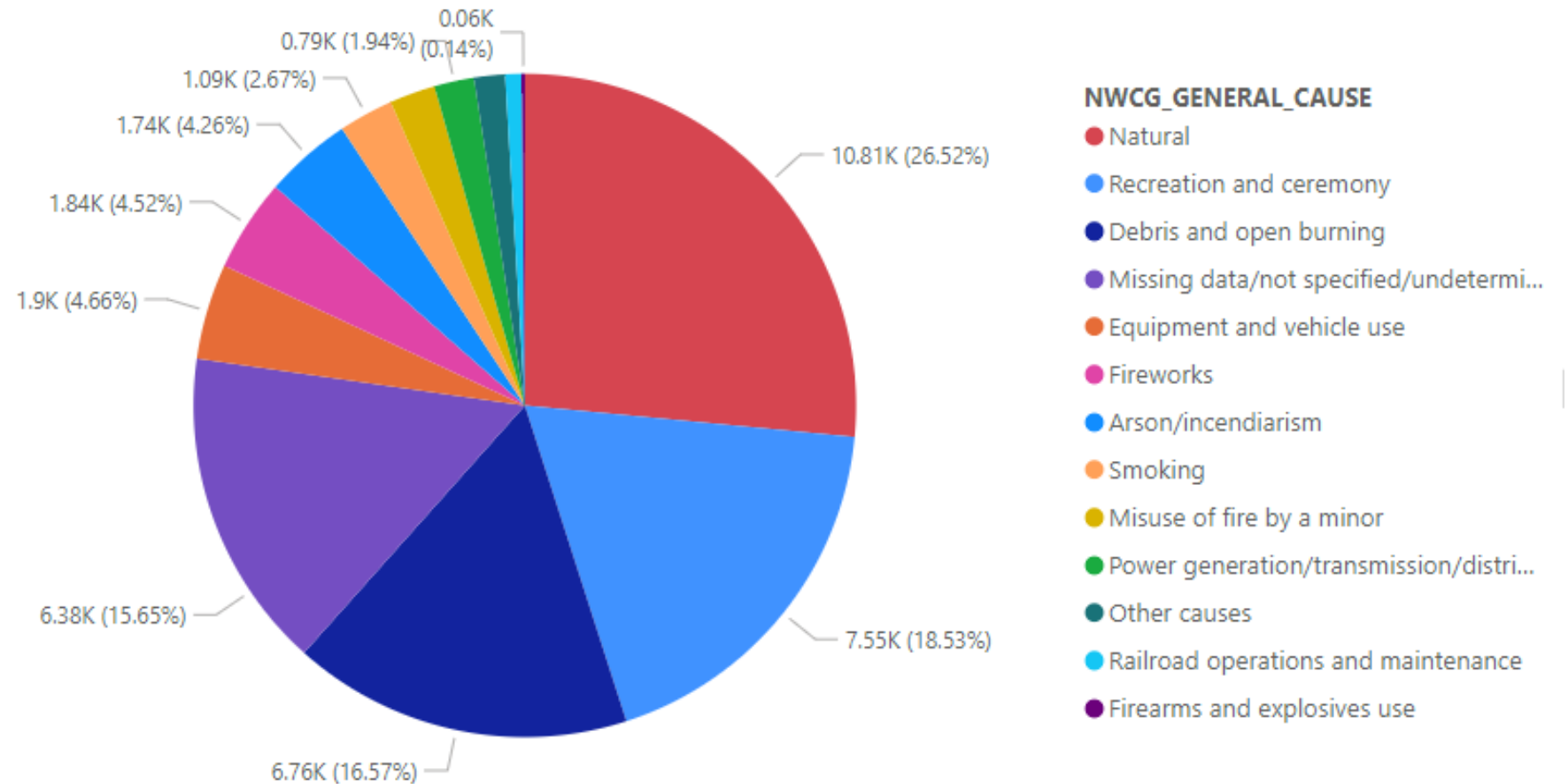
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Drawn By: Kalle Collins Date: 1/18/2023



National Wildfire Coordinating Group (NWCG) included an updated wildfire-cause standard (approved August 2020)

According to US Dept of Agriculture data, utilities accounted for <2% of wildfires in Washington (1990-2020)*



*Short, Karen C. 2022. Spatial wildfire occurrence data for the United States, 1992-2020 [FPA_FOD_20221014]. 6th Edition. Fort Collins, CO: Forest Service Research Data Archive. <https://doi.org/10.2737/RDS-2013-0009.6>

Wildfire Mitigation Planning



- PSE is focused on mitigating the evolving risk of wildfires, working to ensure safety, while maintaining the reliable delivery of energy
- PSE's Wildfire Mitigation and Response Plan documents PSE's strategies, programs, procedures, and specific actions to mitigate and respond to wildfire risk
- Updated yearly, submitted to the Washington Utilities and Transportation Commission, and available on the web
- <https://www.pse.com/en/pages/Wildfire-preparedness>

Overview of PSE's Wildfire Mitigation Plan

- **Situational Awareness**
 - Wildfire risk modeling
 - Real-time fire weather and risk monitoring, 24X7X365
 - Ignition tracking tools to inform planning and future investments
- **Fault Reduction**
 - Enhanced Vegetation Management
 - Targeted pre-season patrols in higher wildfire risk areas
 - Development of a PSPS (Public Safety Power Shutoff) tool
 - System Hardening (infrastructure upgrades, automation, covered conductors, undergrounding lines, etc.)
 - Wildfire design standards for use in higher risk areas
- **Fault Protection**
 - Execution of Operational Procedures during periods of elevated weather risk
 - Proactive changes to protection devices to mitigate the potential of ignition during a fault
 - Training and safe work practices
 - Expansion of protection and sectionalizing devices
- **Communication and Outreach**
 - Partnerships with local emergency management and response agencies
 - Collaboration with peer utilities and industry experts
 - Community engagement to educate and inform PSPS planning
 - Timely communication before, during and after emergencies

Identifying high fire risk in PSE territory

- The wildfire mitigation team has utilized several tools in identifying key fire risk areas, considering ignition risk (burn potential), propagation risk (weather data), and consequence (communities and structures at risk)
- PSE recently engaged Technosylva to provide more refined modeling, including ten years of outage data, to assist in ranking highest risk transmission and distribution segments and further developing PSPS zones and criteria
- Modeling continues to reflect very high and extreme risk areas represent less than 3% of PSE's overhead system, thus targeted mitigation efforts can be accomplished on all priority circuits, including those located in Kittitas County as well as designated high risk locations west of the Cascade range
- PSE is in the process of adding of A.I. high-definition cameras and new weather stations to high risk locations, and evaluating contracted meteorological services to supplement situational awareness



Overview of Civil Wildfire Liability in Washington

- Liability
 - Negligence standard is derived from common law and also codified in RCW 76.04.760(2)(a). *Sandberg v. Cavanaugh Timber Co.*, 95 Wash. 556, 558-62 (1917)
 - The action or inaction was a proximate cause of damage. RCW 76.04.760(2)(b)
- Potential claims: negligence, trespass, nuisance, inverse condemnation, and violation of RCW 76.04.760
 - Inverse condemnation has not been applied to a private utility in Washington
- Damages: RCW 76.04.760(3):
 - Provides the exclusive remedy for damages arising from wildfires on forested lands
 - Difference in fair market value of the damaged property immediately before and after the fire
 - Fire suppression costs (see also, RCW 76.05.496)
 - Objectively verifiable losses, such as: out-of-pocket expenses, loss of earnings, loss of use of property, loss of business or employment opportunities
 - No punitive damages because not explicitly authorized by statute. *See Steele v. Johnson*, 76 Wash. 2d 750 (1969)
 - Unclear whether noneconomic damages are recoverable.
 - May be recoverable if the defendant's actions were intentional. *See, e.g., Birchler v. Costello Land Co., Inc.*, 133 Wash. 2d 106, 117 (1997)

Differences in Liability between Washington, California, and Oregon

California Claim	Washington Claim	Oregon Claim	Key Differences	Notes
Inverse Condemnation	Inverse Condemnation	Inverse Condemnation	<ul style="list-style-type: none"> CA: applies to private utilities; strict liability; main vehicle for wildfire liability WA: not yet maintained against private utilities; no strict liability. OR: requires an intentional taking; state constitution's takings clause applies to corporations as well as government entities 	<ul style="list-style-type: none"> WA: At least one trial court has denied a motion to dismiss an inverse-condemnation claim against a private utility, Avista. OR: courts disagree whether facts resulting in wildfire can result in an intentional taking
Nuisance	Nuisance	Nuisance	<ul style="list-style-type: none"> WA: requires either a violation of one of the statutorily enumerated public nuisances in RCW 7.48.140, or for the activity to "affects the rights of an entire community or neighborhood" CA and OR: requires non-trespassory interference with enjoyment of land 	<ul style="list-style-type: none"> CA and WA: separate nuisance claim may be dismissed if based on the same facts as negligence claim. CA, WA, OR: nuisance claim permits recovery of noneconomic damages.
Trespass	Trespass	Trespass	<ul style="list-style-type: none"> WA requires showing of intent OR: permits claims for intentional and negligent trespass 	<ul style="list-style-type: none"> WA: separate trespass claim may be dismissed if based on the same facts as negligence claim. CA, WA, OR: permits recovery of noneconomic damages
Negligent Interference with Prospective Economic Advantage	Intentional Interference with Prospective Economic Advantage	Interference with Economic Relations and Prospective Advantage	<ul style="list-style-type: none"> CA: "wrongful conduct" apart from interference; "substantial factor" for causation WA: actual knowledge; "improper purpose/means"; "but for" for causation OR: "causal effect" for causation 	<ul style="list-style-type: none"> CA: negligent interference is a separate claim; liability may also be established through "shown have known" relationship WA: no separate claim for negligent interference claim OR: no separate claim for negligent interference
Cal. Pub. Util. Code § 2106	RCW 80.04.440	ORS 756.185	<ul style="list-style-type: none"> CA: allows punitive damages for willful conduct WA: attorneys' fees; no strict liability OR: not applicable to personal injury or property damage; treble damages for gross negligence or willful misconduct; attorneys' fees, except in class action 	<ul style="list-style-type: none"> CA, WA, OR: general statutes requiring compliance with laws
Cal. Health & Safety Code § 13007	RCW 76.04.760	ORS 477.092	<ul style="list-style-type: none"> CA: not specific to wildland fires WA: specific to wildfires, outlines recoverable damages OR: specific to wildfires; permits double economic damages if the result of gross negligence, willfulness, or malice 	<ul style="list-style-type: none"> CA, WA, OR: all impose liability for negligence or higher degree of fault
Noneconomic Damages	Noneconomic Damages	Noneconomic damages	<ul style="list-style-type: none"> OR, CA: recoverable in wildfire action WA: wildfire statutes may preclude recovery, yet to be seen in court case 	<ul style="list-style-type: none"> CA, WA, OR: no limit for noneconomic damages OR: current appeal challenging availability of noneconomic damages under wildfire statute; arguably foreclosed by caselaw

Wildfire Litigation – PSE cases

- In Pierce County, on September 8, 2020, a brush fire in PSE’s service territory caused by unusually high winds burned approximately 495 acres
- This event has led to litigation with several insurance companies seeking subrogation for payments made to insureds as a result of the fire.
 - There are 3 cases that were consolidated into one proceeding in Pierce County Superior Court
- These insurance companies alleged losses in property damages (there is no noneconomic loss). This is below our disclosure thresholds in our 10Ks/Qs
- This is not a class action lawsuit
- PSE has not had any requests for fire suppression reimbursement from DNR

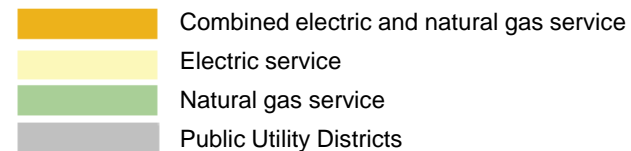
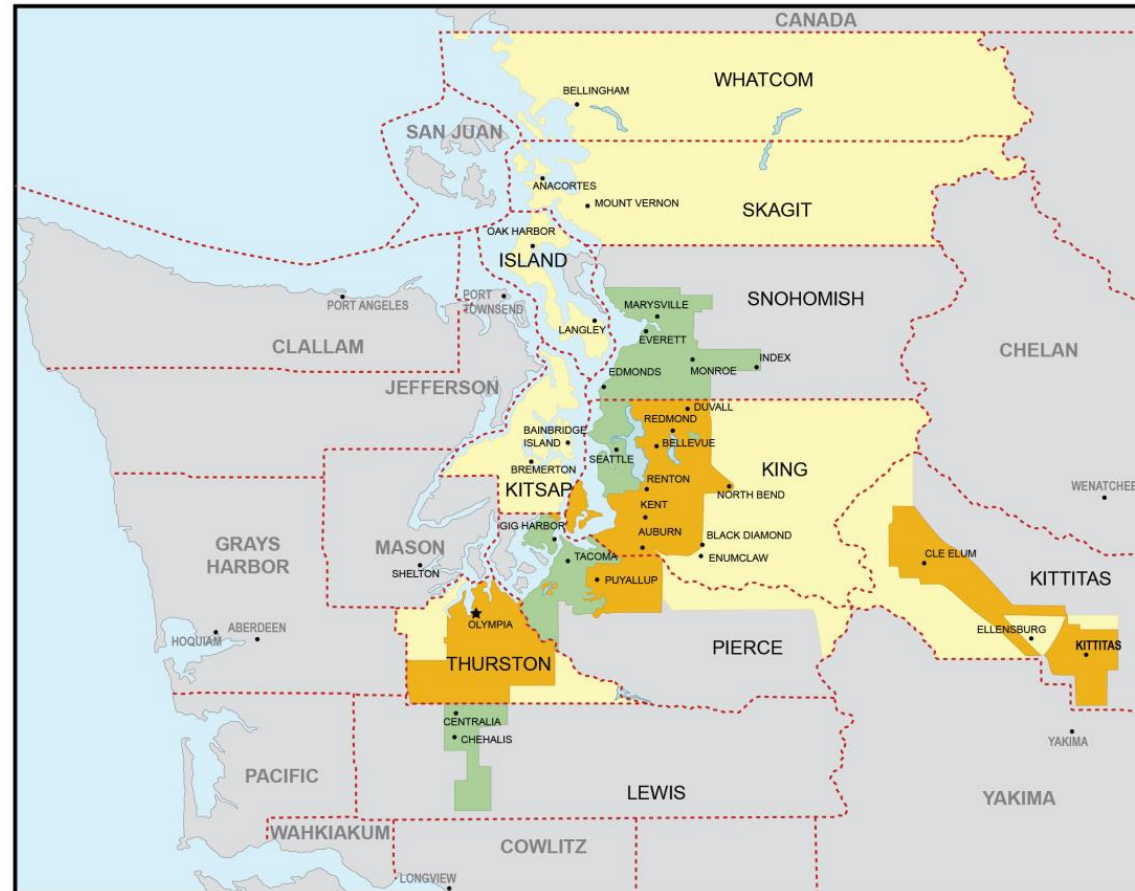
Wildfire Legislation - Highlights

- In prior years, legislation was proposed, but did not pass, that would have established a presumption of liability against electrical utilities for damage caused by fires, but did not pass
- In the last legislative session, the focus turned to partnership to address the growing risk and increasing awareness of the dangers wildfires pose to the public
- HB 1032 (2023) applies to investor-owned utilities, such as PSE. This bill requires utilities to share its wildfire mitigation plans with the public (which PSE is already doing), update its wildfire mitigation plan every three years, and it also permits the recovery of costs and investments through rate proceedings
- HB 1578 (2023) requires DNR to take certain steps to continue mitigating wildfire risk, including conducting analysis, pushing forward wildfire research, implementing post-wildfire debris flow program, and state-sponsored emergency stabilization and response team

Appendix

Puget Overview - PSE Service Territory

- Washington state's oldest local energy company
- 100% regulated, engaged in business of electric generation, transmission, distribution and natural gas distribution
- 6,000 square⁽¹⁾ mile service area in Puget Sound region of Western Washington
 - 1.2 million electric customers⁽¹⁾
 - 872k gas customers⁽¹⁾



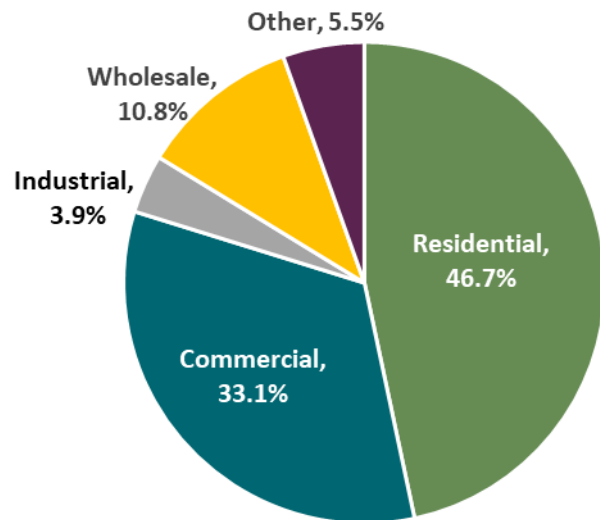
(1) Puget Annual Report on Form 10-K filed for 2022

Puget Overview - PSE Customer Base

PSE primarily serves residential and commercial customers with limited industrial exposure

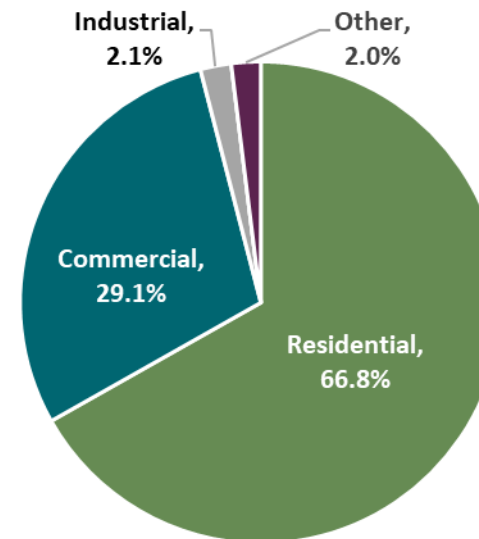
2022 Electric Retail Revenue by Customer Class⁽¹⁾

Total = \$3.0B



2022 Gas Retail Revenue by Customer Class⁽¹⁾

Total = \$1.2B

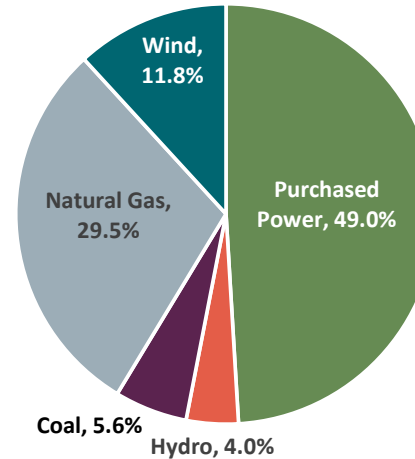


(1) Puget Annual Report on Form 10-K filed for 2022

Puget Overview - Diverse Power Generation Portfolio

- Puget is committed to providing safe and reliable electric service to customers in its territory while being a steward of clean energy
- Puget has a diverse portfolio of resources to meet customer needs:
 - Natural Gas
 - Wind/Solar
 - Hydroelectric
 - Coal (low % vs. other utilities)
 - Purchased Power Agreements
- As a national leader in wind power, PSE has 773 MW of wind resources

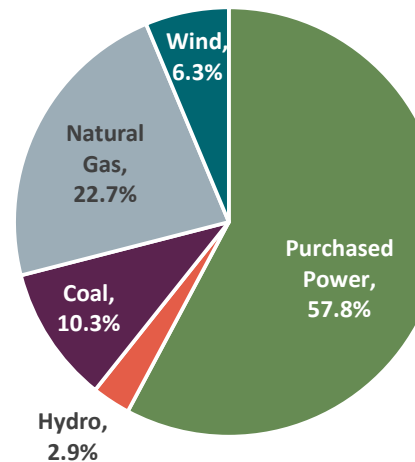
2022 Peak Power Resource Capacity (MW) ⁽¹⁾



Purchased Resources:	
Columbia River	13.0%
Other Hydro	1.5%
Other Producers	20.6%
Wind/Solar	13.7%
Biomass	0.3%
Total	49.0%

Total = 6,565 MW

2022 Energy Production Sources (GWh) ⁽¹⁾



Purchased Resources:	
Columbia River	16.4%
Other Hydro	1.9%
Other Producers	15.9%
Wind/Solar	5.3%
Biomass	0.3%
ST Wholesale Purchases	18.0%
Total	57.8%

Total = 26,543 GWh



(1) Puget Annual Report on Form 10-K filed for 2022