

## **Pacific Power's Planned Changes to Home Energy Savings Program in Washington Effective January 1, 2025**

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, 2025.

### **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.

- Add the updated SEER2 and HSPF2 HVAC efficiency requirements to the applicable HVAC equipment.
- Modify the efficiency requirements for heat pump upgrade and efficient heat pump conversions to align with the latest RTF workbook
- Modify the incentive for LED fixtures and remove LED bulbs incentives from the program
- Add an incentive offering for direct installation of door sweeps.
- Add tree planting measure
- Expand offerings for HVAC measures in multifamily homes by adding an offering for Packaged Terminal Heat Pumps for multifamily homes
- 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 Home Electrification & Appliance Rebates (HEAR) and Inflation Reduction Act (IRA) funding.

Following includes an explanation of changes beginning with Exhibit A which contains incentive tables redlined to show changes for January 1, 2025.

**Explanation of Changes**

<b>Program Modifications – Applicable Rate Schedules</b>	
<b>Description of Change</b>	<b>Reason for Change</b>
Remove Schedule 18 from list of rate schedules eligible for the program	Schedule 18 is no longer available.

<b>Program Modifications – Lighting Incentives</b>			
<b>Measure Name</b>	<b>Description of Changes</b>	<b>Current Offering</b>	<b>Revised Offerings</b>
LED Bulbs (General Purpose) – Direct Install	Remove direct install general purpose lighting measures and notes.  These are being removed to align with the RTF, which removed these measures.	Up to \$6	\$0
LED Bulbs (Specialty) Direct Install	Remove direct install specialty lighting measures and notes.  These are being removed to align with the RTF which removed these measures.	Up to \$9	\$0

Program Modifications – Lighting Incentives			
LED Fixtures – Direct Install	Increased the “up to” incentive for direct installation of LED fixture	Up to \$23	Up to \$75

Program Modifications – Single Family HVAC Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Central Air Conditioner	Include SEER2 equipment efficiency requirements on the tariff.	Customer: \$93 Market Partner: \$62	Customer: \$93 Market Partner: \$62
Duct Sealing and Insulation	Remove the single-family home incentive for whole home duct sealing and insulation.	Customer: \$750 Market Partner: \$250	Customer: \$0 Market Partner: \$0
Ductless Heat Pump	Include HSPF2 equipment efficiency requirement on the tariff.  The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	<b>FAF, Zonal Install</b> Customer: \$1,600 Market Partner: \$400  <b>Non-Electric Install:</b> Customer: \$1,800 Market Partner: \$400	<b>FAF, Zonal Install</b> Customer: Up to \$1,600 Market Partner: Up to \$400  <b>Non-Electric Install:</b> Customer: Up to \$1,800 Market Partner: Up to \$400
Efficient Heat Pump Conversion	The measure is renamed as “Efficient Heat Pump Conversion.”  Include the HSPF2 equipment efficiency requirement on the tariff. Modify efficiency requirement to include COP at 5°F and Capacity of 5°F to align with the latest RTF workbook.  The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	<b>Electric Resistance Install</b> Customer: \$2,750 Market Partner: \$750  <b>Non-Electric Resistance or Natural Gas Install</b> Customer: \$3,000 Market Partner: \$750	<b>Electric Resistance Install</b> Customer: Up to \$2,750 Market Partner: Up to \$750  <b>Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$3,000 Market Partner: Up to \$750
Heat Pump Upgrade	Include the HSPF2 equipment efficiency requirement on the tariff. Modify efficiency requirement to include COP at 5°F and Capacity of 5°F to align with the latest RTF workbook.	Customer: \$300 Market Partner: \$125	Customer: Up to \$300 Market Partner: Up to \$125

<b>Program Modifications – Single Family HVAC Incentives</b>			
	The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.		

Program Modifications – Single Family Weatherization Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Duct Insulation	Add duct insulation incentive	N/A	\$2.50/sq-ft

Program Modifications – Other Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Door Sweep (Direct Install)	Add new program offering for door sweeps.	N/A	Market Partner: Up to \$21

Program Modifications – Manufactured Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Central Air Conditioner	Include SEER2 equipment efficiency requirements on the tariff.	Customer: \$93 Market Partner: \$62	Customer: \$93 Market Partner: \$62
Federal Standard Heat Pump Conversion	The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	<b>Electric Resistance Install</b> Customer: \$2,000 Market Partner: \$500  <b>Non-Electric Resistance or Natural Gas Install</b> Customer: \$2,250 Market Partner: \$500	<b>Electric Resistance Install</b> Customer: Up to \$2,000 Market Partner: Up to \$500  <b>Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,250 Market Partner: Up to \$500
Efficient Heat Pump Conversion	The measure is renamed as “Efficient Heat Pump Conversion.”  Include the HSPF2 equipment efficiency requirement on the tariff. Modify efficiency requirement to include COP at 5°F and Capacity of 5°F to align with the latest RTF workbook.  The incentive is changed to an “up to”	<b>Electric Resistance Install</b> Customer: \$2,500 Market Partner: \$500  <b>Non-Electric Resistance or Natural Gas Install</b> Customer: \$2,750	<b>Electric Resistance Install</b> Customer: Up to \$2,500 Market Partner: Up to \$500  <b>Non-Electric Resistance or</b>

Program Modifications – Manufactured Homes Incentives			
	amount to enable program flexibility in offering the incentive.	Market Partner: \$500	<b>Natural Gas Install</b> Customer: Up to \$2,750  Market Partner: Up to \$500
Ductless Heat Pump	Include HSPF2 equipment efficiency requirement on the tariff.  The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	<b>FAF, Zonal Install</b> Customer: \$1,600  Market Partner: \$400  <b>Non-Electric Install:</b> Customer: \$1,800  Market Partner: \$400	<b>FAF, Zonal Install</b> Customer: Up to \$1,600  Market Partner: Up to \$400  <b>Non-Electric Install:</b> Customer: Up to \$1,800  Market Partner: Up to \$400
Heat Pump Upgrade	Include the HSPF2 equipment efficiency requirement on the tariff. Modify efficiency requirement to include COP at 5°F and Capacity of 5°F to align with the latest RTF workbook.  The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	Customer: \$300  Market Partner: \$125	Customer: Up to \$300  Market Partner: UP to \$125
Heat Pump, New Manufactured Homes	Include the HSPF2 equipment efficiency requirement on the tariff.  The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	Customer: \$1,000  Market Partner: \$300	Customer: Up to \$1,000  Market Partner: Up to \$300

Program Modifications – Multifamily Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Ductless Heat Pump	Include HSPF2 equipment efficiency requirement on the tariff.  The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	<b>FAF, Zonal Install</b> Customer: \$1,600  Market Partner: \$400  <b>Non-Electric Install:</b> Customer: \$1,800  Market Partner: \$400	<b>FAF, Zonal Install</b> Customer: Up to \$1,600  Market Partner: Up to \$400  <b>Non-Electric Install:</b> Customer: Up to \$1,800

Program Modifications – Multifamily Homes Incentives			
			Market Partner: Up to \$400
Packaged Terminal Heat Pump	Add new program offering for packaged terminal heat pump to offer greater customer variety for multifamily HVAC.	N/A	Customer: Up to \$300 Market Partner: Up to \$100

Program Modifications – Enhanced Incentives for Highly Impacted Communities			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Ductless Heat Pump	<p>Include HSPF2 equipment efficiency requirement on the tariff.</p> <p>The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.</p>	<p><b>FAF, Zonal Install</b> Customer: \$1,800 Market Partner: \$400</p> <p><b>Non-Electric Install:</b> Customer: \$2,000 Market Partner: \$400</p>	<p><b>FAF, Zonal Install</b> Customer: Up to \$1,800 Market Partner: Up to \$400</p> <p><b>Non-Electric Install:</b> Customer: Up to \$2,000 Market Partner: Up to \$400</p>
Federal Standard Heat Pump Conversion	The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	<p><b>Electric Resistance Install</b> Customer: \$2,250 Market Partner: \$500</p> <p><b>Non-Electric Resistance or Natural Gas Install</b> Customer: \$2,500 Market Partner: \$500</p>	<p><b>Electric Resistance Install</b> Customer: Up to \$2,250 Market Partner: Up to \$500</p> <p><b>Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,500 Market Partner: Up to \$500</p>
Efficient Heat Pump Conversion	<p>The measure is renamed as “Efficient Heat Pump Conversion.”</p> <p>Include the HSPF2 equipment efficiency requirement on the tariff. Modify efficiency requirement to include COP at 5°F and Capacity of 5°F to align with the latest RTF workbook.</p>	<p><b>Manufactured Home Electric Resistance Install</b> Customer: \$2,750 Market Partner: \$500</p> <p><b>Manufactured Home Non-Electric</b></p>	<p><b>Manufactured Home Electric Resistance Install</b> Customer: Up to \$2,750 Market Partner: Up to \$500</p> <p><b>Manufactured Home Non-Electric</b></p>

<b>Program Modifications – Enhanced Incentives for Highly Impacted Communities</b>			
	The incentive is changed to an “up to” amount to enable program flexibility in offering the incentive.	<b>Resistance or Natural Gas Install</b> Customer: \$3,000 Market Partner: \$500  <b>Single Family Electric Resistance Install</b> Customer: \$3,000 Market Partner: \$750  <b>Single Family Non-Electric Resistance or Natural Gas Install</b> Customer: \$3,250 Market Partner: \$750	<b>Resistance or Natural Gas Install</b> Customer: Up to \$3,000 Market Partner: Up to \$500  <b>Single Family Electric Resistance Install</b> Customer: Up to \$3,000 Market Partner: Up to \$750  <b>Single Family Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$3,250 Market Partner: Up to \$750
Tree Planting (Direct Install)	Add new program offering for direct install tree planting	N/A	Market Partner: Up to \$150

**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. Changes are also intended to increase the equitable distribution of benefits and inform utility actions specific to the Clean Energy Transformation ACT (CETA).

- Introduce door sweeps as a direct-install measure to replace discontinued LED bulb for multifamily households.
- Increase the rate per installation paid to direct installation partners for down lights and track lighting to align with product and labor costs.
- Adding packaged terminal heat pumps for multifamily properties.

**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 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**

- Continue expanded focus on direct-install duct sealing, smart thermostats lighting with focused effort on single family homes in Highly Impacted Communities.
- Maintain the increased 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.
- Continue offering 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.
- Introduce a tree planting initiative for residential properties in Highly Impacted Communities.

### **Actions to serve Vulnerable Populations**

- Introduce tree planting initiative to multifamily properties within Highly Impacted Communities.
- Introduce door sweeps for multifamily properties as a no cost to customer solution to save energy in winter and summer.
- 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.
  - Increase the per unit amount paid to direct install contractors to install LED lighting fixtures in multi-family properties to align with higher labor rates and equipment costs.
- 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

- Continue the Community Based Distribution offering that provides LED bulbs to Tribal and Vulnerable Population customers at no cost.
- 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 B RTF Alignment Review HES attachment.

### **Transition Plan**

The measure effective date dictates the applicable program version and incentives available. For measure effective dates starting 1/1/2025, the new version of the program applies. For measure effective dates prior to 1/1/2025, 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 Home Energy Savings program with proposed changes for 2025 is not projected to be cost-effective; however, the portfolio of programs (excluding Low Income Weatherization) with proposed changes for 2025 is projected to be cost effective for 2024-2025 for the primary tests. As discussed with the DSM Advisory Group, the company prioritized increasing participation and achieving CETA equity objectives over improving program cost-effectiveness for this biennium.

Program	PTRC	TRC	UCT	PCT	RIM
Total Portfolio	1.21	1.10	1.33	2.75	0.53
Total Portfolio with NEIs	1.42	1.31	1.33	3.09	0.53
Total Portfolio with NEEA	1.33	1.21	1.44	3.07	0.54
Total Portfolio with NEEA and NEIs	1.53	1.41	1.44	3.41	0.54

Home Energy Savings program level cost-effectiveness results (with and without Non-Energy Impacts or NEIs) are provided in the tables below.

### 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	\$0.2147	\$19,013,050	\$8,852,197	(\$10,160,853)	0.47
Total Resource Cost Test (TRC) No Adder	\$0.2147	\$19,013,050	\$8,047,451	(\$10,965,598)	0.42
Utility Cost Test (UCT)	\$0.1463	\$12,954,921	\$8,047,451	(\$4,907,470)	0.62
Participant Cost Test (PCT)		\$11,603,858	\$15,917,712	\$4,313,854	1.37
Rate Impact Test (RIM)		\$23,326,904	\$8,047,451	(\$15,279,452)	0.34
Lifecycle Revenue Impacts (\$/kWh)					\$0.0003466
Discounted Participant Payback (years)					12.42

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

**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	\$0.2147	\$19,013,050	\$12,099,284	(\$6,913,765)	0.64
Total Resource Cost Test (TRC) No Adder	\$0.2147	\$19,013,050	\$11,294,539	(\$7,718,510)	0.59
Utility Cost Test (UCT)	\$0.1463	\$12,954,921	\$8,047,451	(\$4,907,470)	0.62
Participant Cost Test (PCT)		\$11,603,858	\$19,164,800	\$7,560,942	1.65
Rate Impact Test (RIM)		\$23,326,904	\$8,047,451	(\$15,279,452)	0.34
Lifecycle Revenue Impacts (\$/kWh)					\$0.0003466
Discounted Participant Payback (years)					10.53

### Exhibits Provided

- A. Exhibit A WA HES Incentives Tables effective 01-01-2024 with changes marked for 01-01-2025
- B. Exhibit B RTF Alignment Review HES for proposed program effective 1-1-2025