Pacific Power's Planned Changes to Wattsmart Homes Program in Washington
Effective January 1st, 2026

Pacific Power (Company) is planning to make changes to the Washington Wattsmart Homes program (Program), administered under the Company's Wattsmart Homes program, which offers incentives and services for residential energy efficiency equipment and projects.

Consistent with the approved change process for the Program, after receiving and addressing feedback from the Company's Washington Demand-side Management Advisory Group, the proposed changes will be posted on the Program website 45 days prior to becoming effective and implemented. The changes will be effective January 1st, 2026.

Background

The Program, which is offered through Schedule 118, was approved by the Washington Utilities and Transportation Commission (Commission) and began operating in September 2006. The Program became effective on September 14, 2006 (UE-061297). The change process for the Program is described in advice letter 06-004, through which the program was introduced. Language describing the program change process is found on page 3 of Advice No. 06-004, which is copied below.

> "…the Company would present information on proposed changes to its Advisory Group and seek comments prior to making changes. Changes in equipment specifications or incentive levels would be clearly posted on the Web site and emailed to the appropriate Commission staff person with at least 45 days advance notice."

The Program change process is also described in provision of service no. 5 in the program tariff (Schedule 118). Provision of service no. 5 states:

> "All changes will occur with a minimum of 45 days-notice, be prominently displayed as a change, include a minimum 45 day grace period for processing prior offers (except for manufacturer buy-down incentive delivery) and be communicated at least once to retailers who have participated within the last year."

Program website: https://wattsmartsavings.net/washington-residential/

Annual reports and Program evaluation reports are available online at:
https://www.pacificorp.com/environment/demand-side-management.html

Summary of Planned Wattsmart Homes Changes

Changes are part of the adaptive management strategy for the Wattsmart Homes program for the 2026-2027 biennium and are designed to increase residential energy savings and help achieve the Energy Independence Act targets.

- Discontinue Lighting and air purifier incentive offerings
- Add a new incentive for Advanced Duct Sealing
- End the incentive offers for efficient heat pump conversions in single family and manufactured homes. Require contractor installation for the remaining heat pump measures.
- Create separate offerings for the different delivery channels of heat pump water heaters
- Replace new manufactured homes ENERGY STAR certified and NEEM+ certified incentives with NEEM 2.0 certified and NEEM 1.1 + ZERH certified incentives
- Modify smart thermostat qualifications so they're no longer required to be on ENERGY STAR smart thermostat qualified product list
- Expand enhance incentive eligibility to include customers meeting vulnerable population criteria
- Modify incentive language for some measures from a set amount to an "up to" amount to provide flexibility and budget management to address the potential need to align with the state of Washington's IRA Home Energy Rebate Programs for Households

Following includes an explanation of changes beginning with Exhibit A which contains incentive tables redlined to show changes for January 1, 2026.

Explanation of Changes

Program Modifications – Appliance Incentives			
Measure Name	**Description of Changes**	**Current Offering**	**Revised Offerings**
Hybrid/Heat Pump Clothes Dryer	The incentive is changed to an "up to" amount to enable program flexibility in offering the incentive.	$750	Up to $750

Program Modifications – Single Family Lighting Incentives			
Measure Name	**Description of Changes**	**Current Offering**	**Revised Offerings**
LED Fixtures Direct install	Discontinue measure	Up to $75.00	-
LED Lamps Direct Install	Discontinue measure	Up to $12.0	-

Program Modifications – Single Family HVAC Incentives					
Measure Name	**Description of Changes**	**Current Offering**		**Revised Offering**	
Advanced Duct Sealing (not Direct Install)	Add a new program offering for advanced duct sealing due to growing interest from customer and contractor.	N/A		$1,000	
Efficient Heat Pump Conversion	End the incentive offering for efficient heat pump conversion to maintain program cost-effectiveness. However, customers may still be eligible for the federal standard conversion incentives.	Electric Resistance or Natural Gas Heat: Up to $2,750 Market Partner: Up to $750 Non-Electric Resistance or Natural Gas Heat Customer: Up to $3,000 Market Partner: Up to $750		Electric Resistance or Natural Gas Heat Customer: $0 Market Partner: $0 Non-Electric Resistance or Natural Gas Heat Customer: $0 Market Partner: $0	
Ductless Heat Pump	Add a requirement that ductless and ducted heat pumps must be installed by an eligible contractor.	FAF, Zonal, and Natural Gas Heat: Up to $1,600 Market Partner: Up to $400 Non-Electric Resistance or Natural Gas: Up to $1,800 Market Partner: Up to $400		No change	
Federal Standard Heat Pump Conversion		FAF, Zonal, and Natural Gas Heat Customer: Up to $2,000 Market Partner: Up to $500 Non-Electric Resistance or Natural Gas Customer: Up to $2,250 Market Partner: Up to $500		No change	
Heat Pump Upgrade		Customer: Up to $300 Market Partner: Up to $125		No change	
Smart Thermostat	Products are no longer required to be on ENERGY Star QPL	Retail: $100	$0	Retail: $100	$0
		$0	Direct Install: $150	$0	Direct Install: $150

Program Modifications – Single Family Weatherization Incentives			
Measure Name	**Description of Changes**	**Current Offering**	**Revised Offering**
Insulation – Attic	End the incentive offering for attic insulation installed in electrically-cooled, gas-heated homes The incentive for electrically-heated home is changed to an "up to" amount to enable program flexibility in offering the incentive.	$0.07/sq-ft. for electrically cooled home $0.69/sq-ft. for electrically heated home	$0/sq-ft. for electrically cooled home Up to $0.69/sq-ft. for electrically heated home -
Insulation – Floor (<R-11 to ≥R-19)	The incentives are changed to an "up to" amount to enable program flexibility in offering the incentive.	$0.31/sq-ft	Up to $0.31/sq-ft
Insulation – Floor (<R-11 to ≥R-30)		$0.46/sq-ft	Up to $0.46/sq-ft
Insulation - Wall		$0.62/sq-ft	Up to $0.62/sq-ft
Duct Insulation		$2.50 per foot of duct	Up to $2.50 per foot of duct

Program Modifications – Water Heating Incentives			
Measure Name	**Description of Changes**	**Current Offering**	**Revised Offering**
Heat Pump Water Heater (Self-Install)	Separate the heat pump water heater offers into self-install, contractor direct-install, and contractor non-direct install. The incentives are changed to an "up to" amount to enable program flexibility in offering the incentive.	$900	No change
Heat Pump Water Heater (Not Direct Install)		Customer: $900 Market Partner: $300	Customer: Up to $2,000 Market Partner: Up to $500
Heat Pump Water Heater (Direct Install)		N/A	Market Partner: Up to $2,500

Program Modifications – Other Incentives			
Measure Name	**Description of Changes**	**Current Offering**	**Revised Offering**
Air purifier	Discontinue measure	$40	-

Program Modifications – Manufactured Homes Incentives			
Measure Name	**Description of Changes**	**Current Offering**	**Revised Offering**
Advanced Duct Sealing (not Direct Install)	Add a new program offering for advanced duct sealing due to growing interest from customer and contractor.	N/A	$1,000
Efficient Heat Pump Conversion	End the incentive offering for efficient heat pump conversion to maintain program cost-effectiveness. However, customers may still be eligible for the federal standard	Electric Resistance or Natural Gas Heat: Up to $2,500	Electric Resistance or Natural Gas Heat Customer: $0

Program Modifications – Manufactured Homes Incentives			
	conversion incentives.	Market Partner: Up to $500 Non-Electric Resistance or Natural Gas Heat Customer: Up to $2,570 Market Partner: Up to $500	Market Partner: $0 Non-Electric Resistance or Natural Gas Heat Customer: $0 Market Partner: $0
Ductless Heat Pump	Add a requirement that ductless and ducted heat pumps must be installed by an eligible contractor.	FAF, Zonal, and Natural Gas Heat: Up to $1,600 Market Partner: Up to $400 Non-Electric Resistance or Natural Gas: Up to $1,800 Market Partner: Up to $400	No change
Federal Standard Heat Pump Conversion		FAF, Zonal, and Natural Gas Heat Customer: Up to $2,000 Market Partner: Up to $500 Non-Electric Resistance or Natural Gas Customer: Up to $2,250 Market Partner: Up to $500	No change
Heat Pump Upgrade		Customer: Up to $300 Market Partner: Up to $125	No change
Insulation – Attic (<R-8 to ≥R-22)	The incentives are changed to an "up to" amount to enable program flexibility in offering the incentive.	$1.15/sq-ft	Up to $1.15/sq-ft
Insulation – Attic (≥R-8 and ≤R-13 to ≥R-30)		$1.41/sq-ft	Up to $1.41/sq-ft
Insulation – Floor (<R-11 to ≥R-22)		$0.46/sq-ft	Up to $0.46/sq-ft
New Homes, NEEM 2.0 Homes	New measure	N/A	Customer: $250 Market Partner: $250
New Homes, NEEM 1.1 + ZERH	New measure	N/A	Customer: $1,000 Market Partner: $250
New Homes, ENERGY STAR Homes	Discontinue measure	Customer:$2,250 Market Partner:$250	Customer: $0 Market Partner: $0

Program Modifications – Manufactured Homes Incentives					
New Homes, NEEM+ Homes	Discontinue measure	Customer:$2,750 Market Partner:$250		Customer: $0 Market Partner: $0	
Smart Thermostat	Products are no longer required to be on ENERGY Star smart thermostat QPL	Retail: $100	$0	Retail: $100	$0
		$0	Direct Install: $150	$0	Direct Install: $150

Program Modifications – Multifamily Homes Incentives					
Measure Name	**Description of Changes**	**Current Offering**		**Revised Offering**	
		Customer Incentive	**Partner Incentive**	**Customer Incentive**	**Partner Incentive**
Ductless Heat Pump	Add a requirement that ductless and ducted heat pumps must be installed by an eligible contractor.				
Smart Thermostat	Products are no longer required to be on ENERGY smart thermostat Star QPL	Retail: $100	$0	Retail: $100	$0
		$0	Direct Install: $150	$0	Direct Install: $150

Program Modifications – Enhanced Incentives for Highly Impacted Communities and Vulnerable Populations		
Description of Changes	**Current Offering**	**Revised Offering**
Expand enhance incentive eligibility to include customers meeting vulnerable population criteria	Enhanced Incentives for Highly Impacted Communities	Enhanced Incentives for Highly Impacted Communities and Vulnerable Populations

Adaptive Management

Changes are part of the adaptive management strategy for the Wattsmart Homes program for the 2026-2027 biennium and are designed to increase residential energy savings and help achieve the Energy Independence Act targets. Changes are also intended to increase the equitable distribution of benefits and inform utility actions specific to the Clean Energy Transformation ACT (CETA).

- Adaptive management will include promotions, SPIFs, and bonuses with defined time limits and participation caps. These bonuses and SPIFs could include gift cards, lunches, activities, checks, and/or reimbursement for point-of-sale discounts.
- Increasing the number of Limited Time Offers and pop-up sales at community events.

  Employ data mining to improve identifying and reaching customers that use electric heating for no cost direct install measures.

Clean Energy Transformation Act Utility Actions (Equity-focused initiatives)

In alignment with the Clean Energy Transformation Act (SB 5116, 2019), Pacific Power will continue to implement actions that are in place to improve Named Community customer participation.

Named Communities include Highly Impacted Communities and Vulnerable Populations. These Pacific Power customers face barriers to implementing energy upgrades in their homes, including socioeconomic factors, such as limited English and limited access to capital for energy upgrades. Pacific Power will continue enhanced incentives and targeted outreach strategies to better serve these customers and to connect them with energy efficiency improvements.

Wattsmart Homes implementation and delivery will focus effort on increasing CBI metrics through enhanced incentives, new and continuing program offerings and support to increase participation in energy efficiency options for customers living in Highly Impacted Communities (HIC). In addition, Wattsmart Homes will continue to provide services and support for customers in Vulnerable Populations (VP). The following utility actions are planned for 2026-2027:

Actions to serve Named Communities

- Enhanced incentives for windows in multi-family units on residential rate schedules. Initial focus on buildings in highly impacted communities.
- Continued LED bulb distribution offer to VP customers through named community CBOs that include customers on Tribal land. This offer replaced the direct-install lighting and discount retail lighting offers that were discontinued by the Regional Technical Forum and allows us the program to continue supporting named community customers. Continue direct install residential lighting in multi-family units. Continue focus in highly impacted communities.
- Continued direct install duct sealing in highly impacted communities. The emphasis on this program offer originally focused on customers in manufactured homes and the effort was so successful reaching this customer segment that the program shifted to single family homes in highly impacted communities.
- Continued promotion of new construction offerings for multifamily and single-family units with an emphasis on HICs. Outreach efforts include engaging with local building permitting departments to ensure customers are identified and engaged.
- Serve named community residential customers who use non-electric fuel sources in their primary heating systems by decommissioning these systems and installing ductless heat pumps. This measure will be offered at the same incentive rate as the typical ductless heat pumps measure, and will be available in single family, manufactured homes, and multifamily residences. Customers in highly impacted communities will be eligible for this incentive and customer eligibility criteria will be available on the program website. The standard ductless heat pump measure replacing electric forced air furnace or zonal electric primary heating systems is still available for all residential customers.
- The program will continue to use RTF deemed values for ductless heat pump installations that assume a zonal electric resistance baseline since RTF does not have any measures for

alternative fuel source replacement or conversions. Highly impacted community determination will be included in customer data provided by PacifiCorp.

- Continue offering no-cost tree planting to customers in highly impacted communities.

Regional Technical Forum (RTF) review

The program alignment to RTF Unit Energy Savings measures is reviewed each year as part of planning for program changes effective in January. Measure specific information is included in the Exhibit B RTF Alignment Review WSH attachment.

Transition Plan

The measure effective date dictates the applicable program version and incentives available. For measure effective dates starting 1/1/2026, the new version of the program applies. For measure effective dates prior to 1/1/2026, the version of the program in effect at the time applies.

For all post-purchase measures, the purchase date is used to determine the measure effective date. For trade ally projects, the invoice date or date of installation is used to determine the measure effective date. Incentive application and supporting documentation must be postmarked or submitted online within 90 days of the equipment purchase or installation.

For New Manufactured Homes the date of title transfer is used to determine the measure effective date. The program requires that incentive application and supporting documents are submitted within 90 days of the title transfer.

The certificate of occupancy issuance date is used to determine the measure effective date in the Single-Family New Homes program and Multifamily New Homes program. The program requires that all documents are submitted within 90 days of certificate of occupancy issuance date.

The program may grant exceptions to these rules.

Cost-Effectiveness

The Wattsmart Homes program with the proposed changes is not projected to be cost-effective for 2026; however, the portfolio of programs (excluding Low Income Weatherization) with the proposed changes is projected to be cost effective for 2025 for the primary tests. Program level cost-effectiveness results (with and without Non-Energy Impacts or NEIs) are provided in the cost-effectiveness analysis exhibit.

Exhibits Provided

A . Exhibit A WA WSH Incentives Tables effective 5-17-2025 redlines for 01012026

B. Exhibit B RTF Alignment review WSH_for 01012026

C. Cost-Effectiveness Analysis