

## **Pacific Power’s Planned Changes to Wattsmart Business in Washington Effective July 1, 2023**

Pacific Power is planning modifications to the Wattsmart Business energy efficiency incentive program, which is offered through Schedule 140. Consistent with the change process for the Wattsmart Business program documented and approved in Advice 13-08 (Docket UE-132083), notice of the changes is posted on the program website<sup>1</sup> 45 days prior to implementation. The planned changes to the incentive tables are included in Exhibit A-1. No changes are planned for Lighting Instant Incentives; the current Lighting Instant Incentives are included in Exhibit A-2. The planned changes to the enhanced non-lighting incentive offer for small businesses are included in Exhibit A-3.

### **Background**

The Wattsmart Business program is available to Pacific Power’s commercial, industrial, and irrigation customers in Washington and offers incentives for prescriptive/listed, custom, and energy management measures. Incentives are available for both retrofit projects and new construction/major renovation projects. There is an enhanced incentive offer for existing small business customers as well as an instant incentive offer for qualifying lamps purchased from participating distributors.<sup>2</sup>

### **Description of Planned Wattsmart Business Changes**

Changes are part of the adaptive management strategy for the Wattsmart Business program for the 2022-2023 biennium and the changes for July 1, 2023, are intended to

- a) Align the program with the new Washington State Energy Code (WSEC-C 2021) which becomes effective July 1, 2023.
- b) Align the program with the latest third-party specifications such as Consortium for Energy Efficiency (CEE) and Energy Star, and
- c) Make other minor administrative changes.

### **Explanation of Changes**

The planned program changes are summarized in the tables below. For more details, refer to the revised Wattsmart Business incentive tables and information, attached as Exhibit A-1 and the revised incentives for the small business non-lighting offer in Exhibit A-3. Exhibits A-1 and A-3 are marked in redline form to show the planned changes relative to the current program.<sup>3</sup>

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<sup>1</sup> [https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/savings-energy-choices/wattsmart-business/washington/WA\\_wattsmartBusiness\\_Incentive\\_tables\\_information.pdf](https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/savings-energy-choices/wattsmart-business/washington/WA_wattsmartBusiness_Incentive_tables_information.pdf)

<sup>2</sup> This offer is marketed to customers as the Lighting Instant Incentive. It is also referred to as a “midstream” offer and is labeled as “mid-market” in Exhibit A-1.

<sup>3</sup> For reference, the current program and incentive tables can be found at [https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/savings-energy-choices/wattsmart-business/washington/WA\\_wattsmartBusiness\\_Incentive\\_tables\\_information.pdf](https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/savings-energy-choices/wattsmart-business/washington/WA_wattsmartBusiness_Incentive_tables_information.pdf), [WA\\_wattsmartBusiness\\_Lighting\\_Midstream.pdf \(pacificpower.net\)](#), [WA\\_Lighting\\_Instant\\_Incentive\\_Offer\\_9-4-2022.pdf \(pacificpower.net\)](#), and [ExhibitA-3\\_Changes\\_to\\_WA\\_NonLighting\\_Incentive\\_Offer\\_1-2023.pdf \(pacificpower.net\)](#)

**New Construction/Major Renovation HVAC Equipment Incentive Table, Exhibit A-1, page 10**

<b>Category</b>	<b>Description of Change</b>	<b>Reason for Change</b>
HVAC Systems	<p>Add references to WSEC 2021</p> <p>Add multi-family to list of occupancies eligible for the incentive</p>	<p>Add reference to Washington State Energy Code 2021 since as of July 1, 2023, the applicable code for a project where the Total System Performance Ratio requirement applies could be either WSEC 2018 or WSEC 2021.</p> <p>The 2021 code requires certain multi-family buildings to meet or exceed the reference design Total System Performance Ratio (TSPR).</p>

**Incentives – HVAC Equipment Incentive Tables – Exhibit A-1, pages 11-14**

<b>Category</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Unitary Commercial Air Conditioners, Air-Cooled	<p>Add ENERGY STAR as an eligibility criterion option for single phase equipment less than 65,000 Btu/hr</p> <p>Remove the \$62/ton incentive for three phase equipment exceeding CEE Tier 2.</p> <p>In addition, modify note 7 to be inclusive of ENERGY STAR as well.</p>	<p>The new Washington State Energy Code (WSEC-C 2021) increased the minimum efficiency to be above the CEE Tier 2 specifications for some air conditioners.</p> <p>The new state code began using the M1 efficiency standards for air conditioners less than 65,000 Btu/hr. CEE has not released new specifications using the M1 standards, but ENERGY STAR has.</p>
Packaged Terminal Air Conditioners (PTAC)	<p>Adjust the size category and program minimum efficiency requirement</p>	<p>Equipment size category is adjusted to align with sizing set in the Code of Federal Regulations (CFR).</p> <p>Program minimum efficiency increased in response to changing requirements in the Washington State Energy Code (WSEC-C 2021).</p>

<b>Incentives – HVAC Equipment Incentive Tables – Exhibit A-1, pages 11-14</b>		
Packaged Terminal Heat Pumps (PTHP) (Heating & Cooling Mode)	Adjust the size category and program minimum efficiency requirement	Equipment size category is adjusted to align with sizing set in the Code of Federal Regulations (CFR).  Program minimum efficiency increased in response to changing requirements in the Washington State Energy Code (WSEC-C 2021).
Heat Pumps, Air-Cooled, replacing electric resistance heating (Retrofit only)	Remove the CEE Tier 1 incentive for certain equipment sizes  Add ENERGY STAR as an eligibility criterion	CEE Tier 1 for equipment $\geq 65,000$ Btu/hr and $< 760,000$ Btu/hr is lower than the mandated federal minimum efficiency standards for heat pumps. (Note –this change was missed for the 1/1/2023 program updates.)
Heat Pump (CTA-2045)	Remove measure and make it ineligible for incentives	This measure was added to the program in 2020. At the time, House Bill 1444 in Washington required that CTA-2045 capability would be incorporated into all new heat pump water heaters starting 1/1/2021. The program added a measure to encourage early adoption in heat pump water heaters before the mandated date. The program also sought to promote demand response capability in other potential equipment, and it was not clear at the time of measure development if or how CTA-2045 enablement would apply outside of water heating. It now seems unlikely that demand response will be managed through CTA-2045 ports for space heating. This same change was made in the Home Energy Savings program effective 1/1/2023.
Notes for HVAC Equipment incentive tables	Add multi-family new construction to the list of occupancies ineligible to receive prescriptive HVAC incentives	The 2021 code requires certain multi-family buildings to meet or exceed the reference design Total System Performance Ratio (TSPR).  Newly constructed multi-family buildings may qualify for program incentives under the New Construction/Major Renovation ‘HVAC Systems’ offering.

<b>Other HVAC Equipment and Controls Incentive Table, Exhibit A-1, page 14-15</b>		
<b>Category</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Notes for HVAC Equipment incentive tables	Add multi-family new construction to the list of occupancies ineligible to receive prescriptive HVAC incentives	<p>The 2021 code requires certain multi-family buildings to meet or exceed the reference design Total System Performance Ratio (TSPR).</p> <p>Newly constructed multi-family buildings may qualify for program incentives under the New Construction/Major Renovation ‘HVAC Systems’ offering.</p>

<b>Incentives – Building Envelope (Retrofit) Incentives – Exhibit A-1, page 16</b>		
<b>Category</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Cool Roof	Change the eligibility requirement from ENERGY STAR to Green Globes Building Certification v1.0	<p>ENERGY STAR has ceased its certification of cool roofs, so the eligibility requirement will be updated to align with the requirement set by the Green Globes Building Certification program. Green Globes is a U.S. Environmental Protection Agency (EPA) program with ratings and certification systems for commercial, mixed use and multi-family buildings.</p> <p>The Green Globes Building Certification v1 has Cool Roof standards that are similar to Energy Star. Both programs report on the initial value and the three-year-age value of roofing products. The Energy Star standard uses Solar Reflectance (SR) while Green Globes Building uses Solar Reflectance Index (SRI). SR is the fraction of solar energy that is reflected by a surface on a scale of 0 to 1 and does not factor in emissivity. SRI measures both solar reflectance and emissivity of materials on a scale of 0 to 100.</p>

**Incentives – Building Envelope (New Construction/Major Renovation) Incentives – Exhibit A-1, page 17**

Category	Description of Change	Reason for Change
Windows	Add footnote 5 to note equipment installed to comply with code (but not exceed code) is not eligible for incentives	<p>The program currently requires that eligible windows have a U-Factor <math>\leq 0.30</math> and SHGC <math>\leq 0.33</math>, but this efficiency is now required by the new state code <i>for some windows</i>.</p> <p>Footnote 5 is added to note that the specific windows where code requires a U-Factor <math>\leq 0.30</math> and SHGC <math>\leq 0.33</math> are not eligible for incentives unless the windows installed are shown to be more efficient than code requirements. Other windows with less stringent code requirements may still earn an incentive by meeting the program specified minimum requirement.</p>

**Incentives – Food Service Equipment Incentives – Exhibit A-1, page 18**

Category	Description of Change	Reason for Change
Electric Griddle	Remove “Tier 2”	ENERGY STAR tier 2 is an out-of-date requirement. The intent of the program is to incentivize griddles meeting the ENERGY STAR certification.

**Incentives – Other Energy Efficiency Measures – Exhibit A-1, page 19-20**

Category	Description of Change	Reason for Change
Engine Block Heater Control	Modify the eligibility requirement language to not require permanent hardwiring or engine-mounting specifically but still require that the equipment be permanently installed	The intent in requiring permanent hardwiring or engine-mounting is to ensure persistence of savings, but this can be accomplished through various other methods as well. The modification of the existing language meets the intent while allowing for more flexibility.

**Compressed Air Incentives, Exhibit A-1, page 24**

Measure	Description of Change	Reason for Change
Variable Speed Air Compressor $\leq 75$ hp	Remove eligibility for New Construction. Retain eligibility for Retrofit.	Washington State Energy Code 2021 effective 7/1/2023 requires VFD trim compressor for new construction/major renovation.

<b>Incentives – Enhanced Incentives for Small Businesses, Select Very Small Businesses, and Named Community Small Businesses – Non-lighting (Retrofit only) – Exhibit A-1, pages 27-28, Exhibit A-3</b>		
<b>Measure</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Engine Block Heater Control	Modify the eligibility requirement language to not require permanent hardwiring or engine-mounting specifically but still require that the equipment be permanently installed	The intent in requiring permanent hardwiring or engine-mounting is to ensure persistence of savings, but this can be accomplished through various other methods as well. The modification of the existing language meets the intent while allowing for more flexibility.
Evaporator Fan Motor for Walk-in Cooler and Freezer	Split the current “Electronically Commutated Motor (ECM) for Display Case or Walk-in Refrigerator/Freezer” measure into 2 distinct measures and slightly modify the eligibility requirement.	This division better aligns with the RTF’s definition of the measures. The eligibility requirement is modified to communicate the more specific requirement for each measure.
Evaporator Fan Motor for Display Case Cooler and Freezer	Re-adjust the offered incentives in Exhibit A-3.	

**Clean Energy Transformation Act**

In alignment with the Clean Energy Transformation Act (SB 5116, 2019), Pacific Power will continue to improve small business and Named Community small business participation.

Named Communities include Highly Impacted Communities and Vulnerable Populations. These Pacific Power customers face barriers to implementing energy upgrades in their businesses, including socioeconomic factors, such as limited English and limited access to capital for energy upgrades<sup>4</sup>. 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.

<sup>4</sup>

<https://www.doh.wa.gov/DataandStatisticalReports/WashingtonTrackingNetworkWTN/ClimateProjections/CleanEnergyTransformationAct>

The following utility actions defined in the 2022-2023 Demand-side Management Business Plan and Clean Energy Implementation Plan (both filed in 2021) are either complete or continuing (with no changes):

Increase outreach and participation for small businesses and named community small businesses identified by census tract and rate schedule.

- Create a new offer within the current small business enhanced incentive offer targeting the smallest businesses using less than 30,000 kilowatt-hours per year and Named Community small businesses on Schedule 24 (*complete*).
  - Offer a higher incentive and increase the incentive cap for this new offer from 90 percent to 100 percent of project costs to reduce the customer out-of-pocket cost barrier (*complete*).
- Target a portion of company initiated proactive outreach to small businesses located in Highly Impacted Communities. Continue to tie proactive outreach to approved small business vendor capacity to respond to customer inquiries. (*ongoing*)
- Offer approved small business lighting vendors a higher vendor incentive for completed lighting retrofit projects with small businesses located in Highly Impacted Communities (*ongoing*).

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

- Create a new offer within the current small business offer to include enhanced incentives for select non-lighting measures. (*This offer was added effective January 1, 2023.*)
  - Incentives offered to small businesses for these non-lighting measures will be higher than those offered to larger businesses. Incentives offered to select very small businesses and named community small businesses will be higher than those offered to small businesses not meeting the very small and named community criteria.
- Continue development of program materials in Spanish.
- Continue and increase outreach to Latinx and tribal community groups.

### **Regional Technical Forum (RTF) review**

The program alignment to RTF Unit Energy Savings measures and Standard Protocols is reviewed each year as part of planning for program changes effective in January. The results of the most recent review (from last fall), with updates related to the July 1 program changes, can be found in Exhibit B.

### **Transition Plan**

For projects where pre-approval is required (e.g., lighting retrofits and custom non-lighting), the version of the program that applies is based on the incentive offer issue date.

For projects where pre-approval is not required, the version of the program is based on the equipment purchase order/invoice date for the first item(s) purchased for the project. Should the

earliest invoice date be prior to the current program’s effective date, the project may be subject to requirements and incentives from the prior program version.

### **Cost-Effectiveness**

The July 1, 2023 Wattsmart Business program changes are not expected to have a material impact on program cost-effectiveness. The cost-effectiveness memo included as Exhibit C is the same memo provided with the 2023 Annual Conservation Plan in November 2022.

*Table 5: Wattsmart Business Program Cost-Effectiveness Results - PY2022 and PY2023<sup>2</sup>*

Delivery Channel	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.0505	\$24,367,846	\$55,354,441	\$30,986,595	2.27
Total Resource Cost Test (TRC) No Adder	\$0.0505	\$24,367,846	\$50,322,219	\$25,954,374	2.07
Utility Cost Test (UCT)	\$0.0455	\$21,922,534	\$50,322,219	\$28,399,685	2.30
Participant Cost Test (PCT)		\$15,836,292	\$55,245,665	\$39,409,373	3.49
Rate Impact Test (RIM)		\$63,777,218	\$50,322,219	(\$13,454,999)	0.79
Lifecycle Revenue Impacts (\$/kWh)					0.00
Discounted Participant Payback (years)					2.65

<sup>2</sup> Note that the values in the table have been discounted to 2020 dollars. Therefore, the program and administrative costs are slightly lower than shown in Table 2.

*Table 15: Wattsmart Business Including 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	\$0.0505	\$24,367,846	\$60,844,817	\$36,476,971	2.50
Total Resource Cost Test (TRC) No Adder	\$0.0505	\$24,367,846	\$55,812,595	\$31,444,749	2.29
Utility Cost Test (UCT)	\$0.0455	\$21,922,534	\$50,322,219	\$28,399,685	2.30
Participant Cost Test (PCT)		\$15,836,292	\$60,736,040	\$44,899,748	3.84
Rate Impact Test (RIM)		\$63,777,218	\$50,322,219	(\$13,454,999)	0.79
Lifecycle Revenue Impacts (\$/kWh)					\$0.0014564
Discounted Participant Payback (years)					2.29

### **Exhibits Provided**

Exhibit A-1 – Wattsmart Business incentive tables effective 1-1-2023 with changes for 7-1-2023 marked in redline form.



Exhibit A-2 – Wattsmart Business Lighting Instant Incentive - current incentives, no changes planned

Exhibit A-3 – Wattsmart Small Business Non-Lighting Enhanced Incentives for 1-1-2023 with changes for 7-1-2023 marked in redline form.

Exhibit B – Wattsmart Business - Regional Technical Forum Alignment for Unit Energy Savings Measures and Protocols – for proposed program effective 7-1-2023

Exhibit C – Wattsmart Business Cost-Effectiveness analysis (filename is Appendix 1.4\_PacifiCorp\_Business\_Cost-effectiveness\_PY2022-2023\_WA\_11-10.2022.pdf)