

Pacific Power’s Planned Changes to Wattsmart Business in Washington Effective January 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 will be posted on the program website¹ 45 days prior to implementation. Proposed 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. Proposed incentives for the new non-lighting enhanced incentive offer for small businesses are 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.²

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 are designed to increase 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 as a result of the COVID-19 pandemic. Changes for the small business offer are intended to increase the equitable distribution of benefits and inform utility actions specific to the Clean Energy Transformation ACT (CETA).

These changes are intended to

- a) Further adaptively manage the program in response to inflation, supply chain and labor shortage challenges caused by the pandemic that are impacting program participation levels.
- b) Increase participation by increasing incentives for most lighting measures.
- c) Update the small business offer to increase participation from small businesses and Named Community small businesses in alignment with the Clean Energy Transformation Act by expanding the small business offerings to include enhanced incentives for non-lighting measures.
- d) Expand the existing offerings for Advanced Rooftop Unit Controls (ARC) to include equipment that is 5 tons or less.
- e) Align the program’s measure offerings and incentives with the latest unit energy savings (UES) and Standard Protocols from the Regional Technical Forum (RTF).

¹ https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/savings-energy-choices/wattsmart-business/washington/WA_wattsmartBusiness_Incentive_tables_information.pdf

² 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.

- f) Align the program with the latest third party specifications such as Consortium for Energy Efficiency (CEE) and Energy Star
- g) Update the list of eligible rate schedules
- h) 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. Exhibit A-1 is marked in redline form to show the planned changes relative to the current program.³

Applicable – Exhibit A-1, page 1	
Description of Change	Reason for Change
Revise list of eligible rate schedules to add Schedule 29 and remove Schedules 52 and 57.	<p>Schedule 29 is a new rate schedule for Non-Residential Time-of-Use Pilot customers. Customers on Schedule 29 are paying the System Benefits Charge (Schedule 191) and this rate schedule is added so these customers are eligible to participate in Wattsmart Business.</p> <p>Schedules 52 and 57 were terminated 12/31/2020 and customers on these rate schedules were migrated to other lighting schedules. These rate schedules no longer need to be listed as eligible for Wattsmart Business.</p>

Incentives – General Information, INCENTIVES – Exhibit A-1, page 5-6		
Category	Description of Change	Reason for Change
Enhanced Incentives for Small Businesses – Non-lighting Retrofit	<p>Add new category</p> <p>Add footnotes regarding Energy Efficiency Measure Cost caps</p>	<p>This new category, and the accompanying customer eligibility description maintained on the company website, allows the program to offer enhanced non-lighting retrofit incentives to a subset of small businesses including hard-to-reach very small businesses and Named Community small businesses. See the small business, Adaptive Management and Clean Energy Transformation Act sections below for more details.</p>

³ 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

Incentives – Lighting System Retrofits – Exhibit A-1, page 8-9 New Construction/Major Renovation Lighting – Exhibit A-1, page 9		
Category	Description of Change	Reason for Change
Interior Lighting Exterior Lighting Non-General Illuminance Lighting Controlled Environment Agriculture Lighting	Increase the existing incentives by approximately 20 percent for all interior and exterior lighting listed measures except lamp replacements	Lighting project costs have increased due to inflation and other factors related to the COVID-19 pandemic and an incentive increase is needed to bring the payback for more projects closer to 1-2 years and increase participation. Lighting projects are particularly sensitive to price increases because they are usually sold proactively to the customer as an elective project that needs to be justified based on a quick payback. For additional information and analysis, refer to Exhibit B.

Incentives – HVAC and Other HVAC Equipment and Controls Incentive Tables – Exhibit A-1, page 11-15		
Category	Description of Change	Reason for Change
Unitary Commercial Air Conditioners, Air-Cooled	Add stipulation that equipment $\geq 65,000$ Btu/hr must exceed CEE Tier 2 to be eligible for incentives	The federal minimum efficiency for unitary air conditioners is changing effective January 1, 2023. Equipment that simply meets CEE Tier 2 would generate no electric savings. Therefore, the program is requiring that equipment exceed CEE Tier 2 to earn an incentive.
Heat Pump, Air-Cooled	Change the minimum efficiency requirement from CEE to Energy Star Limit the prescriptive incentives for heat pump to equipment less than 240,000 Btu/hr	The federal minimum efficiency for unitary air conditioners is changing effective January 1, 2023. The new efficiency standard exceeds CEE Tier 1. CEE Tier 2 is only applicable to equipment less than 65,000 Btu/hr. Therefore, the program opts to change the efficiency requirement from CEE to Energy Star, which developed a specification for heat pumps up to 240,000 Btu/hr. The Energy Star specification also lists eligibility criteria for equipment under the new M1 testing procedure, which is expected to become the predominant testing procedure for heat

Incentives – HVAC and Other HVAC Equipment and Controls Incentive Tables – Exhibit A-1, page 11-15		
		pump and air conditioning units in the future.
VRF Air-Cooled Heat Pumps	Change the minimum efficiency requirement from 2.50 COP to 2.05 COP	The Washington State Energy Code (WSEC-C) lists 2.05 COP as the minimum efficiency for heating mode. The current program incentive table listed requirement of 2.50 COP was an error.
Advanced Rooftop Unit Control (Existing RTU)	Add a new measure for RTUs less than 5 tons Increase the incentives for existing offerings of equipment greater than 5 tons	It is common for facilities to have different sizes of RTUs. Even large facilities can have significant quantities of smaller RTUs that are less than 5 tons. This new measure allows customers to earn incentives for work done on all RTUs and encourages more comprehensive projects. The program proposes an incentive increase due to inflation/rising equipment costs.
Advanced Rooftop Unit Control (Existing RTU, Demand-Controlled Ventilation only) Advanced Rooftop Unit Control (New RTU)	Add a new offering for RTUs less than 5 tons	It is common for facilities to have different sizes of RTUs. Even large facilities can have significant quantities of smaller RTUs that are less than 5 tons. This new measure allows customers to earn incentives for work done on all RTUs and encourages more comprehensive projects.

Incentives – Food Service Equipment – Exhibit A-1, page 18		
Category	Description of Change	Reason for Change
Electric Convection Oven	Add a new offering for “Half Size” oven at \$250	To align with the latest RTF workbook
Electric Griddle	Specify that the griddle must be single-sided Increase the incentive to \$400	To align with the latest RTF workbook

Incentives – Other Energy Efficiency Measures – Exhibit A-1, page 19-20		
Category	Description of Change	Reason for Change
Smart Plug Strip	Remove measure and make it ineligible for incentives	This measure is removed due to low participation. In addition, RTF deactivated the measure because of low regional interest and lacking research.
Engine Block Heater Control	Add this measure to the offering	In addition to being cost effective, the engine block heater control is gaining interest among contractors and residential customers. The program proposes offering this measure to non-residential customers as well, specifically aiming at fleet vehicles.

Irrigation Incentives for Wheel Line, Hand Line, or Other Portable Water Distribution Systems, Exhibit A-1, page 20		
Measure	Description of Change	Reason for Change
New impact sprinkler replacing worn or leaking impact sprinkler	Remove the requirement to include a new nozzle in the new sprinkler	Allow customers to apply for a nozzle incentive as well as a sprinkler incentive when they buy a new sprinkler together with a new nozzle.

Farm and Dairy Incentives, Exhibit A-1, page 23		
Measure	Description of Change	Reason for Change
Agricultural Engine Block Heater Timer	Eliminate the measure	This measure would be a duplicate of the new engine block heater control measure in the “Other” table. Eliminate this sector-specific measure to avoid duplication.

Incentives – Enhanced Incentives for Small Businesses – Lighting (Retrofit only) - Exhibit A-1, page 26-27		
Category	Description of Change	Reason for Change
LED Lighting Retrofits	Increase the incentive from \$0.35/kWh to \$0.38/kWh annual savings	An incentive increase is needed to increase participation and continue the current incentive alignment within the program and offer small business customers comparable or higher lighting incentives than the typical lighting retrofit offerings available to businesses of all sizes.

Incentives – Enhanced Incentives for Small Businesses – Lighting (Retrofit only) - Exhibit A-1, page 26-27		
LED Exterior Replacement Lamps	Add “LED Exterior Replacement Lamps” as a new category	This new category is added to improve incentive alignment within small business exterior lighting of good/better/best for replacement lamps, retrofit kits and full fixture replacements.
Lighting Controls (interior only)	Separate lighting controls into two categories, basic and advanced Set the incentive for Advanced Networked Lighting Controls at \$0.38/kWh	Advanced Networked Lighting Controls (ANLC) are more expensive than basic controls. A separate incentive offer is created to encourage customer adoption of ANLC when possible.

Incentives – Enhanced Incentives for Select Small Businesses and Named Community Small Businesses – Lighting (Retrofit only) – Exhibit A-1, page 26-27		
Category	Description of Change	Reason for Change
Lighting Controls (interior only)	Separate lighting controls into two categories, basic and advanced Set the incentive for Advanced Networked Lighting Controls at \$0.38/kWh	Advanced Networked Lighting Controls (ANLC) are more expensive than basic controls. A separate incentive offer is created to encourage customer adoption of ANLC when possible.

Incentives – Enhanced Incentives for Small Businesses, Select Very Small Businesses, and Named Community Small Businesses – Non-lighting (Retrofit only) – Exhibit A-1, page 28-29		
Measure	Description of Change	Reason for Change
Engine Block Heater Control	Add this measure to the offering	The program proposes offering enhanced non-lighting incentives to complement the existing lighting incentives. Incentives are capped at 90% of Energy Efficiency Measure Costs for the small business customers. For very small and named communities small businesses, incentives are capped
Ductless Heat Pump	Add this measure to the offering	

Thermostat	Add this measure to the offering	<p>at 100% of the Energy Efficiency Measure Costs.</p> <p>The incentive table includes “up to” incentive amounts to allow program flexibility in adjusting the incentives to in response to market conditions. The incentives that will be offered effective January 1, 2023 are shown in Exhibit A-3. Similar to the mid-market lighting offer (Lighting Instant Incentives), Pacific Power will post a notice on its website announcing changes at least 45 days prior to the changes taking effect.</p> <p>The program’s goal is to offer enhanced incentives for non-lighting to encourage small business customers to embrace energy efficiency through a wider range of technologies.</p> <p>Please refer to the Other Adaptive Management section below for more details.</p>
Anti-sweat Heater Control	Add this measure to the offering	
Electronically Commutated Motor (ECM) for Display Case or Walk-in Refrigerator/Freezer	Add this measure to the offering	
Heat Pump Water Heater	Add this measure to the offering	

Incentives –Direct Install – Exhibit A-1, page 31		
Category	Description of Change	Reason for Change
Smart Plug Strip	Remove measure and make it ineligible for incentives	This measure is removed due to low participation. In addition, RTF deactivated the measure because of low regional interest and lacking research.

Incentives –HVAC Check-up – Exhibit A-1, page 31	
Description of Change	Reason for Change
Change “equipment costs” to “Energy Efficiency Measure Costs”	The program’s original intent was for incentives to cap at 70 percent of all qualifying customer costs associated with implementing the HVAC Check-up measures. Changing from “equipment cost” to “Energy Efficiency Measure Costs” makes use of a term already defined in the program and provides more clarity that the costs included for the incentive cost cap calculation include both equipment and labor costs.

Other Adaptive Management Improvements

COVID-19

Impacts of the COVID-19 pandemic continue to affect customer participation. The cost of implementing projects is higher due to inflation. Lighting projects are particularly sensitive to price increases because they are usually sold proactively to the customer as an elective project that needs to be justified based on a quick payback. Supply chain issues remain, making it challenging for customers to get efficient equipment when they want/need it. There remains a shortage of skilled labor to complete project installations. Many of the program changes described in the tables above are adaptive management improvements in response to these continuing impacts of the pandemic.

Expanded Customer Eligibility for the Small Business Offer

Businesses with annual usage between 200,000 – 300,000 kWh have rarely participated in this past year. To address this, the small business eligibility criteria will be revised to include these slightly bigger small businesses.

Customer eligibility for the small business offers is managed on the Pacific Power website.⁴ Here is the current customer eligibility for the small business lighting offer:

“Washington small businesses on rate schedule 24 with annual usage less than or equal to 200,000 kWh (non-residential facility total) and/or total non-residential facility square footage of 20,000 square feet or less are eligible to participate.”

The Named Community Small Business customer eligibility has the same 200,000 kWh maximum annual usage. The maximum annual usage for both the small business and the Named Community small business offers will be increased from 200,000 to 300,000 kWh per year to increase participation.

Expanded Small Business Offer – Non-Lighting (Retrofit only)

As described in the tables above, to offer a range of energy efficiency opportunities to help smaller non-residential customers save energy and money, the small business lighting offer will expand to include non-lighting measures with enhanced incentives. These measures will include Engine Block Heater Controls, Ductless Heat Pumps, Thermostats, Anti-sweat Heater Controls, Electronically Commutated Motors (ECM) and Heat Pump Water Heaters. Small business customers will be required to use an approved Wattsmart Business vendor to be eligible for the enhanced small business non-lighting incentives. Complete participation steps will be available on the program website. Vendors will receive training and marketing support options to help them target small businesses in Highly Impacted Communities.

As part of the outreach plan, approved Small Business vendors will be eligible for an additional partner incentive when a valid referral is made for a small business non-lighting measure/project. The vendor will complete a simple questionnaire with the small business customer and in return receive a referral bonus with the approved project. This will be adaptively managed and may change over the course of the year.

⁴ [Washington Small Business Lighting \(pacificpower.net\)](https://www.pacificpower.net)

Vendor Incentives

To encourage participation in the overall Wattsmart Business incentives and to increase participation in select measures and for targeted customers, vendor incentives will continue to be offered to Washington Wattsmart Business vendors in good standing for qualifying projects. These incentives will be first come, first served until funding is exhausted, with per vendor caps for specific measures, such as lighting, to provide motivation for vendors to complete multiple projects. Vendor incentives for 2023 will begin on January 1st and be for lighting, select non-lighting, and small business lighting/non-lighting projects.

Pacific Power is specifically interested in using vendor incentives to promote participation in non-lighting measures, such as advanced rooftop unit controls, and to encourage vendors to pursue potential energy efficiency upgrades for Named Community small businesses, with a focus on those located in Highly Impacted Communities. Pacific Power is planning on continuing vendor incentives for listed retrofit lighting projects to encourage current vendors to maintain interest in serving Washington customers, as well as attracting new vendors to the program.

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 upgrades⁵. 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.

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:

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**).
 - o 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**)

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

- 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 are planned for 2023:

- Create a new offer within the current small business offer to include enhanced incentives for select non-lighting measures.
 - 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

Updates to unit energy savings (UES) measures and standard protocols posted on the RTF website were reviewed recently for measures included in Wattsmart Business. The results of this review can be found in Exhibit C.

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 Wattsmart Business program with the proposed changes is projected to be cost-effective for 2022-2023. Program level cost-effectiveness results (without Non-Energy Impacts or NEIs) are provided in the table below.

Table 5: Wattsmart Business Program Cost-Effectiveness Results - PY2022 and PY2023²

Delivery Channel	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.0506	\$24,310,597	\$55,127,749	\$30,817,152	2.27
Total Resource Cost Test (TRC) No Adder	\$0.0506	\$24,310,597	\$50,116,136	\$25,805,539	2.06
Utility Cost Test (UCT)	\$0.0462	\$22,193,260	\$50,116,136	\$27,922,875	2.26
Participant Cost Test (PCT)		\$15,783,721	\$55,840,278	\$40,056,557	3.54
Rate Impact Test (RIM)		\$64,367,154	\$50,116,136	(\$14,251,018)	0.78
Lifecycle Revenue Impacts (\$/kWh)					\$0.0014699
Discounted Participant Payback (years)					2.64

² 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.

The program level PTRC with NEIs is 2.49. Additional information on inputs and results is attached also in Exhibit D.

Exhibits Provided

Exhibit A-1 – Wattsmart Business incentive tables effective 1-1-2022 with changes for 1-1-2023 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

Exhibit B – Wattsmart Business Lighting Project Incentive Analysis

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

Exhibit D – Wattsmart Business Cost-Effectiveness analysis (filename is

DRAFT_PacifiCorp_Business_Cost-effectiveness_PY2022-2023_WA_9.16.2022.docx)