Exh. CRO-10
Dockets UE-260005, UG-260006 and UE-260113
Witness: Crystal R. Oliver

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**DOCKETS UE-260005 & UG-260006**
In the Matter of the Petition of **PUGET SOUND ENERGY** **For an Accounting Order Authorizing the Deferred Accounting Treatment for FERC Interest Associated with Mandatory Transmission Network Upgrades**	**DOCKET UE-260113 (Consolidated)**

EXHIBIT TO

TESTIMONY OF

CRYSTAL R. OLIVER

STAFF OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

PSE CCA Decarbonization Programs 2025 Annual Report Filed in UG-230968

July 28, 2026

PUGET SOUND ENERGY

CCA DECARBONIZATION PROGRAMS

2025 ANNUAL REPORT

Filed as Compliance Filing in Docket UG-230968

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1. Executive Summary

Puget Sound Energy (PSE) hereby submits its second annual report on PSE's Climate Commitment Act (CCA)[1] Decarbonization Programs. The first annual report, filed on November 15, 2024, covered PSE's CCA Decarbonization Programs ("programs") from Q1 to Q3 2024.[2] This report describes program updates through the end of calendar year 2024. During the 2024 calendar year, PSE provided electrification services to 58 low-income and/or named community premises, resulting in an estimated 222 MT reduction in carbon emissions. PSE also provided funding for capacity building at three Community Action Agencies, which will support the long-term success of their decarbonization and weatherization programs. In Q1 2026, PSE plans to file the next annual report describing PSE's program investments during the 2025 calendar year.

On December 22, 2023, PSE received approval[3] from the Washington Utilities and Transportation Commission (UTC) to spend $7.7 million of 2024 CCA auction proceeds from the sale of no-cost allowances[4] on voluntary decarbonization projects for residential low-income customers, multi-family premises with low-income customers or in named communities, and small business customers in named communities.[5]

Pursuant to PSE's proposal[6] and UTC Order[7], PSE consulted with its Low-Income Advisory Committee (LIAC) as well as other interested parties and advisory groups (such as PSE's Equity Advisory Group [EAG][8]) in the first quarter of 2024 to inform program designs for 2024 and preliminary program designs for 2025 and 2026. PSE provided ongoing updates to the advisory groups and interested parties on an as-needed basis. The final design had two phases intended to maximize the impact of the funding:

(1) Phase 1: 2024 efforts would focus on deploying funds in partnership with peer utilities and community organizations, and establishing PSE programs for installing electric heat pumps for residential multi-family and small business customers ("direct installs"); and

(2) Phase 2: In 2025-2026, PSE would launch and focus on deploying longer-term grant-based programs.

In 2024, the selected partnerships and programs offered full or partial cost assistance to all PSE natural gas low-income customers and customers in named communities to assist and incentivize them to decarbonize their energy use through electrification. The partnerships selected for 2024 include partnerships with peer utilities, community

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

2 *PSE's First Q3 2024 Climate Commitment Act (CCA) Decarbonization Program Annual Report*, filed on November 15, 2025, Docket UG-230968.

3 *Washington Utilities and Transportation Commission (WUTC) Order 01*, issued on December 22, 2023, Docket UG-230968.

4 RCW 70A.65.070.

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

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

6 *PSE's Greenhouse Gas Emissions Cap and Invest Adjustment (Schedule 111) Tariff Change Filing Proposal Cover Letter*, filed on November 11, 2023, WUTC Docket UG-230968.

7 *WUTC Order 01*, issued on December 22, 2023, Docket UG-230968.

8 For more information about PSE's Equity Advisory Group, visit: https://www.cleanenergyplan.pse.com/eag

organizations, and municipality / community action agency partners (CAAs/CAPs). PSE also leveraged synergies with existing PSE programs including the Targeted Electrification Pilot[9] and three energy efficiency programs: (1) low-income energy efficiency home weatherization program, (2) multi-family retrofit, and (3) small business direct install.

During calendar year 2024, PSE made significant progress by designing and launching the CCA Decarbonization Programs from the ground up and implementing program design consistent with the plan filed with the UTC.[10] By Q3 2024, PSE had signed all pertinent contracts. Taking into account the time it takes to negotiate contracts and start services, PSE was able to utilize 64% of the 2024 planned funding allocated to program partnerships and segments. Some program partners began delivering decarbonization projects to customers and completed their work by the end of 2024, while the majority of projects continued into 2025.

Section 2 of this report provides background information describing the CCA statute applicable to investments for decarbonization projects and PSE's engagement with interested parties to develop program design for its CCA Decarbonization Programs. Section 3 presents overarching goals of the programs and provides information about the phased approach to launch. Section 4 provides detailed information about 2024 calendar year program partnerships, budgets, and other implementation activities. Section 5 describes PSE's future evaluation of the programs.

2. Background

2.1 Legislative Background

In 2021, the Washington State Legislature passed Senate Bill 5126, also known as the Climate Commitment Act (CCA) or "Cap-and-Invest Program," codified as RCW 70A.65. The CCA went into effect on January 1, 2023,[11] and the first compliance period is calendar years 2023 through 2026.[12]

The CCA establishes an economy-wide, comprehensive, market-based system intended to reduce overall greenhouse gas (GHG) emissions in Washington State. PSE is a covered entity and must participate in the Cap-and-Invest program by acquiring compliance instruments (allowances or offsets) equal to emissions from both its electric and natural gas operations on behalf of its customers and facilities. Cap-and-Invest is a market-based program that is based on using price signals to encourage decarbonization by people and facilities that have emissions. The CCA provides natural gas utilities no-cost allowances that decrease over time "[f]or the benefit of ratepayers."[13] Natural gas investor-owned utilities receiving these no-cost allowances must adhere to several requirements when using them:

- Utilities must consign a portion of their no-cost allowances to auction for the benefit of their customers, deposit the allowances for compliance, or a combination of the two.[14]

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9 PSE's targeted electrification pilot began with Stipulation O of the settlement agreement in PSE's 2022 general multiyear rate plan proceeding in WUTC Dockets UE-220066 & UG-220067. *WUTC v. Puget Sound Energy*, Dockets UE-220066, *et al.* Final Order 24/10, Appx. A, Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program (Dec. 22, 2022) (the "UE-220066 Settlement"), Settlement Stipulation O on Targeted Electrification Pilot (STEP).

10 *PSE's Compliance Filing*, filed on May 30, 2024, WUTC Docket UG-230968.

11 RCW 70A.65.070.

12 RCW 70A.65.070(1)(a).

13 RCW 70A.65.130(1).

14 WAC 173-446-240(3).

- Utilities must use revenue generated from no-cost allowances at minimum to eliminate additional cost burden to low-income customers, and additional revenue may be used to provide non-volumetric credits on ratepayer utility bills, prioritize low-income customers, or minimize cost impacts on low-income, residential, and small business customers through weatherization, decarbonization, conservation and efficiency services, bill assistance, and other actions.[15]
- Customer benefits provided from natural gas utilities' no-cost allowances must be in addition to existing legal requirements, or requirements found in other statutes or rules.[16]

2.2 Regulatory Background

In November 2023, PSE proposed to allocate $23 million in estimated no-cost allowance auction proceeds from 2024 to fund voluntary decarbonization projects over the 2024-2026 period for low-income customers, multi-family premises with low-income customers and in named communities, and small businesses in named communities.[17] This proposal was informed by PSE's engagement with interested parties in 2023 about CCA implementation topics,[18] which indicated that many parties were supportive of this approach. PSE also proposed[19] to work with interested parties over the first quarter of 2024 to develop a program design.

In December 2023, the Commission approved setting aside $7.7 million in estimated no-cost allowance auction proceeds for decarbonization programs during the 2024 rate period.[20] The Commission also approved PSE's proposal to work with interested parties to develop the program design in the first quarter of 2024, and required PSE to file (a) updated plans after the consultation with interested parties and (b) annual status reports on decarbonization investments. Subsequently, PSE has undertaken the following compliance actions:

(a) PSE organized three monthly meetings with interested parties[21] in the first quarter of 2024 to collaborate and consult on program design. In addition to three larger meetings with parties, PSE also held several one-on-one engagement meetings with various parties, such as with potential partners (peer utility and community organizations) and municipality or regional CAAs/CAPs. At the end of the consultation

15 RCW 70A.65.130(2)(b); see also WAC 173-446-300(2)(b)(iii)(A).
16 RCW 70A.65.130(2)(b); see also WAC 173-446-300(2)(b)(iii)(B).
17 UG-230968 (Advice No. 2023-56), PSE's Cover Letter (November 22, 2023), at p. 2, PSE's Natural Gas Tariff Filing proposed revisions to rates under natural gas tariff Schedule WN U-2, Schedule 111, Greenhouse Gas Emissions Cap, and Invest Adjustment.
18 In order to be proactive on complex CCA implementation issues, PSE organized a series of meetings and workshops with interested parties in 2023 to discuss various gas utility CCA implementation issues germane to preparation of a tariff filing related to CCA compliance costs and no-cost allowance revenues. For more information about PSE's 2023 CCA Implementation Issues workshop meetings, see *PSE's Comments* in Docket UG-230470 on July 19, 2023.
19 *PSE's Greenhouse Gas Emissions Cap and Invest Adjustment (Schedule 111) Tariff Change Filing Proposal Cover Letter*, filed on November 11, 2023, WUTC Docket UG-230968.
20 *WUTC Order 01*, issued on December 22, 2023, Docket UG-230968.
21 The interested parties and advisory groups that were invited and/or participated in PSE's CCA Decarbonization Programs workshop meetings were: 1. Climate Solutions (CS); 2. Equity Advisory Group (EAG); 3. Northwest Energy Coalition (NWEC)*; 4. Public Counsel (PC)*; 5. The Energy Project (TEP)*; 6. Washington Conservation Action (WCA)*; 7. Washington Utilities and Transportation Commission (WUTC) Staff*; 8. Washington State Department of Commerce (Commerce)*; 9. Tacoma Power (TP); 10. Seattle City Light (SCL); 11. Seattle HomeWise*; 12. King County Housing Authority (KCHA)*; 13. Community Action Council of Lewis/Mason/Thurston Counties (CAC LMT)*. The interested parties marked with an asterisk are also members of PSE's Low-income Advisory Committee (LIAC). The last three parties in the list are community action partnership (CAP) / community action agencies (CAA) or municipality agency that already work with PSE on low-income weatherization projects as part of PSE's low-income energy efficiency home weatherization assistance program (WAP) and as part of PSE's Stipulation O Targeted Electrification Pilot (STEP) low-income offerings. For more information about PSE's 2024 Q1 engagement with interested parties on CCA decarb projects program design, see *PSE's Compliance Filing*, filed on May 30, 2024, in WUTC Docket UG-230968.

period, all parties supported or were neutral regarding final program design for all three program segments: low-income, multi-family, and small business. After the consultations, PSE filed a compliance filing to the UTC on May 30, 2024, outlining the final CCA Decarbonization Programs design and budget plans.[22]

(b) This report addresses the second part of the compliance requirement from Order 01 (December 22, 2023) in the current Docket UG-230968 related to submission of annual status reports on CCA Decarbonization Programs. The first annual report, filed November 15, 2024 in this docket, covered PSE's CCA Decarbonization Programs from Q1 to Q3 2024.[23] This report describes PSE's CCA Decarbonization Programs through the end of the 2024 calendar year.

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

3.1 Overarching Goals

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

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

3.2 Phased Approach to Launch

PSE's CCA Decarbonization Program launch has been phased in order to provide time for partner organizations to build capacity to undertake this work.

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22 *PSE's Compliance Filing*, filed on May 30, 2024, WUTC Docket UG-230968.

23 *PSE's First Q3 2024 Climate Commitment Act (CCA) Decarbonization Program Annual Report*, filed on November 15, 2025, Docket UG-230968.

(1) Phase 1: 2024 efforts focused on deploying funds in partnership with peer utilities and community organizations, and establishing PSE programs for installing electric heat pumps for residential multi-family and small business customers ("direct installs"); and

(2) Phase 2: In 2025-2026, PSE is focused on deploying longer-term grant-based programs.

In 2024, the selected partnerships and programs offered full or partial cost assistance to all PSE natural gas low-income customers and customers in named communities to assist and incentivize them to decarbonize their energy use through electrification. The partnerships selected for 2024 include partnerships with peer utilities, community organizations, and municipality or regional CAAs/CAPs. PSE also leveraged synergies with existing PSE programs including the Targeted Electrification Pilot[24] and three energy efficiency programs: (1) low-income energy efficiency home weatherization program, (2) multi-family retrofit, and (3) small business direct install.

4. 2024 Program Plans and Implementation

4.1 Summary of 2024 Plans and Budgets

Figure 1 below summarizes the final 2024 CCA Decarbonization Programs design developed with interested parties during the first quarter of 2024.[25]

Figure 1. 2024 PSE's CCA Decarbonization Programs Design Summary

2024 Summary Matrix	Single-Family Residential				Multi-Family Residential		Small Business Direct Installs
	High Point (HomeWise) Direct Installs	Income Qualified Rental Program Direct Installs	Energy Smart Eastside Direct Installs	CAP Agency Capacity Support	Penn Hall Apartments (HomeWise)	MF Direct Installs	
Partners	• HomeWise CAP Agency • Seattle Housing Authority	• Tacoma Public Utilities	• Energy Smart Eastside • Eastside Cities	• Low-income weatherization CAP Agencies	• HomeWise CAP Agency • Seattle City Light	• PSE Trade Ally Network • Building Owners	• PSE Implementers
Est. Units	2024: 53 homes	2024: 25 homes	2024: 32-36 homes	N/A	2024: 30 homes	2024: 2 buildings	2024: 10 businesses
Est. Total CCA Spend	**$2.76M**	**$800,000**	**$850,000**	**$997,000**	**$65,000**	**$510,000**	**$200,000**
Decarb Technologies	• Space and/or water heat	• Space and/or water heat	• Space heat	N/A	• Central water heat	• Space and/or water heat	• Space and/or water heat
Customer Segment	• Low-Income • Named Community • Renters • PSE gas only	• Low-Income • Renters • PSE gas only • Potential - Named Community	• Low-Income • Owners & Renters • Potential - Named Community	N/A	• Low-Income • Named Community • Renters	• Low-Income • Named Community • Owners & Renters	• Small Business • Owners & Renters • Named Community • PSE dual-fuel
Income Qualification By	Agency	Tacoma	Hopelink	N/A	Agency	PSE Bill Discount Rate	N/A

[24] PSE's targeted electrification pilot began with Stipulation O of the settlement agreement in PSE's 2022 general multiyear rate plan proceeding in WUTC Dockets UE-220066 & UG-220067. *WUTC v. Puget Sound Energy*, Dockets UE-220066, *et al.* Final Order 24/10, Appx. A, Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program (Dec. 22, 2022) (the "UE-220066 Settlement"), Stipulation O on Targeted Electrification Pilot (STEP).

[25] *PSE's Compliance Filing*, filed on May 30, 2024, WUTC Docket UG-230968.

4.2 Single-Family Residential

In the single-family residential segment, PSE worked with interested parties and partners to identify the following programs and partnerships for 2024:

(1) High Point Direct Installs (Seattle HomeWise) partnership,

(2) Tacoma Power's Income-Qualified Rental Program (IQRP) partnership,

(3) Energy Smart Eastside (ESE) partnership, and

(4) Decarbonization and weatherization program capacity building support for CAA/CAP Agencies.

PSE provides detailed information for each of these programs/partnerships below.

(1) High Point Direct Installs Partnership with Seattle HomeWise

2024 Summary: Roughly 10% of the funds disbursed to Seattle HomeWise were utilized to provide heat pump installations at six income-qualified residences within named communities with an expected additional 47 residences to be completed in the future with the remainder of the disbursed funds.

2024 PSE Disbursement: $2,755,548

PSE established a partnership with the Seattle Office of Housing entity Seattle HomeWise, and through this collaboration engaged with the Seattle Housing Authority (SHA) to deliver weatherization and electrification services to income-qualified households within designated low-income housing properties.

The High Point public housing community, located in West Seattle, was selected as the primary implementation site for this initiative. High Point consists of 600 single-family homes. PSE conducted verification procedures confirming that the High Point community meets the criteria for both Highly Vulnerable Population (High VP) and Highly Impacted Community (HIC) designations under the program guidelines.

Based on this qualification, PSE disbursed $2.76 million in CCA Decarbonization Program funding to support the electrification of natural gas space heating and water heating systems as well as weatherization such as insulation and air sealing for an estimated 53 verified low-income residential units within the High Point community.

During the 2024 program implementation period, HomeWise successfully completed electrification and weatherization retrofits at six residential units, expending approximately $240,000 of the disbursed funding. However, the completion of electrification work for the remaining qualified units was suspended pending SHA's completion of mandatory procurement and competitive bidding processes required for the continuation of the project. By the end of 2024, PSE and HomeWise continued to wait for notification from SHA regarding the completion of these procurement requirements before resuming electrification activities for the remaining residential units in the High Point community.

(2) Tacoma Power's Income-Qualified Rental Program Partnership

2024 Summary: Heat pump installations at three income-qualified renter residences via Tacoma Power

2024 PSE Disbursement: None (invoices were paid in 2025)

PSE established a partnership with Tacoma Power to expand their Income-Qualified Rental Program (IQRP) through the disbursement of up to $800,000 in 2024 funding. This collaboration was designed to serve an estimated additional 25 low-income rental homes located within PSE's gas-only service territory and Tacoma Power's electric service territory. Under the partnership structure, PSE's CCA Decarbonization Program provides 100% funding for space heating and water heating heat pump installations, while Tacoma Power provides 100% funding for conservation and weatherization upgrade costs.

Tacoma Power's IQRP is a targeted program specifically designed to serve low-income single-family rental customers, offering full cost coverage for eligible improvements contingent upon property owner agreements to limit potential rent increases. This partnership enables PSE to leverage an established and operationally successful program to deliver comprehensive electrification and efficiency benefits to PSE's vulnerable, low-income rental customers. Tacoma Power employs multiple income-qualification verification methods to ensure all projects serve verified low-income renters, and PSE provided its publicly available Named Communities maps to Tacoma Power to maximize program participation within PSE's designated named communities. Partnership implementation experienced a delayed start due to the time required to establish initial formal contractual agreements between PSE and Tacoma Power.

Following the completion of contract negotiations at the end of Q3, PSE and Tacoma Power successfully completed three electrification projects during the 2024 implementation period, utilizing $124,358 of the disbursed program funding. However, the invoices and payments for these three projects were not received and paid until 2025, and thus are not captured in the 2024 disbursement (as seen in Table 1 below). Remaining funds were designated for projects initiated in 2024 with completion scheduled for 2025, as well as new projects to be undertaken in 2025. Both utilities will continue to develop the program pipeline based on demonstrated early program interest to ensure continued customer service delivery as projects reach completion.

(3) Energy Smart Eastside Partnership

2024 Summary: Heat pump installations at 40 income-qualified residences via Energy Smart Eastside

2024 PSE Disbursement: $850,000

PSE's CCA Decarbonization Program disbursed $850,000 in 2024 funding to the Energy Smart Eastside (ESE) Partnership to support the installation of an estimated 32-36 heat pump systems in income-qualified residential dwelling units.

ESE operates as a regional climate initiative comprising the Cities of Bellevue, Issaquah, Kirkland, Mercer Island, and Redmond. ESE funding is derived from municipal resources supplemented by grants from the Washington Department of Commerce Clean Energy Fund and Washington State University Community Energy Efficiency Programs. ESE partners with Hopelink, a designated CAA/CAP organization, to provide customer outreach services, income-qualification verification, and case management support for residents accepted into the ESE heat pump program.

PSE's partnership with ESE represented a program expansion designed to fund conversions from natural gas space heating to cold-climate electric heat pump systems for PSE's income-qualified customers. All participating customers were located within PSE's combined electric and natural gas service territory.

PSE and ESE executed a formal partnership agreement effective August 1, 2024. During the 2024 program implementation period, ESE successfully completed electrification projects at 40 residential sites, utilizing 100% of the disbursed program funding totaling $850,000.

(4) Capacity Building Support for Community Action Partnership Agencies

2024 Summary: Funding for staff capacity building and hiring at three Community Action Agencies

2024 PSE Disbursement: $997,000

PSE's CCA Decarbonization Program disbursed approximately $1 million for decarbonization and weatherization program capacity building support for three CAAs/CAPs: King County Housing Authority (KCHA), Community Action Council of Lewis/Mason/Thurston Counties (CAC LMT), and HomeWise.

PSE's support to CAA/CAP agencies was designed to fund agency staff and contractor education, as well as hiring staff for agency decarbonization programs in preparation for decarbonization projects in 2025-2026. PSE collaborated with the CAA/CAP agencies and The Energy Project through one-on-one and group discussions to determine appropriate budget allocations based on estimated 2024-2025 staffing and training needs, with all interested parties expressing support for the program's capacity building objectives.

PSE successfully executed agreements with all three agencies by July 11, 2024, and transferred 100% of the upfront capacity building funds totaling $997,000 by September 2024, distributed as follows: KCHA received $500,000, CAC LMT received $250,000, and HomeWise received $247,000. These funds enabled the agencies to hire additional staff and scale their program capabilities to implement electrification projects, as demonstrated by HomeWise's successful completion of electrification upgrades at six low-income residential units within the High Point Community in partnership with the Seattle Housing Authority.

4.3 Multi-Family Residential

In the multi-family residential segment, PSE worked with interested parties and partners to identify the following programs and partnerships for 2024:

(5) Seattle HomeWise partnership; and

(6) Multi-Family Direct Install (MFDI) PSE CCA Decarbonization Program.

PSE provides detailed information for each of these programs/partnerships below.

(5) Seattle HomeWise Partnership

2024 Summary: Initiated contract for central water heat pump installations at an income-qualified apartment building with 30 units located within PSE's named communities via Seattle HomeWise

2024 PSE Disbursement: $65,000

PSE established a partnership with Seattle HomeWise to fund the electrification of two central natural gas water heating systems at a designated apartment building, with an initial budget allocation of $65,000. The property contains 30 verified low-income residential units and is located within a PSE-designated Highly Impacted Community. PSE

executed a formal contract with the City of Seattle for this partnership with HomeWise, effective July 11, 2024, and transferred 100% of the planned budget totaling $65,000 in September 2024 as scheduled.

After soliciting contractor quotes for the electrification work, the project cost was evaluated to be over one-hundred and twenty times the original budget, ultimately making the project nonviable. As of the end of 2024, the project remained suspended while alternative funding sources were evaluated, and next steps were under discussion with the property owner to determine project viability and potential path forward.

(6) PSE Multi-Family Direct Install CCA Decarbonization Program

2024 Summary: PSE's MFDI program installed six heat pump water heaters and four heat pump space heaters in one income-qualified property (8 units) and conducted an electric capacity assessment on a second income-qualified property. Both properties are within named communities.

2024 PSE Spend: $99,194

PSE's Multi-Family Direct Install (MFDI) CCA Decarbonization Program provides full cost coverage for converting natural gas space heating and water heating systems to electric heat pump technology in multi-family residential buildings. The MFDI program is administered directly by PSE in collaboration with building owners, with an allocated budget of approximately $510,000 to serve two multi-family buildings during 2024. The program targets PSE's low-income residential customers with priority consideration for properties located within designated named communities.

PSE's implementation strategy includes contacting previous multi-family conservation program participants for strategic outreach efforts and bundling CCA Decarbonization Program benefits with complementary conservation measures offered through PSE's multi-family retrofit program, including weatherization, lighting upgrades, and other efficiency improvements.

During the 2024 implementation period, the MFDI program partnered with PSE's ongoing Targeted Electrification Pilot to execute two multi-family electrification projects. The pairing of funding sources enabled PSE to provide comprehensive resources for transitional housing properties serving vulnerable populations.

The first project involved a transitional housing property containing eight residential units located within PSE named communities, serving low-income customers with household incomes below 50% of Area Median Income. This project included the replacement of six natural gas water heaters with heat pump water heaters and four natural gas furnaces with electric heat pump systems, with a total project cost of $124,194. The CCA Decarbonization Program contributed $99,194 toward this project, with PSE's Targeted Electrification Pilot providing the remaining $15,000 in funding, and the project was completed in December 2024.

The second project involved another transitional housing property in PSE's named communities serving low-income customers below 50% of Area Median Income, with a scope of work to replace 20 in-unit hydronic space heating systems with ductless heat pump units at an estimated cost of approximately $415,000. This project required phased implementation due to onsite electrical capacity limitations, as the existing electric service infrastructure was determined to be insufficient to support the electrical demand of 20 new heat pump units and potential future electrification equipment such as electric water heaters and clothes dryers. To address these infrastructure constraints, PSE collaborated with the building owner and contractor to submit an application to PSE's Customer and System

Projects division for a comprehensive capacity assessment and potential service upgrade. While service upgrades are typically paid for by customers, PSE determined that such upgrades would be covered by the program given PSE's funding of the heat pump installations, with $80,000 allocated specifically for these infrastructure improvement costs. Based on the timeline requirements for the service upgrade, heat pump installations will proceed in phases, with an anticipated nine heat pump installations scheduled for phase one. PSE also evaluated the potential for replacing the building's water heating systems with electric water heating technology; however, this additional scope will be assessed following the resolution of current project implementation barriers. During 2024, PSE successfully updated the Statement of Work with its program implementer to provide project management services for these installations and future projects.

4.4 Small Business

(7) PSE Small Business Direct Install CCA Decarbonization Program

2024 Summary: PSE's SBDI program established methods for identifying potential customers and initiated eight projects

2024 PSE Spend: None

PSE's Small Business Direct Install (SBDI) CCA Decarbonization Program was designed to serve small business[26] customers located within or directly serving PSE's designated named communities, with a focus on funding upgrades from natural gas space heating and water heating systems to electric heat pump technology. The program initially budgeted $200,000 in 2024 funding to serve approximately 10 small business establishments.

Program implementation experienced a delayed start, with PSE initiating project solicitation activities through its program implementer in July 2024. In the initial phase, PSE contacted established small business contractor partners within its network to identify projects deemed suitable for electrification retrofits, receiving minimal contractor response despite follow-up communications. In this phase, the program encountered several barriers including difficulty identifying customer interest, challenges in scheduling site assessments and obtaining competitive contractor bids, and limitations in identifying technically suitable electrification projects.

To address these challenges, PSE employed an adaptive stepped marketing approach that prioritized contractor engagement as well as direct business owner outreach. Subsequently, PSE conducted targeted outreach to eligible small business owners located within named communities, which generated improved customer response rates and enabled the development of a project pipeline. Through this revised approach, PSE identified eight SBDI projects within named communities that, as of the end of 2024, were progressing through various stages of preparation.

During the 2024 implementation period, PSE's implementation contractor completed ten on-site energy assessments, identified eight projects to move forward, and initiated contractor bid procurement activities. PSE evaluates business energy consumption patterns to determine potential decarbonization impacts and the likelihood of success for electrification. Technically viable projects complete energy audits and contractor bidding. Construction activities for the eight projects are scheduled for completion in 2025.

[26] For program eligibility purposes, for 2024, small business was defined as any for-profit business entity that operates independently from other business enterprises, employs 50 or fewer employees at its business premises, and maintains a three-year average gross annual receipts not exceeding $30.4 million. Source: PSE Natural Gas Tariff Schedule 111, effective January 1, 2024, available here: https://apiproxy.utc.wa.gov/cases/GetDocument?docID=5&year=2023&docketNumber=230968

4.5 Summary of 2024 PSE Budget versus Disbursement/Spend

Table 1 presents a comprehensive summary of PSE's 2024 CCA Decarbonization Programs budgeted allocations by program segment and partnership, compared to actual disbursements through the end of the 2024 program year.

The analysis reveals that budget underutilization occurred primarily within three program components: the Tacoma Power Partnership, PSE's Small Business Direct Install (SBDI) programs, and the Multi-Family Direct Install (MFDI) program. This budget variance resulted from delayed program launch timelines that impacted the ability to complete planned activities within the 2024 program year – the first year of these programs. Specifically, factors that contributed to delayer program launch included: the Tacoma Power Partnership experienced implementation delays due to the time required to establish formal contractual agreements between the utilities; the MFDI program encountered delays related to establishing implementation contracts with program administrators and delayed construction start dates; while other programs faced project-specific delays related to procurement processes and infrastructure capacity assessments.

In accordance with program administration protocols, PSE has disbursed all committed 2024 funding and carried forward unused budget amounts into the 2025 program year. These rolled-over funds will be utilized to complete work initiated during 2024 that extended into 2025, as well as to support additional electrification projects and program expansion activities in the 2025 program implementation period. This budget management approach ensures continuity of program services and maximizes the utilization of disbursed decarbonization funding to serve PSE's income-qualified customers and designated named communities.

Table 1. CCA Decarbonization Program 2024 PSE Budget vs. Disbursement/Spend

Partnership / Program	2024 Budget	2024 Actual Disbursement/Spend	% of Budget
Single-Family Residential	**$5,405,000**	**$4,602,548**	**85%**
High Point Direct Installs (HomeWise) Partnership	$2,760,000	$2,755,548	100%
Tacoma Power IQRP Joint Utility Partnership	$800,000	-	0%
Energy Smart Eastside Partnership	$850,000	$850,000	100%
CAA/CAP Agency Support Funding	$995,000	$997,000	100%
Multi-Family Residential	**$575,000**	**$164,194**	**29%**
Seattle HomeWise Partnership	$65,000	$65,000	100%
PSE Multi-Family Direct Installs	$510,000	$99,194	19%
Small Business – PSE Direct Installs	**$200,000**	**-**	**0%**
Total Programs Disbursement	**$6,180,000**	**$4,766,742**	**77%**
PSE Overhead - Admin, Staff, Evaluation	$1,490,000	$129,721	9%
Total CCA Decarbonization Program Disbursement/Spend	**$7,670,000**	**$4,896,463**	**64%**

5. Future Program Evaluation

Given the emerging nature of decarbonization programs, PSE has developed plans to evaluate the CCA Decarbonization Programs to enhance future program delivery effectiveness and optimize partnership design structures.

The evaluation framework will incorporate comprehensive data regarding actual site greenhouse gas emission reductions achieved through CCA Decarbonization Programs implemented during 2024. However, due to insufficient participation data for comprehensive analysis of both heating and cooling system impacts during the initial program implementation period, the evaluation timeline has been extended to 2027 to include a statistically significant sample size.

This evaluation will be conducted as a combined assessment that includes CCA Decarbonization Programs alongside the 2022 General Rate Case (GRC) Settlement Targeted Electrification Pilot (STEP) and the 2024 GRC Targeted Electrification Pilot (TEP) Phase II funded low-income electrification projects, enabling a more comprehensive analysis of program effectiveness across PSE's decarbonization portfolio. PSE will provide evaluation results and findings in the subsequent annual report to the UTC following completion of the evaluation process.

The program evaluation objectives will be finalized with PSE's evaluation contractor[27] in early 2026 but will focus on the following key areas:

- Assessing the effectiveness of serving low-income customers through no-cost electrification services;
- Understanding the energy consumption impacts of electrification on low-income customers and customers residing in named communities;
- Assessing non-energy impacts associated with residential electrification compared to installation of more efficient natural gas equipment for low-income customers and named community residents;
- Identifying the role of different program design approaches within a diverse low-income and named community decarbonization portfolio and evaluating the integration of program designs with existing programs across PSE's gas service territory;
- Identifying and measuring small business participation rates within named communities; and
- Assessing effectiveness and identifying gaps in utility partnership approaches for decarbonization program delivery.

[27] For PSE's customer energy conservation programs, program evaluations are conducted regularly. Evaluations are performed by independent, external evaluators in conjunction with PSE's internal evaluation team to prospectively improve program delivery methodologies and refine program energy savings estimates derived from PSE's comprehensive energy efficiency portfolio.

6. Conclusion

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

After program design engagements and development in Q1 2024, Q2 – Q3 were utilized for establishing contractual foundations necessary to carry out programs and partnerships. Despite the time needed for the program launch ramp up, PSE was able to utilize 64% of 2024 budgeted funding. Because 2024 was the first implementation year, a number of program activities are planned to carry through 2025. The unutilized 2024 funding has been carried forward and allocated to the 2025 CCA program portfolio in accordance with program administration protocols. This funding rollover and the associated program activities will be documented and reported in PSE's next CCA Decarbonization Programs annual report for 2025 calendar year, planned to be submitted to the Commission in Q1 2026.