

## **Pacific Power's Planned Changes to Home Energy Savings Program in Washington Effective May 17, 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 May 17, 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.

- Modify the requirements for heat pump conversions and ductless heat pumps to allow fuel switching from existing gas heating systems at end of useful life. Savings are based on electric code minimum baseline.
- Revise the required baseline R values for insulation to align with all available RTF measures with different insulation baselines.

Following includes an explanation of changes beginning with Exhibit A which contains incentive tables redlined to show changes for May 17, 2025.

## Explanation of Changes

Program Modifications – Single Family HVAC Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Ductless Heat Pump	Include natural gas as an eligible existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<p><b>FAF, Zonal Install</b> Customer: Up to \$1,600 Market Partner: Up to \$400</p> <p><b>Non-Electric Install:</b> Customer: Up to \$1,800 Market Partner: Up to \$400</p>	<p><b>FAF, Zonal, or Natural Gas Install</b> Customer: Up to \$1,600 Market Partner: Up to \$400</p> <p><b>Non-Electric or Non-Natural Gas Install:</b> Customer: Up to \$1,800 Market Partner: Up to \$400</p>
Federal Standards Heat Pump Conversion	Include natural gas as an eligible existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<p><b>Electric Resistance Install</b> Customer: Up to \$2,000 Market Partner: Up to \$500</p> <p><b>Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$2250</p>	<p><b>Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,000 Market Partner: Up to \$500</p> <p><b>Non-Electric Resistance or Non-Natural Gas Install</b> Customer: Up to \$2250</p>

Program Modifications – Single Family HVAC Incentives			
		Market Partner: up to \$500	Market Partner: Up to \$500
Efficient Heat Pump Conversion	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<p><b>Electric Resistance Install</b> Customer: Up to \$2,750 Market Partner: Up to \$750</p> <p><b>Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$3,000 Market Partner: Up to \$750</p>	<p><b>Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,750 Market Partner: Up to \$750</p> <p><b>Non-Electric Resistance or Non-Natural Gas Install</b> Customer: Up to \$3,000 Market Partner: Up to \$750</p>

Program Modifications – Single Family Weatherization Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Insulation – Attic	Increase incentive	\$0.46/sq-ft of electrically heated home	\$0.69/sq-ft of electrically heated home
Insulation – Floor (to R-19)	Revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.31/sq-ft	\$0.31/sq-ft
Insulation – Floor (to R-30)	Revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.46/sq-ft	\$0.46/sq-ft
Duct Insulation	Fix the typo regarding the incentive unit. The incentive is intended to be per “foot of duct” instead of per “sq.ft.”	\$2.50/sq.ft	\$2.50 per foot of duct

Program Modifications – Manufactured Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Federal Standard Heat Pump Conversion	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<p><b>Electric Resistance Install</b> Customer: Up to \$2,000 Market Partner: Up to \$500</p> <p><b>Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,250 Market Partner: Up to \$500</p>	<p><b>Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,000 Market Partner: Up to \$500</p> <p><b>Non-Electric Resistance or Non-Natural Gas Install</b> Customer: Up to \$2,250 Market Partner: Up to \$500</p>
Efficient Heat Pump Conversion	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<p><b>Electric Resistance Install</b> Customer: Up to \$2,500 Market Partner: Up to \$500</p>	<p><b>Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,500 Market Partner: Up to \$500</p>

Program Modifications – Manufactured Homes Incentives			
		<b>Non-Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,750  Market Partner: Up to \$500	<b>Non-Electric Resistance or Non-Natural Gas Install</b> Customer: Up to \$2,750  Market Partner: Up to \$500
Ductless Heat Pump	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<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	<b>FAF, Zonal, or Natural Gas Install</b> Customer: Up to \$1,600  Market Partner: Up to \$400  <b>Non-Electric or Non-Natural Gas Install:</b> Customer: Up to \$1,800  Market Partner: Up to \$400
Insulation – Attic (R-<8 to R-22)	Increase incentive and revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.77/sq-ft	\$1.15/sq-ft
Insulation – Attic (R-≥8 to R-30)	Increase incentive and revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.94/sq-ft	\$1.41/sq-ft
Insulation – Floor	Revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.46/sq-ft	\$0.46/sq-ft

Program Modifications – Multifamily Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Ductless Heat Pump	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<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	<b>FAF, Zonal, or Natural Gas Install</b> Customer: Up to \$1,600  Market Partner: Up to \$400  <b>Non-Electric or Non-Natural Gas Install:</b>

Program Modifications – Multifamily Homes Incentives			
		Market Partner: Up to \$400	Customer: Up to \$1,800 Market Partner: Up to \$400
Insulation – Attic (R-19 to R-49)	Increase incentive and revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.46/sq-ft	\$0.69/sq-ft
Insulation – Attic (R-0 to R-49)	Increase incentive and revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.62/sq-ft	\$0.93/sq-ft
Insulation – Floor (R-0 to R-19)	Revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.31/sq-ft.	\$0.31/sq-ft.
Insulation – Floor (R-19 to R-30)	Revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.20/sq-ft	\$0.20/sq-ft
Insulation – Floor (R-0 to R-30)	Revise the existing baseline requirement to align with all available RTF measures with different insulation baselines.	\$0.46/sq-ft.	\$0.46/sq-ft.

Program Modifications – Enhanced Incentives for Highly Impacted Communities			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Ductless Heat Pump	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<b>FAF, Zonal Install</b> Customer: Up to \$1,800 Market Partner: Up to \$400 <b>Non-Electric Install:</b> Customer: Up to \$2,000 Market Partner: Up to \$400	<b>FAF, Zonal, or Natural Gas Install</b> Customer: Up to \$1,800 Market Partner: Up to \$400 <b>Non-Electric or Non-Natural Gas Install:</b> Customer: Up to \$2,000 Market Partner: Up to \$400
Federal Standard Heat Pump Conversion	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<b>Electric Resistance Install</b> Customer: Up to \$2,250 Market Partner: Up to \$500 <b>Non-Electric Resistance or Natural</b>	<b>Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,250 Market Partner: Up to \$500 <b>Non-Electric</b>

Program Modifications – Enhanced Incentives for Highly Impacted Communities			
		<b>Gas Install</b> Customer: Up to \$2,500  Market Partner: Up to \$500	<b>Resistance or Non-Natural Gas Install</b> Customer: Up to \$2,500  Market Partner: Up to \$500
Efficient Heat Pump Conversion	Include natural gas as an existing gas heating system at end of useful life. Savings are based on electric code minimum baseline.	<b>Manufactured Home Electric Resistance Install</b> Customer: Up to \$2,750  Market Partner: Up to \$500  <b>Manufactured Home Non-Electric 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	<b>Manufactured Home Electric Resistance or Natural Gas Install</b> Customer: Up to \$2,750  Market Partner: Up to \$500  <b>Manufactured Home Non-Electric Resistance or Non-Natural Gas Install</b> Customer: Up to \$3,000  Market Partner: Up to \$500  <b>Single Family Electric Resistance or Natural Gas Install</b> Customer: Up to \$3,000  Market Partner: Up to \$750  <b>Single Family Non-Electric Resistance or Non-Natural Gas Install</b> Customer: Up to \$3,250  Market Partner: Up to \$750

## **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).

- 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.

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 as of October 1, 2024, was reviewed as part of planning for program changes effective January 1, 2025. There are no updates to Exhibit B as part of this program change.

### **Transition Plan**

The measure effective date dictates the applicable program version and incentives available. For measure effective dates starting 5/17/2025, the new version of the program applies. For measure effective dates prior to 5/17/2025, 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 May 2025 is not projected to be cost-effective; however, the portfolio of programs (excluding Low Income Weatherization) with proposed changes for May 2025 is projected to be cost effective for 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.

**Table 5: Portfolio-Level Benefit/Cost Ratios - PY2025**

Program	PTRC	TRC	UCT	PCT	RIM
Total Portfolio	1.10	1.00	1.32	2.43	0.51
Total Portfolio with NEIs	1.35	1.25	1.32	2.81	0.51
Total Portfolio with NEEA	1.22	1.11	1.45	2.72	0.53
Total Portfolio with NEEA and NEIs	1.47	1.36	1.45	3.10	0.53

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 2025, excluding NEIs

*Table 11: Home Energy Savings Cost-Effectiveness Results - PY2025*

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.2319	\$12,791,022	\$5,452,356	(\$7,338,666)	0.43
Total Resource Cost Test (TRC) No Adder	\$0.2319	\$12,791,022	\$4,956,688	(\$7,834,334)	0.39
Utility Cost Test (UCT)	\$0.1447	\$7,980,428	\$4,956,688	(\$3,023,740)	0.62
Participant Cost Test (PCT)		\$8,523,283	\$10,193,725	\$1,670,442	1.20
Rate Impact Test (RIM)		\$14,461,464	\$4,956,688	(\$9,504,777)	0.34
Lifecycle Revenue Impacts (\$/kWh)					\$0.0002147
Discounted Participant Payback (years)					12.84

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

Table 12: Home Energy Savings with NEIs Cost-Effectiveness Results - PY2025

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.2319	\$12,791,022	\$7,506,730	(\$5,284,292)	0.59
Total Resource Cost Test (TRC) No Adder	\$0.2319	\$12,791,022	\$7,011,061	(\$5,779,961)	0.55
Utility Cost Test (UCT)	\$0.1447	\$7,980,428	\$4,956,688	(\$3,023,740)	0.62
Participant Cost Test (PCT)		\$8,523,283	\$12,248,099	\$3,724,816	1.44
Rate Impact Test (RIM)		\$14,461,464	\$4,956,688	(\$9,504,777)	0.34
Lifecycle Revenue Impacts (\$/kWh)					\$0.0002147
Discounted Participant Payback (years)					10.94

### Exhibits Provided

- A. Exhibit A WA HES Incentives Tables effective 01-01-2025 with changes marked for May 2025
- B. Exhibit B RTF Alignment Review HES for proposed program effective 1-1-2025 (no changes made in this document)