

**PUGET ENERGY, INC.**  
**Governance and Public Affairs Committee Charter**

**PUGET SOUND ENERGY, INC.**  
**Governance and Public Affairs Committee Charter**

***Purpose and Authority:***

***Purpose:***

The purpose of the Governance and Public Affairs Committee (Committee) is to:

- (i) identify individuals qualified to become members of the Board;
- (ii) select and recommend to the Board director candidates;
- (iii) develop, update as necessary and recommend to the Board corporate governance principles and policies, including the Company's Corporate Governance Guidelines;
- (iv) monitor compliance with the corporate governance principles and policies; and
- (v) oversee the Company's involvement with its constituencies, including community activities.

***Authority:***

The Committee shall have the sole authority to retain and terminate any search firm used to identify director candidates, including the sole authority to approve fees and other retention terms. The Committee also shall have all authority necessary to fulfill the duties and responsibilities assigned to the Committee in this Charter or otherwise assigned to it by the Board (including in the Corporate Governance Guidelines).

As the Committee deems appropriate, it may retain independent counsel, accounting and other professionals to assist the Committee without seeking further Board approval with respect to the selection, fees or retention terms for any such advisers.

The Committee, when appropriate, may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee, the Board or Company officers.

***Composition:***

***Independence***

The Committee shall be composed of three or more directors, as determined by the Board, each of whom shall meet the independence requirements in the Company's Corporate Governance Guidelines. The Chair of the Board (if the Chair is a non-management director)

or Lead Independent Director (if the Chair is a member of management) shall serve as a member of this Committee.

#### *Appointment and Removal of Members*

The members of the Committee shall be appointed by the Board on the recommendation of this Committee, after consultation with the Chair of the Board and, if appointed, Lead Independent Director. The Board may remove any member from the Committee at any time with or without cause.

#### ***Duties and Responsibilities:***

The Committee shall have the following duties and responsibilities, in addition to any duties and responsibilities assigned to the Committee from time to time by the Board.

#### *Director Selection*

- Review and recommend for Board consideration, after consultation with the Chief Executive Officer and the Chair of the Board and, if appointed, Lead Independent Director, director candidates, including any current directors to be renominated, based on the Director Recruiting and Selection Criteria outlined in **Exhibit A** to this Charter, and advise the Board with regard to nomination or election of director candidates.
- Periodically review and recommend to the Board, after consultation with the Chair of the Board and, if appointed, Lead Independent Director, appropriate revisions to the Director Recruiting and Selection Criteria outlined in **Exhibit A** to this Charter.
- Determine procedures for the review and recommendation of director candidates, after consultation with the Chief Executive Officer and the Chair of the Board and, if appointed, Lead Independent Director.
- The Chair of the Committee and the Chair of the Board shall initiate any contact with a director candidate.

#### *Board and Board Performance*

- Periodically review and recommend the appropriate size of the Board.
- Periodically review appropriateness of any restrictions on Board service, such as term limits and retirement policy, and recommend changes to such policies to the Board.
- Establish performance criteria/expectations for directors in areas of attendance, preparedness, candor and participation. Periodically review each director's attendance at Board and applicable committee meetings.

- Periodically review and recommend to the Board director stock ownership guidelines and monitor compliance with such guidelines.
- Establish, coordinate and review with the Chair of the Board and, if appointed, Lead Independent Director, criteria and method for evaluating the effectiveness of the Board.
- After consultation with other non-management directors, recommend frequency of regular meetings of non-management directors, and develop format for such meetings. Identify the non-management Chair or Lead Independent Director as presiding director at non-management director meetings.
- Determine a method by which interested third parties may communicate any concerns directly to the non-management Chair or Lead Independent Director, or to the non-management directors as a group.

#### *Board Leadership*

- Determine whether the Chair of the Board shall be a non-management director, or instead shall be the Chief Executive Officer. Develop and recommend to the Board procedures for selection of the Chair of the Board. If Chair is a management director then develop and recommend procedures for selection of a Lead Independent Director.
- Develop and recommend to the Board procedures for Board review of the performance of the Chair of the Board or Lead Independent Director as applicable.

#### *Board and Committee Compensation*

- Annually review director compensation practices in relation to industry comparables and companies of similar size.
- Recommend to the Board, as appropriate, revisions to Board and committee compensation practices.

#### *Board Committee Matters*

- Recommend to the Board, as appropriate, number, type, functions, structure and independence of committees.
- Annually recommend to the Board, after consultation with the Chair of the Board and, if appointed, Lead Independent Director, director membership and rotation, as appropriate, on committees and advise the Board and/or committees with regard to selection and rotation, as appropriate, of the Chairs of the committees.
- Determine criteria and procedures for selection of committee members and the Chairs, as appropriate.

- Establish and coordinate with applicable committee Chair criteria and method for evaluating the effectiveness of the committees.

#### *Director Orientation and Continuing Education*

- Periodically review and revise, as appropriate, the Company's director orientation program.
- Monitor, plan and support continuing education activities of the directors.

#### *Governance Policies*

- Develop and periodically review and recommend to the Board, after consultation with the Chair of the Board and, if appointed, Lead Independent Director, appropriate revisions to the Company's Corporate Governance Guidelines pursuant to and to the extent required by regulations applicable to the Company from time to time.
- Monitor compliance with and the effectiveness of the Corporate Governance Guidelines.
- In conjunction with the Audit Committee, develop a code of ethics for senior financial officers pursuant to and to the extent required by regulations applicable to the Company from time to time.
- In conjunction with the Audit Committee, develop a code of business conduct and ethics applicable to the Company's directors, officers and employees, pursuant to and to the extent required by regulations applicable to the Company from time to time.

#### *Committee Reports to Board*

- Provide minutes of committee meetings to the Board and report to the Board on any significant matters arising from the committees' work.

#### *Public Affairs Oversight*

- Monitor activities and recommend action, as appropriate, relating to the Company's constituencies other than shareholders, including customers, local community, outreach programs and charitable organizations.

#### ***Meetings:***

The Committee shall establish a meeting calendar annually. The Committee may hold such other meetings as are necessary or appropriate in order for the Committee to fulfill its responsibilities. In the absence of a member designated by the Board to serve as the Chair, the members of the Committee may appoint from among their number a person to preside at their meetings. When appropriate, the Governance and Public Affairs Committee of Puget Energy, Inc. shall meet separately from that of Puget Sound Energy, Inc.

***Evaluations:***

The Committee shall review and reassess this Charter at least annually and, if appropriate, propose changes to the Board.

The Committee shall obtain or perform an annual evaluation of the Committee's performance and make applicable recommendations.

## **EXHIBIT A**

### **PUGET ENERGY, INC.**

#### **Director Recruiting and Selection Criteria**

### **PUGET SOUND ENERGY, INC.**

#### **Director Recruiting and Selection Criteria**

The Charter of the Governance and Public Affairs Committee (Committee) requires the Committee to develop and periodically review and recommend to the Board appropriate revisions to these Director Recruiting and Selection Criteria. The Committee has recommended and the Board has adopted these Director Recruiting and Selection Criteria.

#### ***Director Qualifications – Character:***

Consider these elements of *character* when considering potential candidates for nomination as director.

- A. Ethics: Impeccable personal and professional ethics, integrity and values.
- B. Credibility: High stature, established reputation in business, financial or other relevant areas and credibility in the community where the Company operates.
- C. Commitment: Ability to devote the required time and effort to fulfill the duties of Board and committee membership; willingness to serve on the Board for multiple terms, if nominated and elected.
- D. Civility: Ability to keep an open mind and to work effectively with colleagues on matters affecting interests of the Company and its constituents.
- E. Independence: Willingness not to engage in activities or interests that may create a conflict of interest with a director's responsibilities and duties to the Company and its constituents; and to act in the best interests of the Company and its constituents.

#### ***Director Qualifications – Experience and Expertise:***

Consider the following elements of *experience and expertise* to ensure that the Board, taken as a whole, possesses the characteristics necessary to foster high standards of corporate governance.

- A. Financial expertise: The appropriate level of expertise, taking into account guidance from the New York Stock Exchange, the Securities and Exchange Commission, and other sources, for expertise and literacy on financial matters. This will take into account the needs of the Audit Committee as well as the needs of the Board as a whole.

- B. Diversity: Ethnic, gender, professional, geographic and philosophical diversity within the overall composition of the Board.
- C. Industry Knowledge: Broad knowledge of relevant industries (regulated or non-regulated), including having within the Board experience with industry-related business opportunities and regional utility and consolidation issues.
- D. Public Policy and Governmental Affairs: Training, experience and ability of making or overseeing policy in relevant sectors, including business, government, energy and education. This may include background in marketing, communications, public relations and law.
- E. Regional Knowledge and Contacts: Geographic knowledge of service territory, and/or knowledge of, and contacts within, the service region.
- F. Leadership: Current or recent senior executive experience, special expertise in behavior and leadership of organizations, or ability to contribute special competencies to Board activities.
- G. Continuity: Length of service and expertise a new board member could provide considering the length of time current board members have until their retirement.

***Selection Procedures:***

Candidates for director may include both current directors and other candidates. The Company's directors or senior management shall refer all potential director candidates to the Chair of the Committee for consideration by the Committee and possible recommendation to the Board. In addition, the Committee will consider candidates recommended by shareholders or others. Shareholders of the Company, and other individuals or organizations other than the Company's directors and senior management, wishing to suggest director candidates should submit their suggestions in writing to the Chairman of the Committee, c/o the Corporate Secretary, providing the candidate's name, biographical data and other relevant information.

The Committee shall maintain a list of director candidates to consider and propose to the Board, as required. If necessary or desirable in the opinion of the Committee, the Committee will determine appropriate means for seeking additional director candidates, including engagement of any outside consultant to assist the Committee in the identification of director candidates.

The Committee shall decide on the appropriate means for the review of individual director candidates, including current directors, and the recommendation of director candidates to the Board. In the event of a vacancy on the Board, the Chair of the Committee shall initiate the effort to identify appropriate director candidates.

The Chair of the Board and the Chair of the Committee shall initiate any contact with a director candidate, after consultation with the Chief Executive Officer.