

Pacific Power's Planned Changes to Home Energy Savings Program in Washington Effective January 1, 2024

Pacific Power (Company) is planning to make changes to the Washington Home Energy Savings program (Program), administered under the Company's Wattsmart Home Energy Savings 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 1, 2024.

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 Home Energy Savings Changes

Changes are part of the adaptive management strategy for the Home Energy Savings program for the 2024-2025 biennium and are designed to increase residential energy savings and help achieve the Energy Independence Act targets.

- Reconfigure Heat pump upgrade and conversion measures to align with the updated RTF and modify the incentive structure to influence contractors to promote the offering
- Increase incentives for smart thermostats, air purifiers, and engine block heater controls.
- Increase incentives for HVAC measures for both customers and installation contractors.
- Expand offerings for manufactured home windows and add low-E storm window offerings for all home types.
- Replace LED retail lighting measures with an LED bulb distribution program for disadvantaged communities and vulnerable populations.
- Provide incentive structure for customers that want to self-install heat pumps and heat pump water heaters.

For more detail on the planned changes, see the Explanation of Changes section below and Exhibit A containing the incentive tables redlined to show the changes for January 1, 2024.

Explanation of Changes

Program Modifications – Lighting Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
LED Bulbs (General Purpose) – Not Direct Install	Remove retail lighting measures and notes and replace them with an LED bulb distribution program for vulnerable populations. These are being removed to align with the RTF, which removed these measures.	Up to \$3	\$0
LED Bulbs (Specialty) – Not Direct Install	Remove retail lighting measures and notes and replace them with an LED bulb distribution program for vulnerable populations. These are being removed to align with the RTF, which removed these measures.	Up to \$3	\$0
LED Fixtures – Not Direct Install	Remove retail lighting measures and notes and replace them with an LED bulb drop program. These are being removed to align with the RTF, which removed these measures.	Up to \$23	\$0

Program Modifications – Single Family HVAC Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Electronic Line Voltage Connected Thermostat	Split out customer and market partner specific incentives to provide clarity of options for customers.	Retail: \$56 Direct Install: \$100	Retail: \$56 customer and \$0 market partner Direct Install: \$0 customer and \$100 market partner
10.0 HSPF Heat Pump Conversion	Replace 9.0+ HSPF requirement with 10.0 HSPF Heat Pump Conversion to align with the updated RTF measure and increase the customer incentive for the more efficient equipment.	Customer: \$2,500 Market Partner: \$750	Customer: \$2,750 Market Partner: \$750
12.0+ HSPF Heat Pump Conversion	Replace 12.0+ HSPF requirement with 10.0 HSPF Heat Pump Conversion to align with the updated RTF measure. Remove 12.0+ HSPF Heat Pump Conversion variation to align with the RTF.	Customer: \$3,000 - \$3,250 Market Partner: \$750	Customer: \$0 Market Partner: \$0
Heat pump upgrade	Increase minimum efficiency requirement from 9.0 HSPF to 10.0 HSPF to align with the updated RTF measure and increase the customer incentive for the more efficient equipment.	Customer: \$250 Market Partner: \$125	Customer: \$300 Market Partner: \$125
Smart Thermostat	Increase direct install delivery incentives to account for increased equipment and labor costs.	Retail: \$100 Direct Install: \$105	Retail: \$100 Direct Install: \$150

Program Modifications – Single Family Weatherization Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Low-E Storm Windows	Add new program offering for Low-E Storm Windows to offer an alternative to a full window replacement.	N/A	\$3.00/sq-ft

Program Modifications – Water Heating Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Heat Pump Water Heater	Reconfigure incentive table to clarify customer and market partner incentive offerings for self-install and contractor-install scenarios. Increase incentive for contractor-install heat pump water heater scenario to keep the customer incentive the same for both participation pathways and to encourage customers to work with trade allies.	\$900	<u>Customer Install</u> Customer incentive: \$900 Contractor incentive: \$0 <u>Contractor Install</u> Customer incentive: \$900 Contractor incentive: \$300

Program Modifications – Other Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Air Purifier	Increase incentives to increase measure participation while maintaining a cost-effective measure.	\$30	\$40
Engine Block Heater Control	Increase incentives to increase measure participation while maintaining a cost-effective measure.	\$100	\$150

Program Modifications – Manufactured Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Electronic Line Voltage Connected Thermostat	Split out customer and market partner specific incentives to provide clarity to customers on their options.	Retail: \$56 Direct Install: \$100	Retail: \$56 customer and \$0 market partner Direct Install: \$0 customer and \$100 market partner
10.0 HSPF Heat Pump Conversion	Replace 9.0+ HSPF requirement with 10.0 HSPF Heat Pump Conversion to align with the updated RTF measure and increase the customer incentive for the more efficient equipment.	Customer: \$2,250 Market Partner: \$500	Customer: \$2,500 Market Partner: \$500
12.0+ HSPF Heat Pump Conversion	Replace 12.0+ HSPF requirement with 10.0 HSPF Heat Pump Conversion to align with the updated RTF measure. Remove 12.0+ HSPF Heat Pump Conversion variation to align with the RTF.	Customer: \$2,500 - \$2,750 Market Partner: \$500	Customer: \$0 Market Partner: \$0
Heat pump upgrade	Increase minimum efficiency requirement from 9.0 HSPF to 10.0 HSPF to align with the updated RTF measure and increase the customer incentive for the more efficient equipment.	Customer: \$250 Market Partner: \$125	Customer: \$300 Market Partner: \$125
Smart Thermostat	Increase direct install delivery incentives to account for increased equipment and labor costs.	Retail: \$100 Direct Install: \$105	Retail: \$100 Direct Install: \$150
Windows	Add new manufactured homes window incentives to expand building shell offerings to customers residing in manufactured homes.	N/A	U-factor 0.30 or lower replacing single pane wood/metal: \$5/sq-ft U-factor 0.30 or lower replacing double pane metal: \$3/sq-ft U-factor 0.22 or lower replacing single pane wood/metal: \$10/sq-ft

Program Modifications – Manufactured Homes Incentives			
			U-factor 0.22 or lower replacing double pane metal: \$6/sq-ft
Low-E Storm Windows	Add new program offering for Low-E Storm Windows as an alternative to a full window replacement that might be cost prohibitive. .	N/A	\$6.00/sq-ft

Program Modifications – Multifamily Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Electronic Line Voltage Connected Thermostat	Split out customer and market partner specific incentives. This change is being made for clarity.	Retail: \$56 Direct Install: \$100	Retail: \$56 customer and \$0 market partner Direct Install: \$0 customer and \$100 market partner
Smart Thermostat	Increase direct install delivery incentives to account for increased equipment and labor costs.	Retail: \$100 Direct Install: \$105	Retail: \$100 Direct Install: \$150
Low-E Storm Windows	Add new program offering for Low-E Storm Windows as an alternative to a full window replacement that might be cost prohibitive.	N/A	\$6.00/sq-ft

Program Modifications – Enhanced Incentives for Highly Impacted Communities			
Measure Name	Description of Changes	Current Offering	Revised Offerings
10.0 HSPF Heat Pump Conversion For replacement of existing electric furnace with new high efficiency heat pump.	Replace 9.0+ HSPF requirement with 10.0 HSPF Heat Pump Conversion to align with the updated RTF measure and increase the customer incentive for the more efficient equipment.	<u>Manufactured Home:</u> Customer: \$2,500 Market Partner: \$500 <u>Single Family Home:</u> Customer: \$2,750 Market Partner: \$750	<u>Manufactured Home:</u> Customer: \$2,750 Market Partner: \$500 <u>Single Family Home:</u> Customer: \$3,000 Market Partner: \$750
10.0 HSPF Heat Pump Conversion For replacement of existing non-electric and non-natural gas heating system (i.e., wood, propane, and heating oil) with new high efficiency heat pump.	Replace 9.0+ HSPF requirement with 10.0 HSPF Heat Pump Conversion to align with the updated RTF measure and increase the customer incentive for the more efficient equipment.	<u>Manufactured Home:</u> Customer: \$2,750 Market Partner: \$500 <u>Single Family Home:</u> Customer: \$3,000 Market Partner: \$750	<u>Manufactured Home:</u> Customer: \$3,000 Market Partner: \$500 <u>Single Family Home:</u> Customer: \$3,250 Market Partner: \$750

Program Modifications – Enhanced Incentives for Highly Impacted Communities			
12.0+ HSPF Heat Pump Conversion	Replace 12.0+ HSPF requirement with 10.0 HSPF Heat Pump Conversion to align with the updated RTF measure. Remove 12.0+ HSPF Heat Pump Conversion variation to align with the RTF.	Customer: \$2,750 - \$3,500 Market Partner: \$500 - \$750	Customer: \$0 Market Partner: \$0

Adaptive Management

Changes are part of the adaptive management strategy for the Home Energy Savings program for the 2024-2025 biennium and are designed to increase residential energy savings and help achieve the Energy Independence Act targets. Higher customer and trade ally incentives are intended to offset increased equipment costs and labor shortages that have developed in conjunction with COVID. Changes are also intended to increase the equitable distribution of benefits and inform utility actions specific to the Clean Energy Transformation ACT (CETA).

- End retail lamp buydown for general service lamps in “dollar stores” and replace with community based LED bulb distribution to Highly Impacted Communities and Vulnerable Populations. This offering is an equity based approach that will not have associated energy savings but will serve as an entry point for engagement with named communities.
- New market channel for heat pump water heaters using an online platform for customers to receive a direct shipment with the option to self-install or have a fixed fee installation by a trade ally.
- Improve how the direct install crews promote additional measures beyond direct-install and provide information to customers on additional program offers and services.
- Initiate a marketing campaign to promote additional measures to customers that previously participated in a direct-install program.

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 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 and expand enhanced incentives and targeted outreach strategies to better serve these customers and to connect them with energy efficiency improvements.

Home Energy Savings 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. In addition, Home Energy Savings will continue to provide services and support for customers in Vulnerable Populations.

The following utility actions are planned for 2024-2025:

Actions to serve Highly Impacted Communities

- Expand and focus on direct-install duct sealing, smart thermostats lighting with focused effort on single family homes in Highly Impacted Communities.
- Increase the per unit cost paid to direct install contractors to address higher labor and product costs so they remain motivated to install as many units as possible.
- Introduce Low-E storm windows for manufactured homes with an emphasis on Highly Impacted Communities.
- Continue enhanced incentives for customers in Highly Impacted Communities for the following HVAC measures for all heat pumps.
- Customers in Highly Impacted Communities and contractors are able to confirm HIC status and eligibility for an enhanced incentives through a web-based confirmation screening application.

Actions to serve Vulnerable Populations

- Continue to offer enhanced incentives for windows in multi-family units on residential rate schedules.
- Continue to provide no-cost direct install residential lighting to renters living in multi-family units.
- Continue direct-install duct sealing, smart thermostats, and lighting for manufactured homes.
- Increase the per unit cost paid to direct install contractors to address higher labor and product costs so they remain motivated to install as many units as possible
- Launch a Community Based Distribution offering that provides LED bulbs to Tribal and Vulnerable Population customers at no cost. This program offering replaces the “value retailer” bulb buy-down.
- Continue efforts to reach Spanish speaking customers through all aspects of program delivery including:
 - Customer facing staff fluent in Spanish
 - Pacific Power representation at cultural events, associations, community groups, and media
 - Provide communications, marketing, web, and program materials in Spanish

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 C RTF Alignment Review HES attachment.

Transition Plan

The measure effective date dictates the applicable program version and incentives available. For measure effective dates starting 1/1/2024, the new version of the program applies. For measure

effective dates prior to 1/1/2024, 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 cost-effectiveness memo included as Exhibit B.

Home Energy Savings Cost-Effectiveness Results – PY 2024 and PY 2025, excluding NEIs

Table 5: Home Energy Savings Program Cost-Effectiveness Results - PY2024 and PY2025

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.2494	\$22,249,652	\$8,403,105	(\$13,846,547)	0.38
Total Resource Cost Test (TRC) No Adder	\$0.2494	\$22,249,652	\$7,639,186	(\$14,610,466)	0.34
Utility Cost Test (UCT)	\$0.1580	\$14,095,182	\$7,639,186	(\$6,455,996)	0.54
Participant Cost Test (PCT)		\$13,457,070	\$14,646,122	\$1,189,052	1.09
Rate Impact Test (RIM)		\$23,438,704	\$7,639,186	(\$15,799,518)	0.33
Lifecycle Revenue Impacts (\$/kWh)					\$0.0003482
Discounted Participant Payback (years)					15.42

Home Energy Savings Including NEIs Cost-Effectiveness Results – PY 2024 and PY 2025

Table 14: Home Energy Savings Program with NEIs Cost-Effectiveness Results - PY2024 and PY2025

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.2494	\$22,249,652	\$11,420,721	(\$10,828,931)	0.51
Total Resource Cost Test (TRC) No Adder	\$0.2494	\$22,249,652	\$10,656,802	(\$11,592,850)	0.48
Utility Cost Test (UCT)	\$0.1580	\$14,095,182	\$7,639,186	(\$6,455,996)	0.54
Participant Cost Test (PCT)		\$13,457,070	\$17,663,738	\$4,206,668	1.31
Rate Impact Test (RIM)		\$23,438,704	\$7,639,186	(\$15,799,518)	0.33
Lifecycle Revenue Impacts (\$/kWh)					\$0.0003482
Discounted Participant Payback (years)					13.05

Exhibits Provided

- A. Exhibit A WA HES Incentives Tables effective 07-01-2023 with changes marked for 01-01-2024
- B. Exhibit B WA HES Cost Effectiveness (filename is DRAFT_PacifiCorp_HES_Cost-Effectiveness_PY2024-2025_WA.pdf)
- C. Exhibit C RTF Alignment Review HES for proposed program effective 1-1-2024