MULTI-YEAR RATE PLAN ANNUAL REPORT
REGARDING PLANT INVESTMENT AND METRICS REPORTING

PUGET SOUND ENERGY
DOCKETS UE-220066 AND UG-220067
(CONSOLIDATED)

MARCH 29, 2024

LIST OF REPORT ATTACHMENTS

LIST OF REPORT TABLES

BACKGROUND

Pursuant to paragraphs 53 and 60 of the Multiparty Settlement Agreement ("Settlement Agreement") approved in consolidated Dockets UE-220066 and UG-220067 ("2022 GRC") and paragraphs 237 and 243 of Final Order 24 ("Final Order") in the 2022 GRC, Puget Sound Energy ("PSE") submits this Multi-Year Rate Plan ("MYRP") Annual Report ("Annual Report"). This report provides the second Annual Report to the Commission on the items identified in the Settlement Agreement and the Final Order. These include:

I. Review of PSE's actual 2023 investments made compared to what was used to set rates for the first rate year of the MYRP. This section of the Annual Report was referred to in Commission documents within last year's filing as the "Annual Provisional Capital Report". This portion of the report is discussed in more detail below.

II. An update on PSE's efforts related to the Inflation Reduction Act ("IRA") and the Infrastructure Investment and Jobs Act ("IIJA"). This portion of the report is also discussed in more detail below.

III. Reporting on the metrics identified in paragraph 60 of the Settlement Agreement as required by paragraph 93 in the Final Order. These metrics can be found in **Attachment A** to this Annual Report.

IV. The calculation of PSE's earnings sharing mechanism pursuant to RCW 80.28.425. PSE's former earnings sharing mechanism had previously been filed with PSE's annual Schedule 142 Decoupling Adjustment Mechanism filings but beginning this year, is being filed with this Annual Report. This calculation can be found in **Attachment E** to this Annual Report. The calculation shows that PSE was not over-earning in 2023 on a Commission Basis, and therefore, no amounts were required to be deferred under the statute. For electric, PSE's Commission Basis results reflect a restated rate of return of 6.93 percent which is lower than its pro-rated authorized rate of return for 2023 of 7.17 percent. For natural gas, PSE's Commission Basis results reflect a restated rate of return of 6.50 percent which is lower than its pro-rated authorized rate of return for 2023 of 7.16 percent. Per the statute, PSE's earnings test is based the results of its Commission Basis Reports filed under a separate dockets at the same time as this Annual report. Detailed work papers for the earnings tests included in Attachment E to this Annual Report can be found in those separate dockets.

I. 2023 CAPITAL INVESTMENT REVIEW PROCESS

The Settlement Agreement provides that PSE's annual review process will be based on the process described in the testimony of Susan E. Free, Exh. SEF-1Tr. This review covers the portion of PSE's 2023 plant investment that was based on forecasts and included in rates that became effective in January 2023. This filing provides the following information as indicated on page 49 of Exh. SEF-1Tr.

A. Actual plant closings categorized in the same manner as they were categorized in the 2022 GRC so that they can be compared to the forecasted amounts used when setting rates. See **Attachment B** to this Annual Report.

B. In service dates for Specific investments. See **Attachment C** to this Annual Report.

C. Narrative explanations for any significant deviations between actual and forecasted investment. See **Attachment D** to this Annual Report. Attachment D also discusses project benefits that were discussed in the 2022 GRC.

D. A proposal for any tariff change needed for amounts to be refunded to customers based on actual amounts incurred. This requirement was modified by the Commission in its Compliance Acknowledgement Letter dated September 14, 2023 in the 2022 GRC Dockets. The letter stated that PSE may file tariff revisions in connection with future annual report filings at the end of the review period, rather than contemporaneously with the annual report on March 31st.[1] Accordingly, tariff revisions for 2023 will be filed at the completion of the review period for this compliance report.

Further, page 33 of Exh. SEF-1Tr indicates a calculation will be performed demonstrating whether PSE's actual plant investments on a portfolio basis are within reason to what was used for setting rates. The calculation uses actual plant closing information to recalculate the revenue requirement that is subject to refund ("STR") and compares it to the actual STR revenue set in electric and gas Schedules 141R using forecasted amounts. This portfolio threshold calculation is also included in **Attachment B** and a summary of the calculation is presented in Table 1 below. The calculation is prepared using cumulative balances for 2022 and 2023 as indicated in the Commission's September 14, 2023 Compliance Acknowledgement Letter.

[1] A subsequent Compliance Acknowledgement Letter was filed on September 22, 2023 which related to other issues within the 2022 compliance filing and did not change this modification.

Table 1 – Portfolio Threshold Calculation

2023 STR Calculation (in millions) Description		Electric Approved	Electric Actual	Electric Act > Fcst (Fcst> Act)	Natural Gas Approved	Natural Gas Actual	Natural Gas Act > Fcst (Fcst> Act)
a		b	c	d	e	f	g
1	Rate Base	$ 682.0	$ 732.0	$ 49.9	$ 334.5	$ 327.4	$ (7.1)
2	Autorized Rate of Return	7.16%	7.16%	0.00%	7.16%	7.16%	0.00%
3	Grossed up Rate of Return	48.8	52.4	3.6	23.9	23.4	(0.5)
4	Depreciation	30.0	39.7	9.7	15.8	16.5	0.6
5	Taxes	(9.9)	(15.5)	(5.7)	(5.4)	(5.9)	(0.5)
6	Total Expenses	20.2	24.1	4.0	10.4	10.6	0.2
7	Operating Income Requirement	69.0	76.6	7.6	34.3	34.0	(0.3)
8	Approved Conversion Factor	0.752355	0.752355	-	0.754801	0.754801	-
9	Revenue Requirement STR	$ 91.7	$ 101.8	$ 10.0	$ 45.5	$ 45.1	$ (0.4)
10	If line 9<0, then threshold			n/a			$ (2.2)
11	Exceeds threshold			n/a			Below threshold
12							
13	Threshold Calculation:						
14	2023 Approved Rate Base			$ 682.0			$ 334.5
15	Fifty Basis Point Threshold			0.50%			0.50%
16	Line 9 should not be less than			$ (4.5)			$ (2.2)

As can be seen in column d, line 9 of Table 1, electric rates were set lower by $10.0 million than they otherwise would have been if actual information had been used. Under the terms of the Settlement Agreement, no further portfolio analysis is performed in this situation and no refund is warranted for electric rates based on the portfolio review, as they were not set too high.

For natural gas, column g, line 9 on Table 1 shows that rates subject to refund were actually set higher by a very small amount than they otherwise would have been if actual information had been used. Under the terms of the Settlement Agreement, PSE, would provide a refund for the amount rates were set above the portfolio threshold,[2] which PSE did not exceed on a cumulative basis this year, as shown on lines 9 - 11. The amount rates were set too high is $400,000 which does not exceed the threshold of $2.2 million. Thus, no refund for natural gas is warranted under the portfolio review under the terms of the Settlement Agreement as well as related to the September 14, 2023 Commission Acknowledgement Letter.

Given that no refund is owed for 2023 investment and absent any other changes identified during review, there will be only one tariff change required for each electric and natural gas under the Settlement Agreement ("Tariff Transfer Filings"). Exh. SEF-1Tr provides that each year, regardless of whether or not a refund is required, rates would be moved from the refundable Schedule 141R tariff and transferred into the

[2] Exh. SEF-1Tr, page 32, lines 9 through page 33 line 21.

non-refundable Schedule 141N tariff to recognize the portion of the costs that have been reviewed and are no longer subject to refund. The Tariff Transfer Filings will have no impact to customer rates as they will merely serve to transfer the rates from one rate schedule to another. PSE will submit the Tariff Transfer Filings at the end of the review period as approved in last year's filing.

ADDITIONAL INFORMATION FOR SECTION I.A. – I.C. ABOVE

I.A. Actual Plant Closings:

1. Actual plant closings categorized in the same manner as they were categorized in the MYRP are presented in **Attachment B**, tab "Source Data - Act v Plan by WBS". This tab reflects $1,174.4 million for 2023. Estimated plant closings totaling $910.9 billion were included in rates subject to refund. These estimated plant closings were presented in Exhibit I to the Settlement Agreement.[3]

2. The support for Table 1 above is presented in **Attachment B**, tab "STR RR Recalc (Table 1)".

3. The detail of the recalculated revenue requirement compared with the compliance revenue requirement and calculation of the variance between the two is presented in **Attachment B**, tab "Rev Req Comparison".

I.B. Closing Dates for Specific Investments:

Investments included in the Specific category[4] were originally presented in Attachment I to the Settlement Agreement. For 2023 there were six specific investments that were planned to be in service. Each is listed below. Further information on these investments is provided in **Attachment C** to this Annual Report.

1. Mint Farm Generating Station Major Maintenance Event inventory return.
2. Energize Eastside Transmission Line project.
3. Bainbridge Transmission Line project.
4. Sammamish Juanita 115kV Transmission Line project.

[3] Amounts in Exhibit I to the Settlement Agreement included additions for Colstrip which are not a part of this annual review and have to be subtracted from the subtotal in Exhibit I to arrive at the amount reflected in this report.
[4] The category reference is from the Used and Useful Policy Statement under Docket U-190531.

5. Thurston Transmission Capacity project.

6. Rooftop Solar project.

I.C. Narrative Explanations for Significant Variances:

Actual plant closings versus the forecast used to set rates is summarized in the table below. Narrative explanations for the causes for the majority of the net $263.5 million variance in plant closings shown below representing actuals greater than amounts set in rates are included in **Attachment D** to this Annual Report.

Table 2 – Comparison of Actual Gross Plant vs. Allowed

(in millions) Line	Description	(cumulative 2022-2023) Gross Plant Balance (AMA)	2023 Plant Closings
1	**Electric**		
2	Approved	$ 729.0	$ 659.3
3	Actual	$ 796.1	$ 886.4
4	Over / (Under)	$ 67.1	$ 227.2
5			
6	**Natural Gas**		
7	Approved	$ 358.9	$ 251.6
8	Actual	$ 365.5	$ 288.0
9	Over / (Under)	$ 6.6	$ 36.3
10			
11	**Combined**		
12	Approved	$ 1,087.8	$ 910.9
13	Actual	$ 1,161.6	$ 1,174.4
14	Over / (Under)	$ 73.8	$ 263.5

The impacts on the components of the revenue requirement that was set subject to refund versus what would have been set using actual amounts is shown below in Table 3. The total in Table 3 agrees to line 9 in Table 1.

Table 3 – Total Deficiency (Surplus) vs. Approved

(AMA in millions) Line	Description	Deficiency (Surplus) Electric	Gas	Combined
1	Rate Base Higher (Lower) than Approved	$ 6.4	$ 0.6	$ 7.0
2	Accumulated Depreciation (Higher) Lower than Approved	(0.7)	(0.0)	(0.7)
3	Accumulated Deferred Income Taxes (Higher) Lower than Approved	(1.0)	(1.3)	(2.2)
4	Net Depreciation and Amortization Higher (Lower) than Approved	5.6	0.2	5.8
5	Tax Benefit of Interest (Higher) Lower than Approved	(0.4)	0.1	(0.3)
6	Total Deficiency (Surplus) vs. Approved	$ 10.0	$ (0.4)	$ 9.6

II. UPDATE ON THE IRA AND IIJA PROCESS

PSE is committed to leveraging funding and incentive opportunities that are available through both state and federal programs that can accelerate efforts to reduce carbon emissions, as well as reduce the costs associated with the transition to clean energy and improve affordability for customers. Beginning in early 2023, PSE has implemented an internal process to actively track, evaluate, and apply for newly emerging funding opportunities as they become available including those specifically tied to the IIJA and IRA.

IIJA

Upon passage of the IIJA in November 2021, PSE hired external consultants to assist PSE in the evaluation of a wide range of funding opportunities and to develop an application strategy. These efforts resulted in some successes and some learnings that PSE is applying to future rounds of funding. As such, PSE is reporting out on our pursuit of IIJA grant and incentive opportunities in the following areas, either as a lead applicant or working in consortium with regional partners:

- Grid Resilience and Innovative Partnerships ("GRIP") through the United States Department of Energy (DOE)
    - o Topic Area 1: Grid Resilience
    - o Topic Area 2: Smart Grid
    - o Topic Area 3: Grid Innovation
- IIJA provision 40333 and Energy Policy Act of 2005 Secs. 242, 243 and 247: Hydroelectric Incentives Funding in the Bipartisan Infrastructure Law
- Hydrogen Hub

Grid Resilience and Innovative Partnerships (GRIP)

Three rounds of funding in total are expected to be made available under the Department of Energy's Grid Resilience and Innovative Partnerships (GRIP). See below for summaries of

PSE's GRIP related activities in Round 1 that closed in fall 2023 and Round 2 which is currently active. Round 3 has not yet been announced.

Round 1:

In July 2022, PSE engaged external consultants to provide support in the development of applications for a Smart Grid Grant (BIL section 40107) and Grid Resilience Grant (BIL section 40101(c)) under the Funding Opportunity Announcement titled "Grid Resilience and Innovation Partnerships Program" (GRIP). On December 16, 2022, PSE submitted concept papers for both grants. The DOE responded on February 2, 2023, with letters of encouragement for PSE to submit full applications for both grants.

On March 16, 2023, PSE submitted a Smart Grid grant application for the maximum possible award of $50 million. The portfolio of projects included in the proposal would have helped PSE implement smart grid technologies to modernize PSE's transmission and distribution grid by adding flexibility, intelligence, and responsive system attributes. PSE planned to channel over 50 percent of Smart Grid project investments into disadvantaged communities, highly impacted communities, and vulnerable populations.

On April 6, 2023, PSE also submitted a Grid Resilience grant application for the maximum possible award of $100 million. The portfolio of projects included would have helped improve reliability of distribution circuits that have experienced higher frequency or duration of service disruption than the threshold Customer Minutes Interrupted metric. In addition, the projects would have engaged in the proactive underground conversion of overhead lines to mitigate reliability concerns and improve resilience of PSE assets in high wildfire risk areas. PSE planned to channel about 44 percent of Grid Resilience project investments into disadvantaged communities, highly impacted communities, and vulnerable populations.

The competition for the GRIP grants was substantial, with over 700 applications received for Round 1 funding opportunities. The DOE released the list of 58 winning applications for the first round of grants on October 18, 2023. Unfortunately, neither of PSE's proposals was among those selected in this initial round; however, there are two additional rounds of funding expected for similar grants, and PSE is actively pursuing announced opportunities.

Round 2:

On November 14, 2023, the DOE announced up to $3.9 billion available through the second round funding opportunity of the GRIP program for Fiscal Years 2024 and 2025. Concept papers, a required first step in the application process, were due on January 12, 2024.
For GRIP Round 2 funding opportunities, PSE submitted one concept paper as the primary applicant and joined four partnership opportunities seeking funds in Topic Area 1 (resilience), Topic Area 2 (smart grid), and Topic Area 3 (grid innovation). Broadly, the concept papers were focused on resiliency, wildfire and all-hazards threat mitigation, data integration and predictability improvement, transmission capacity upgrades, and new technology deployment including microgrid and vehicle-to-grid concepts all while delivering substantial benefits to disadvantaged communities that are underserved and overburdened by pollution, as defined by the federal Justice40 initiative. Concept papers and subsequent applications were developed in consortium with regional utility peers, national laboratories, and technology partners.

On February 29, 2024, the DOE responded to concept papers providing either encouragement or discouragement notifications to applicants. For a data point, 65% of concept papers were encouraged to move forward to the application stage. PSE's application focused on climate resiliency and all-hazards threat mitigation to serve federally-designated disadvantaged communities and Tribal Communities in the Skagit River Valley was encouraged to move forward to a full application without any application deficiency marks. Additionally, three concept papers put forth by a consortium of applicants in which PSE would be a sub-recipient were encouraged to move forward to a full application by the DOE for Topic Area 2 and Topic Area 3. These grant proposals will cover grid resiliency, wildfire and all-hazards threat mitigation, data integration and predictability improvement, transmission capacity upgrades, and new technology deployment including microgrid and vehicle-to-grid concepts.

PSE subject matter expert teams are working diligently to compile the necessary data and develop compelling applications that meet both PSE's clean energy and resiliency objectives and the objectives of the DOE under the GRIP funding opportunities with applications due April 17 for Topic Area 1 and 3 and May 22 for Topic Area 2.

Hydroelectric Incentives Program

Since 2014, PSE has applied for, and been awarded, incentive payments under the hydroelectric incentive program under Section 242 of the Energy Policy Act of 2005[5] for new generation sources developed on existing dams (the "242 Program"). The 242 Program is among the suite of hydroelectric incentives that received new or increased funding under the IIJA. The increase in funding for this program has greatly helped PSE, which received two incentive payments (for calendar years 2021 and 2022) for hydropower generated from the Lower Baker Unit 4. Specifically, the U.S. Department of Energy determined that PSE was eligible for payment on 38,211,401 kilowatt-hours (kWh) generated by Lower Baker Unit 4 in each of calendar years 2021 and 2022. At the rate of $0.02617/kWh, the U.S. Department of Energy determined that PSE's final incentive payment for power generated during calendar years 2021 and 2022 was $1,000,000 and $1,000,000, respectively. This amount represented an increase from incentive payments received by PSE in prior years. These benefits offset the operating budgets of the plant. Note that the availability of this incentive payment has varied by year and depends on approved funding and other factors, such as generation at the plant and how many other entities apply. Given this uncertainty, PSE currently conservatively forecasts receiving $250,000 in 2024 and 2025, respectively.

On March 14, 2024, the Department Energy issued application guidance and opened the solicitation for the Hydroelectric Production Incentives (EPAct 2005 Section 242). The application period for the electricity generated and sold in calendar year 2023 closes on April 23, 2024. As such, PSE is currently preparing an application for incentive payments for Lower Baker Unit 4 to help offset the operating budget of the plant for the benefit of customers.

Hydrogen Hub

PSE is a member of the Pacific Northwest Hydrogen Association ("PNWH2"), a consortium of public and private entities spanning Washington, Oregon, and Montana working together to bring clean hydrogen power solutions that leverage the region's vast renewable energy resources to market.

[5] Section 242 of the Energy Policy Act, Pub. L. No. 109-58, codified at 42 U.S.C. § 15881.

On April 7, 2023, PNWH2 submitted a grant application to secure funding for a regional clean hydrogen hub. PSE is one of 17 companies that has projects proposed as part of the PNWH2 Hub. On October 13, 2023, the U.S. Department of Energy selected the PNWH2 Hub for award negotiations following a competitive nationwide process.[6] The PNWH2 Hub is eligible to receive up to $1 billion in federal funding over four development phases defined by the U.S. Department of Energy that span nine years.

The projects proposed in the PNWH2 Hub would drive economic opportunity across all demographics, creating or supporting more than 10,000 good-paying jobs and stronger energy security to improve the lives and futures of people throughout the region. The PNWH2 Hub's vision and projects were developed with leadership from tribes, unions, industry, and many others and will help deliver a shared vision of clean and equitable energy systems in the Pacific Northwest.

Specifically, PSE is pursuing capital funding for a hydrogen-fueled peaker plant through the PNWH2 application for a hydrogen hub. If a hub were awarded to the region, PSE would be in a position to build, own, and operate a zero-carbon dispatchable electric generating facility that helps provide a stable source of clean energy for PSE customers. PSE chose to pursue this opportunity to help address resource adequacy challenges and future CETA requirements and to benefit from the overall strength of the public-private team that was assembled to pursue a hub.

As reported in 2023, PSE is not pursuing grant opportunities for middle mile broadband, energy efficiency, or electric vehicles. Upon evaluation, the middle mile broadband grant opportunity was not well aligned with PSE's business model or strategic focus. Energy efficiency grants were not available to PSE as a direct recipient. Similarly, PSE is not directly eligible for Electric Vehicle (EV) funds. However, PSE is working to support customers who are pursuing the EV elements of the IIJA. PSE has provided letters of support, technical information and assistance to municipalities and other eligible entities such as transit agencies and school districts for EV fleet grant applications, among other grant pursuits. See below for a list of partners that PSE has supported:

- La Conner School District – U.S. Environmental Protection Agency (EPA) Clean School Bus grant;
- Highline School District – U.S. EPA Clean School Bus grant;
- North Kitsap School District – U.S. EPA Clean School Bus grant;
- Issaquah School District – U.S. EPA Clean School Bus grant;
- Port Gamble S'Klallam Tribes – Energy Transitions Initiatives Partnership Project;
- Northwest Seaport Alliance – U.S. Department of Transportation's Charging and Fueling Infrastructure Discretionary Grant Opportunity FY2022 and FY2023, for a project titled

[6] *See* Office of Clean Energy Demonstrations, Regional Clean Hydrogen Hubs Selections for Award Negotiations, U.S. Department of Energy (Oct. 13, 2023), https://www.energy.gov/oced/regional-clean-hydrogen-hubs-selections-award-negotiations.

“Catalyzing Zero-Emission Drayage Trucking Infrastructure & Opportunities in the Seattle-Tacoma Region”;

- Sandia National Laboratories – U.S. DOE Office of Clean Energy Demonstrations’ “Collaborative Alignment for Critical Technology Industries” funding for a project titled “National Consortium for the Advancement of LDES Technologies”;

- King County Metro electrification;

- University of Washington-Bothell charging stations;

- Sound Transit’s Federal Transit Administration request;

- Washington Department of Commerce “Solar for All” application to the U.S. EPA;

- The Nisqually Indian Tribe’s “Solar for All” application to the U.S. EPA; and

- PSE signed a letter of support as a member company of the Electric Utilities of the West Coast Transit Corridor Initiative (WCCTCI) to support the application of the states of California, Oregon, and Washington to the U.S. Department of Transportation’s Charging and Fueling Infrastructure Discretionary Grant Opportunity FY2022 and FY2023 for the West Coast Truck Charging and Fueling Corridor Project.

If awarded, all IIJA grant funds require some level of PSE matching depending on the specific program. All grant funds are expected to be paid to PSE as reimbursement for completed work, and the payment schedule is expected to be negotiated after award.

Should awards occur during the pendency of the multiyear rate plan, PSE will either file an accounting petition to address the manner in which any IIJA grant funds are treated or will follow any issued Commission guidance, if available. Additionally, PSE’s recently filed 2024 general rate case under Dockets UE-240004 and UG-240005 contains discussion of potential regulatory treatment of grants and funding opportunities in the prefiled direct testimonies of Susan E. Free (Exh. SEF-1T) and Mathew R. Marcelia (Exh. MRM-1T). Whatever treatment is used should consider that spending to achieve the awards may be on projects that are not included in rates in a Company’s multiyear rate plan, and as such the incremental spending should receive the same treatment as the associated grant. Existing accounting industry guidance suggests the accounting for a grant received by a regulated utility will depend on how the regulator treats the grant. The regulator can treat the grant as a reduction of utility plant to be recovered through rate base, with depreciation reduced over the life of the property. Because the accounting would follow the prescribed regulatory treatment, it would be best to have guidance from the Commission on treatment prior to having to account for any grants.

IRA

The IRA contains approximately $370 billion in renewable energy investment tax credits and advanced energy economy support. These renewable energy investment tax credits will make the development and acquisition of renewable and non-emitting electric generation resources more affordable for PSE and its customers. Among other things, the IRA helps create a level playing field for the development of renewable energy resources. When PSE develops and builds its own renewable energy resources, it is PSE's customers who own and derive the long-term benefit of those resources. Accordingly, PSE's customers receive the full benefit of the investment tax credits, receive the credit for generating and using the renewable energy resource, and receive the benefit of lower rates when excess renewable energy can be marketed to other areas.

Under the provisions of the IRA, Beaver Creek, a utility-scale windfarm to be developed by PSE in Stillwater County, Montana, would be eligible for either a Production Tax Credit (PTC) or Investment Tax Credit (ITC). Based on PSE's analysis, the PTC will provide the most benefits on this project. Mr. Marcelia's testimony in the 2024 general rate case also provides details on how PSE plans to leverage the investment tax credits available under the IRA and how these benefits will flow back to PSE customers. Additionally, PSE is currently incorporating assumptions regarding IRA production and investment tax credits (PTCs and ITCs) that impact utility scale resources such as wind and solar into acquisition decisions including Beaver Creek discussed above. Such opportunities are not likely to be realizable within this multiyear rate plan. However, if they are, PSE would follow similar actions as discussed above with the understanding that PTCs and ITCs may require or be afforded different treatment based on their unique tax characteristics and restrictions.
PSE continues to evaluate the IRA provisions for potential benefits around EV and other customer products such as heat pumps, hydrogen production and investment, carbon capture and sequestration, and other areas aligned to PSE's strategic focus.

Specifically, in July 2023, the U.S. Department of Energy released guidance (program requirements and the application instructions) on the Home Efficiency and Electrification Rebates grant program, a year after approval of the IRA. PSE has closely monitored this development and is in the process of assessing how program activities align with the requirements outlined by the U.S. Department of Energy. For example, home efficiency audit requirements outlined by the agency are extensive, and PSE will be working with the state to assess the most effective deployment of the audits in order to seek efficiency rebates. PSE will also seek clarity on how to qualify its electrification assessments. PSE is currently running home electrification assessments as part of its Targeted Electrification Pilot and is exploring how this program may qualify within IRA electrification rebates program requirements.

III. Metrics Reporting

Attachment A to this Annual Report provides the metrics that were agreed upon in Section N of the 2022 general rate case Settlement Agreement.

Last year, when developing the 2022 Annual Report, PSE circulated a draft of the metrics to parties to the Settlement Agreement, as well as Public Counsel, in early March of 2023 for review and comment prior to its submission on March 31, 2023. Interested parties subsequently met on three occasions in late March to discuss PSE's proposed approach to reporting on and calculating each metric. Based on these discussions, a number of changes were subsequently made to the metric calculations contained in the 2022 Annual Report. However, due to time constraints, a number of other agreed-upon changes were not able to be made prior to the filing of the 2022 Annual Report. As such, PSE agreed to make updates to the metrics filed in the initial 2022 Annual Report. These updates were filed on June 15, 2023 and such updates were explained in the cover letter to that filing. Also discussed in the cover letter was the acknowledgement that guidance received from the Commission in PSE's CEIP Docket UE-210795 ("CEIP Order") regarding a change to PSE's vulnerable populations methodology was not received in time to include in the June 15, 2023 update. The vulnerable populations methodology is an underlying factor in several of the settlement metrics. In this current 2023 Annual Report, these metrics also do not include the vulnerable populations methodology changes pursuant to the CEIP order, because these changes took the remainder of 2023 to develop and consequently, all metrics from 2023 include the previous methodology. The new vulnerable populations methodology will be used for calculations in next year's report for 2024 metric calculations.

Note that, similar to last year's report, a number of the metrics included in Attachment A are not available for 2023. PSE will update the metrics in Attachment A for missing 2023 data by August 31, 2024. This should allow enough time for additional 2023 data to become available