

Pacific Power's Planned Changes to Home Energy Savings Program in Washington Effective July 1, 2023

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 July 1, 2023.

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 2022-2023 biennium and are designed to align with updated Washington State Energy Code (WSEC-R), while maintaining as many program offerings as possible.

- End Standalone New Construction Heat Pump Water Heater measure.
- Split out Smart Thermostat measures into Retail and Direct Install, with a \$5 incentive increase for direct install delivery.
- Clarify in the footnotes that incentives in the Multifamily Incentives table are available for customers on rate Schedule 19, and mixed use buildings or multifamily buildings with four or more stories may be eligible for Wattsmart Business new construction incentives.

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 July 1, 2023.

Explanation of Changes

Program Modifications – Single Family HVAC Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Smart Thermostat	Split out retail and direct install delivery options and increase incentive for direct install delivery.	\$100	Retail: \$100 Direct Install: \$105

Program Modifications – Single Family New Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Standalone New Construction Heat Pump Water Heater.	End measure offering because WSEC-R will require heat pump water heaters installed in new residential construction starting 7/1/2023.	\$900	\$0

Program Modifications – Manufactured Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Smart Thermostat	Split out retail and direct install delivery options and increase incentive for direct install delivery.	\$100	Retail: \$100 Direct Install: \$105

Program Modifications – Multifamily Homes Incentives			
Measure Name	Description of Changes	Current Offering	Revised Offerings
Smart Thermostat	Split out retail and direct install delivery options and increase incentive for direct install delivery.	\$100	Retail: \$100 Direct Install: \$105

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

The following utility actions defined in the 2022-2023 Demand-side Management Business Plan and Clean Energy Implementation Plan filed in 2021 are either complete or continuing:

- Enhanced incentives for windows in multi-family units on residential rate schedules. Initial focus on buildings in Highly Impacted Communities. *(Ongoing.)*
- Continue direct install residential lighting in multi-family units. Continue focus in Highly Impacted Communities. *(Ongoing with changes.)*
- Maintain and expand if possible general purpose lamp buy down in “dollar stores” in Highly Impacted Communities. This will be the only retail lighting buy down offer. *(Ongoing.)*
- Continue manufactured home direct install duct sealing and lighting. Continue focus in Highly Impacted Communities. *(Ongoing.)*
- Continue promoting new construction offerings for multifamily and single-family units. Continue focus in Highly Impacted Communities. *(Ongoing.)*
- Non-Electric, Non-Natural Gas Upgrades in Named Communities. *(Ongoing with changes.)*
 - Serve named community residential customers who use non-electric and non-natural gas 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 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 Pacific Power.

The following additional utility actions were defined in the 2023 Annual Conservation for 2023 and are continuing (with no changes):

- Add direct install thermostats to the direct install residential lighting in multi-family units utility action listed above.
- Modify the Non-Electric, Non-Natural Gas Upgrades in Named Communities action.
 - Increasing the incentive for residential customers living in Highly Impacted Communities.
 - Create an offer for customers replacing existing systems with air source heat pumps and offer higher incentives for customers living in Highly Impacted Communities.

- The savings reporting for ductless heat pump and air source heat pump measures will be calculated to reflect the prior heating fuel source by comparing NEEA Residential Building Stock Assessment data for heating oil, propane, and wood heated homes against RTF data for efficient heat pumps
- Add enhanced incentives for customers living in Highly Impacted Communities.
 - Ductless Heat Pump
 - Heat Pump Conversion

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 7/1/2023, the new version of the program applies. For measure effective dates prior to 7/1/2023, 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 July 1, 2023, Home Energy Savings program changes are not expected to have a material impact on program cost-effectiveness. The cost-effectiveness memo included as Exhibit B is the same memo provided with the 2023 Annual Conservation Plan in November 2022.

Home Energy Savings Cost-Effectiveness Results – PY 2022 and PY 2023, excluding NEIs

Table 5: Home Energy Savings Program Cost-Effectiveness Results - PY2022 and PY2023³

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.2586	\$13,911,784	\$6,612,089	(\$7,299,696)	0.48
Total Resource Cost Test (TRC) No Adder	\$0.2586	\$13,911,784	\$6,010,990	(\$7,900,794)	0.43
Utility Cost Test (UCT)	\$0.1689	\$9,086,855	\$6,010,990	(\$3,075,866)	0.66
Participant Cost Test (PCT)		\$8,593,531	\$9,368,497	\$774,966	1.09
Rate Impact Test (RIM)		\$14,686,751	\$6,010,990	(\$8,675,761)	0.41
Lifecycle Revenue Impacts (\$/kWh)					\$0.0002640
Discounted Participant Payback (years)					15.31

Home Energy Savings Including NEIs Cost-Effectiveness Results – PY 2022 and PY 2023

Table 13: Home Energy Savings Program with NEIs Cost-Effectiveness Results - PY2022 and PY2023

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.2586	\$13,911,784	\$8,025,486	(\$5,886,298)	0.58
Total Resource Cost Test (TRC) No Adder	\$0.2586	\$13,911,784	\$7,424,387	(\$6,487,397)	0.53
Utility Cost Test (UCT)	\$0.1689	\$9,086,855	\$6,010,990	(\$3,075,866)	0.66
Participant Cost Test (PCT)		\$8,593,531	\$10,781,895	\$2,188,364	1.25
Rate Impact Test (RIM)		\$14,686,751	\$6,010,990	(\$8,675,761)	0.41
Lifecycle Revenue Impacts (\$/kWh)					\$0.0002640
Discounted Participant Payback (years)					13.16

Exhibits Provided

- A. Washington HES Incentive Tables – Red-lined
- B. Cost Effectiveness – Appendix 1.2_PacifiCorp_HES_Cost-effectiveness_PY2022-2023_WA_11.09.2022.docx
- C. RTF Alignment Review HES_for 07-01-2023