

## **Planned Changes to Wattsmart Business in Washington Effective August 1, 2020**

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 website<sup>1</sup> 45 days prior to implementation. Proposed changes to the incentive tables are included in Exhibit A.

### **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**

These changes are intended to

- a) Adaptively manage the program and increase participation by temporarily increasing most incentives by approximately 25% (before project incentive caps) in response to the coronavirus pandemic.
- b) Remove the maximum simple payback threshold to streamline administration and simplify messaging for participants and trade allies.
- c) Correct incentive table errors for ice machines, heat pump water heaters with CTA-2045 capability, and three irrigation water distribution measures.
- d) Make other minor administrative changes

### **Explanation of Changes**

#### **Temporary Incentive Increase in Response to Coronavirus Pandemic**

Given the coronavirus pandemic, program forecasts indicate a shortfall in participation given potential program participants face a multitude of challenges implementing energy efficiency projects. Availability of capital is a particular challenge facing many. To address this, the program is being adaptively managed and incentives for almost all measures will be temporarily increased by approximately 25% (before any project incentive caps are applied). Refer to Exhibit A, which is marked in redline form to show the planned changes relative to the current program for each measure.

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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.

There are a few measures where incentives will remain the same:

- Energy Project Manager Co-Funding – with incentive increases for most measures, participants in this part of the program have the opportunity to deliver more energy savings and thus increase the co-funding amount that way.
- Exterior lighting, Mid-market Lighting (Lighting Instant Incentive) – the market is transforming for these measures and holding incentives the same is essentially an increase since many incentives would otherwise be reduced. Also, increasing and then later decreasing incentives below current levels sends a mixed message to the market.
- Green motor rewinds – an incentive increase is not likely to increase participation given the nature of this measure and would result in some administrative costs to make changes in the infrastructure for this measure.
- Advanced Rooftop Unit Controls (New RTU) – an incentive decrease is planned to align with the new 2018 WSEC-C economizer requirement. Holding the incentive for now to avoid sending mixed messages to the market.
- Heat Pump CTA-2045 – incentives increase for heat pumps, but not the additional incentive for CTA-2045 demand response capability.
- Roof/Attic Insulation, wall insulation – with an increase, these incentives would exceed the incremental cost, so incentives will not be increased for these measures.
- Smart Plug Strip - the market is transforming and holding incentives the same is essentially an increase since many incentives would otherwise be reduced.
- Irrigation water distribution measures – with the current Regional Technical Forum Unit Energy Savings values, some of these measures have cost-effectiveness challenges. Similar to midstream and exterior lighting, holding incentives the same is essentially an increase given some incentives would otherwise need to be reduced. Note there are a few corrections to this table further described below.
- Direct Install Lamps – already a no cost measure for customers.

The incentive increase is intended to be a temporary response to the pandemic. Given the timeline of the pandemic and associated economic impacts is uncertain, the timeline for future changes to the incentive levels is also uncertain. Program participation will be monitored and incentive levels reviewed periodically to ensure they are appropriate.

Additional 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. Exhibit A is marked in redline form to show the planned changes relative to the current program.<sup>3</sup>

<b>Incentives – General Information – Exhibit A, page 4-6</b>		
<b>Category</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Prescriptive Incentives - Lighting Retrofit	Remove the maximum simple payback threshold for projects	The maximum simple payback threshold was originally added for cost-effectiveness control.

<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)

		By implementing the dual baseline from the Regional Technical Forum’s Non-Residential Lighting Retrofits standard protocol, the measure cost used for program cost-effectiveness analysis is no longer the same as the cost used in the simple payback calculation. There is not a need to have a maximum simple payback threshold applied to a cost value that is not the one used for program cost effectiveness analysis.
Prescriptive Incentives – Irrigation Pump VFD, Farm and Dairy, Compressed Air, Wastewater and other Refrigeration	Remove the maximum simple payback threshold for projects	Program systems are set up to have all caps (including the maximum payback threshold) be the same for all measure categories with caps. Removing the threshold for lighting requires removing the thresholds for other measure categories. The maximum payback threshold can be removed for other measure categories because there is another control for cost-effectiveness in place, the program’s long payback cost adjustment policy for projects with simple paybacks (before incentives) of more than eight years.
Enhanced Incentives for Small Businesses – Lighting Retrofit	Remove the maximum simple payback threshold for projects	The explanation for small business lighting is the same as the explanation for lighting retrofits.
Custom Non-Lighting Incentives	Remove the maximum simple payback threshold for projects	The explanation for custom non-lighting is the same as the explanation for prescriptive non-lighting.
Prescriptive Incentives – Lighting New Construction/ Major Renovation	Clarify applicability of incentive caps where energy code does not apply	Align information on Incentives table with the New Construction/Major Renovation Lighting Incentive table note 1, which states <i>“Project Cost Caps of 70% and 1-Year Simple Payback Caps apply to New Construction and Major Renovation projects that are not subject to state energy code.”</i>

<b>HVAC Equipment Incentive Table – Exhibit A, page 14, 16</b>		
<b>Measure</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Heat Pump, Air-Cooled, replacing electric resistance heating	Add annotation regarding the efficiency requirement	Heat pumps are not required to meet the CEE full load efficiency as long as the equipment meets or exceeds state or federal full load efficiency standards.
Advanced Rooftop Unit Control (New RTU)	Add note to clarify that incentives are not available for new Advanced Rooftop Unit Controls required by code.	Adding this note to clarify given changes coming in the Washington State Energy Code – 2018.

<b>Food Service Equipment – Exhibit A, page 19</b>		
<b>Measure</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Ice Machines (Air-Cooled Only)	Adjust the equipment size categories.	Corrects an error introduced in the 1/1/2020 program changes and makes ice machines producing exactly 300 lbs/day eligible.

<b>Appliances – Exhibit A, page 20</b>		
<b>Measure</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Heat Pump Water Heater (CTA-2045)	Add incentive for heat pump water heater (residential used in a business) equipped with CTA-2045 capability	The addition of this was missed in the 1/1/2020 program changes when this was added for Home Energy Savings but not Wattsmart Business.

<b>Irrigation Hardware – Exhibit A, page 22</b>		
<b>Measure</b>	<b>Description of Change</b>	<b>Reason for Change</b>
Low-pressure sprinkler measures	Increase incentive from \$2 to \$4 for low pressure sprinkler replacing impact sprinkler.  Decrease incentive from \$4 to \$2 for low pressure sprinkler replacing worn low pressure sprinkler.	Corrects an error introduced in the 1/1/2020 program changes when incentives for these two measures were reversed.
Pressure Regulator	Decrease incentive from \$3 to \$2	Corrects an error introduced in the 1/1/2020 program changes when the incentive reduction for this measure was missed.

### **Other Adaptive Management Improvements**

Other adaptive management improvements have been made as part of the program’s coronavirus pandemic response. Here are some examples:

- The program has remained open for business and program staff is performing as much work as possible virtually that would normally be performed in person and on site.
- Added a direct deposit option for incentive payments assigned to Wattsmart Business Vendors to improve their cash flow so they can pursue more projects.
- Lighting project processes have been streamlined to remove the obligation for participants to sign and return their incentive offer. Also participants may now place orders for longer lead time lighting equipment in advance of the incentive offer in cases where this is essential to keeping the project on schedule. Participants are advised their project has not been approved so they understand any risk.

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

Updates to unit energy savings (UES) measures and standard protocols posted on the RTF website as of August 1, 2019 were reviewed for measures included in Wattsmart Business. The results of this review were provided with the program changes for 1/1/2020 and can be found in Exhibit B. Exhibit B was not updated as part of the current set of program changes given the nature of the changes this time. A comprehensive review of the UES measures and standard protocols on the RTF website will be done this summer as part of planning for program changes effective 1/1/2021 and the 2021 Annual Conservation Plan.

### **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.

### **Cost-Effectiveness**

Cost-effectiveness analysis for this set of changes is attached as Exhibit C.

### **Exhibits Provided**

Exhibit A – Wattsmart Business incentive tables and information – with changes from the current program (effective 1/1/2020) marked in redline form.

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

Exhibit C – Cost-Effectiveness analysis