

Planned Changes to Wattsmart Business in Washington Effective January 1, 2022

PacifiCorp 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. Proposed changes to lighting Instant Incentives are included in Exhibit A-2.

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

These changes are intended to

- a) Further adaptively manage the program in response to the continued pandemic through temporary incentive increases
- b) Align the program's measure offerings and incentives with the latest unit energy savings (UES) and Standard Protocols from the Regional Technical Forum (RTF)
- c) Update the small business offer to increase participation from very small businesses and Named Community small businesses in alignment with the Clean Energy Transformation Act.
- d) Expand HVAC participation by adding a new HVAC check-up offer to encourage customers to maintain existing rooftop units (RTUs) to optimize equipment efficiency and install energy saving measures on existing HVAC equipment
- e) Separate Controlled Environment Agriculture (CEA) lighting from general retrofit and New Construction/Major Renovation interior lighting to better accommodate the growing interest in agricultural lighting
- f) Make other minor administrative changes

Explanation of Changes

Temporary Incentive Increase in Response to the COVID-19 Pandemic

Given the COVID-19 pandemic, program participants continue to face a multitude of challenges implementing energy efficiency projects. Availability of capital is a particular challenge facing

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.

many and business customers generally need to see shorter paybacks on their investments in efficiency upgrades than prior to the pandemic. To address this, the program is being adaptively managed and additional temporary incentive increases will be put in place. With these incentive increases bringing the paybacks for more projects to between one and two years, the project cost incentive cap that was temporarily increased in 2021 will be reset to the prior level (70 percent) for all but the small business lighting offer.

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 Lighting Instant Incentive (midstream/midmarket) table, Exhibit A-2. Exhibits A-1 and A-2 are 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
Add new section	Add new “Applicable” section for the list of eligible rate schedules moved from Schedule 140 (page 1) to the Exhibit A-1 document that will be posted on the Pacific Power website. There is a separate tariff filing to make the changes in Schedule 140 to reference this list being maintained on the website (in the Exhibit A-1 document).

Definitions – Exhibit A-1, page 3	
Description of Change	Reason for Change
Modify definitions for <ul style="list-style-type: none"> • Mixed Use • Non-residential Facility 	Modify the definitions to reflect and incorporate the new “Applicable” section.

Incentives – General Information, INCENTIVES – Exhibit A-1, page 4-6		
Category	Description of Change	Reason for Change
Prescriptive Incentives <ul style="list-style-type: none"> • Lighting • Irrigation Pump VFD • Farm and Dairy • Compressed air 	Reduce the Percent Project Cost Cap from 80 to 70%	With the temporary incentive increases bringing the paybacks for more projects to between one and two years, the project cost cap that was temporarily increased in 2021 will be reset to the prior level of 70%. Analysis of participation data indicates the project cost cap can be set at 70% and paybacks on projects that would have capped between 70-80% are still less than two years. Also, a 70% cost cap is aligned with other utility incentive offers.

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

<ul style="list-style-type: none"> Wastewater and other Refrigeration 		
Enhanced Incentives for Small Businesses – Lighting Retrofit	Add new category with a Percent Project Cost Cap of 100%	This new category, and the accompanying customer eligibility description maintained on the company website, allows the program to offer lighting retrofit incentives with no or minimal customer out of pocket costs to a subset of small businesses including hard-to-reach very small businesses and Named Community small businesses. See the Clean Energy Transformation Act section below for more details.
HVAC Check-up incentives	Add new HVAC check-up incentives	See description of HVAC Check-up below.
Custom Non-Lighting Incentives for qualifying measures not on the prescriptive list	<p>Increase incentive from \$0.18/kWh to \$0.24/kWh</p> <p>Reduce the Percent Project Cost Cap from 80 to 70%</p>	<p>Feedback from customers and trade allies indicates business customers generally need to see shorter paybacks on their investments in efficiency upgrades than prior to the pandemic. This \$/kWh incentive increase brings the paybacks for more projects to between one and two years.</p> <p>Analysis of participation data indicates the project cost cap can be set at 70% and paybacks on projects that would have capped between 70-80% are still less than two years. Also, a 70% cost cap is aligned with other utility incentive offers.</p> <p>For additional information, refer to Exhibit B.</p>

Incentives – Lighting System Retrofits– Exhibit A-1, page 8-9		
Category	Description of Change	Reason for Change
Interior Lighting Exterior Lighting	Increase the existing incentives by 60 percent for all interior and exterior lighting listed measures except lamp replacements	Feedback from customers and trade allies indicates business customers generally need to see shorter paybacks on their investments in efficiency upgrades than prior to the pandemic. This incentive increase brings the paybacks for more projects to between one and two years.

		<p>This change also aligns Pacific Power’s offering to be comparable to other Washington utility programs.</p> <p>For additional information, refer to Exhibit C.</p>
Controlled Environment Agriculture (CEA)	<p>Separate lighting for agricultural production purposes into a new category independent from interior, exterior, non-general illuminance and custom lighting</p> <p>Set the incentive for this offering at \$0.17/kWh</p>	<p>The program currently provides incentives for indoor agriculture grow lights as part of interior lighting.</p> <p>The expansion of controlled environment agriculture (CEA) in recent years necessitates the recognition that lighting in CEA facilities has inherently different application than conventional interior lighting. By separating CEA lighting into its own category, the program can better define participation/equipment eligibility and adjust incentives without impacting the remaining lighting incentive offerings in the program.</p>

Incentives – New Construction/Major Renovation Lighting – Exhibit A-1, page 9		
Category	Description of Change	Reason for Change
<p><u>Interior Lighting</u></p> <p><u>Custom Lighting</u></p>	Relocate Custom to be a sub-category under Interior Lighting	<p>The custom lighting offer is intended for interior lighting in buildings where energy code does not apply, as noted in the eligibility requirement. Thus, custom lighting should be a sub-category of interior lighting instead being an independent measure.</p> <p>This change to the incentive table bolsters the program’s intention that custom lighting incentives are not offered for exterior lighting.</p>
<u>Exterior Lighting</u>	Remove from the New Construction Major Renovation Lighting table and make ineligible for incentives	Exterior advanced lighting controls are part of the code baseline according to the latest Washington state energy code (WSEC-C 2018).

Controlled Environment Agriculture (CEA)	<p>Separate lighting for agricultural production purposes into a new category independent from interior, exterior and custom lighting</p> <p>Set the incentive for this offering at \$0.10/kWh</p>	<p>The program currently provides incentives for indoor agriculture grow lights as part of interior lighting.</p> <p>The expansion of controlled environment agriculture (CEA) in recent years necessitates the recognition that lighting in CEA facilities has inherently different application than conventional interior lighting. By separating CEA lighting into its own category, the program can better define participation/equipment eligibility and adjust incentives without impacting the remaining lighting incentive offerings in the program.</p>
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Incentives – Food Service Equipment – Exhibit A-1, page 18		
Category	Description of Change	Reason for Change
Electric Insulated Holding Cabinet	<p>Remove the ¾ Size category from the program offering</p> <p>Introduce the Double Size category to the program and set the incentive at \$400</p>	The ¾ size is no longer a measure size category with deemed unit energy savings from the RTF.
Electric Steam Cooker	Remove from the incentive table and make ineligible for incentives	The latest federal code adopts ENERGY STAR as the standard for steamers.
Electric Combination Oven	<p>Remove the 5 – 15 pans and 16 – 20 pans oven from the incentive table</p> <p>Add the 3 – 40 pans size category and set the incentive at \$650</p>	The latest RTF workbook expanded the range of oven pan sizes.

Incentives – Appliances – Exhibit A-1, page 19		
Category	Description of Change	Reason for Change
High-Efficiency Clothes Washer (commercial)	Revise the equipment category to front-load washers and increase the incentive	According to the RTF, there is insufficient market data for top load clothes washers to accurately determined deemed savings. Program incentives are re-adjusted to align with updated deemed cost from the RTF.
Heat Pump Water Heater	Increase the incentive	Increasing the incentive in alignment with the increase for the Wattsmart Home Energy Savings program.

(Residential used in a business)		
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Irrigation Incentives, Exhibit A-1, page 20-22		
Measure	Description of Change	Reason for Change
Prescriptive irrigation hardware maintenance and upgrade measures	Increase nozzle incentive Remove cut and press or weld repair measure. Remove pressure regulator and low pressure sprinkler measures Add pivot and linear sprinkler package replacement and upgrade measures	Aligning with Regional Technical Forum's June 16, 2021 revisions to irrigation hardware maintenance and irrigation hardware upgrade measures.
Irrigation pump VFD	Increase incentive	See explanation for incentive increase for Custom Non-Lighting Incentives.

Farm and Dairy Incentives, Exhibit A-1, page 23-24		
Measure	Description of Change	Reason for Change
Heat Recovery Milk Pre-Coolers (Retrofit only)	Increase incentive	See explanation for incentive increase for Custom Non-Lighting Incentives.

Compressed Air Incentives, Exhibit A-1, page 25		
Measure	Description of Change	Reason for Change
VFD Controlled Compressor	Increase incentive	See explanation for incentive increase for Custom Non-Lighting Incentives.

Wastewater and other Refrigeration Incentives, Exhibit A-1, page 26		
Measure	Description of Change	Reason for Change
Adaptive refrigeration control Fast acting door	Increase incentive	See explanation for incentive increase for Custom Non-Lighting Incentives.

Wastewater – low power mixer		
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Incentives – Small Business – Exhibit A-1, page 26-29		
Category	Description of Change	Reason for Change
LED	Replace the existing equipment based incentives (e.g., \$/fixture) with a \$/kWh annual energy savings incentive structure	<p>The existing \$/fixture structure constrains program participants to specific measures that do not always fully meet the building’s lighting needs. In these cases, incentives may be available from the standard, listed lighting incentives.</p> <p>The proposed \$/kWh incentive would provide more flexibility to address all of the eligible lighting in a small business within the small business lighting offer. This reduces complexity for the small business and streamlines the process.</p> <p>In addition, the \$/kWh incentive offered for the new small business categories, very small businesses and Named Community small businesses, is higher to reduce the customer out-of-pocket costs. This will increase the close rate of vendor proposals and is intended to increase vendor activity and customer participation.</p> <p>See the Clean Energy Transformation Act information below for more details on the small business offer changes.</p>

Incentives – Mid-Market – Exhibit A-1, page 29; Exhibit A-2		
Category	Description of Change	Reason for Change
T8 TLED Lamp	Consolidate previous T8 TLED offerings for Type A, A/B Dual Mode, B, and C into a single offering with a new incentive amount	The latest RTF midstream UES workbook does not differentiate between the different types of T8 TLED lamps.

HID Replacement Lamp ≥ 40 and < 70 W	Revise the wattage range to better align with the existing market products	Market research indicates that the newly proposed wattage ranges better reflect the different applications of HID replacement lamps.
HID Replacement Lamp ≥ 70 and < 140 W		
HID Replacement Lamp ≥ 140 W		
Wall Pack	Add measures for specific lumen ranges and reduce the incentive	The RTF added wall packs to the midstream UES workbook. Adding a measure for each lumen range to align with how the RTF set up the measures. Reducing the incentive in alignment with the RTF's savings and measure costs.

Incentives – HVAC Check-up Incentives– Exhibit A-1, page 30		
Category	Description of Change	Reason for Change
Maintenance Agreement	Add incentive offering to the program	This incentive offering is developed to encourage customers to maintain existing rooftop units (RTUs) to optimize equipment efficiency and install energy saving measures on existing HVAC equipment.
Thermostat		
Economizer		For additional information, refer to Exhibit D.
Refrigerant		

Other Adaptive Management Improvements

COVID-19

The program has remained open for business during the pandemic and program staff is performing work virtually where appropriate. Other adaptive management improvements have been made as part of the program's COVID-19 pandemic response. For example, incentive payments are issued more quickly by having the program administrators issue incentive payments after approval but prior to receiving incentive funding from PacifiCorp.

Streamlining Small Business Lighting Participation

Previously, small business lighting participants had the option of receiving their customer incentive in the form of a check or assigning it to the vendor who provided a credit for 100 percent of the incentive on their invoice to the participant. With this arrangement, participants also submitted an IRS Form W-9 and potentially received a 1099-Misc at the beginning of the following year. The small business offer was set up this way to provide participants with options. However, participants clearly prefer assigning the incentive to the vendor and receiving a credit for it on the vendor invoice. To align with this preference and also eliminate the participant requirement to submit a W-9 and potentially receive a 1099 (both requiring additional time with the participant to explain and potentially causing a barrier to participation), small business customer incentive payments will be automatically assigned to the vendor and paid via electronic funds transfer. The vendor W-9 is already on file and the vendor will receive the 1099-Misc. This change aligns with what participants are already doing and streamlines the participation process for them. This change will be made in Q4 2021.

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 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 will begin with start of the 2022 program year on January 1st and be for lighting, select non-lighting, and small business lighting projects.

Pacific Power is specifically interested in using these 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 an initial 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 make changes 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 upgrades⁴. Pacific Power plans enhanced incentives and targeted outreach strategies to better serve these customers and to connect them with energy efficiency improvements. Changes include the following:

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

- 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.
 - Offer higher incentives 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.
- 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.
- Offer approved small business lighting vendors a higher vendor incentive for completed lighting retrofit projects with Named Community small businesses.
- Continue development of materials in Spanish
- Continue and increase outreach to Latinx and tribal community groups

Eligibility for the Enhanced Incentives for Small Businesses is managed on the company website.⁵ The current small business customer eligibility posted on the website is

“Washington small businesses on rate schedule 24 with annual usage less than or equal to 145,000 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 following small business customer eligibility changes are planned. Note there may be some fine tuning of the language below before it is posted on the website.

⁵ <https://www.pacificpower.net/savings-energy-choices/business/wattsmart-efficiency-incentives-washington/wa-small-medium-business/wa-small-business-lighting.html>

Small Business Category	Proposed Customer Eligibility Requirements (website text)	Reason for change
Small business	<p>Washington small businesses on rate schedule 24 with</p> <ul style="list-style-type: none"> • annual usage greater than 30,000 and less than 200,000 kWh (non-residential facility total) and/or • total non-residential facility square footage of 20,000 square feet or less <p>are eligible to participate.</p>	<p>There is a participation gap for customers in the 145,000 to 200,000 kWh annual usage range. These customers are currently ineligible for small business incentives but have not been participating in the listed lighting retrofit program as often as other customers. Expanding the small business eligibility criteria to include these slightly bigger small businesses is intended to increase participation.</p>
Very small business	<p>Washington small businesses on rate schedule 24 with annual usage less than or equal to 30,000 kWh (non-residential facility total) are eligible to participate.</p>	<p>Approximately 75% of small business facilities have annual usage less than 30,000 kWh. While there are projects from these very small customers, overall participation has been relatively low.</p> <p>Many of these smallest customers have lower hours of operation, and the cost of a lighting upgrade is the same regardless of operating hours, but the annual energy cost savings is lower making the project simple payback longer.</p> <p>To better meet the needs of the smallest customers and improve their participation in the program, there will be a new, separate offering for very small businesses, with higher incentives and a higher project cost cap.</p> <p>The change will also make it more attractive for approved vendors to reach out to these customers since the close rate should improve with the higher incentives.</p>

<p>Named Community small business</p>	<p>Washington Named Community small businesses on rate schedule 24 are eligible to participate.</p> <p>Named Community small businesses are located in Highly Impacted Communities defined as census tracts meeting at least one of the following two criteria:</p> <ol style="list-style-type: none"> 1. The census tract is covered or partially covered by 'Indian Country' as defined in and designated by statute. 2. The census tract ranks a 9 or 10 on the Environmental Health Disparities Map, as designated by the Washington Department of Health (DOH). 	<p>To better reach small businesses in Named Communities, they will be eligible for the same incentives offered to very small businesses: an incentive that covers most if not all of the project costs so there is little to no out-of-pocket cost for the participant.</p> <p>As with the very small businesses, this will also make it more attractive for approved vendors to reach out to these customers since the close rate should improve with the higher incentives.</p> <p>Initially, small business customers located in Highly Impacted Communities will be eligible for the Named Community small business offer. In the future, customer eligibility may be revised to include other Named Community small businesses.</p> <p>Pacific Power will check the Washington Department of Health website⁶ annually for updated health disparity scoring and update the census tracts that will be eligible for the Named Community small business offer for the following year.</p>
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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 E.

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.

⁶ [Washington Environmental Health Disparities Map :: Washington State Department of Health](#)

Cost-Effectiveness

The cost-effectiveness analysis for this set of changes is the same analysis provided for the 2022-2023 Biennial Conservation Plan and is provided as part of this program change documentation also.

Exhibits Provided

Exhibit A-1 – Wattsmart Business incentive tables and information – with changes from the current program (effective 1/1/2022) marked in redline form.

Exhibit A-2 – Changes to Wattsmart Business Lighting Instant Incentive

Exhibit B – Custom Non-lighting Project Incentive Increase Analysis

Exhibit C – Lighting Project Incentive Increase Analysis

Exhibit D – HVAC Check-up Description

Exhibit E – Regional Technical Forum Alignment for Unit Energy Savings Measures and Protocols

Cost-Effectiveness analysis