

Pacific Power's Planned Changes to Wattsmart Business in Washington Effective May 17, 2025

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 website¹ 45 days prior to implementation. The planned changes to the incentive tables are included in Exhibits A-1 and A-3. There are no planned changes to Lighting Instant Incentives; the current 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 for both lighting and non-lighting retrofits 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 2024-2025 biennium and the changes for May 2025 include the following:

- a) Addition of Customer Bonus Incentives for select Lighting and Non-Lighting Measures to help close projects in 2025 and increase participation and results,
- b) Thermostats removed from HVAC Check-Up Offerings to streamline thermostat applications, and
- c) Incentives reduced for thermostats in both the small business non-lighting and listed HVAC incentive tables while still keeping the incentive in the small business offer higher than the regular listed incentive offer.

In addition to these program changes, there are significant adaptive management changes described in this document.

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 Exhibits A-1 and A-3. Exhibits A-1 and A-3 are marked in redline form to show the planned changes relative to the current program.³

¹ [Washington Energy Efficiency \(pacificpower.net\)](http://WashingtonEnergyEfficiency(pacificpower.net))

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.

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.

Lighting System Retrofits Incentive Table, Exhibit A-1, Page 8		
Category	Description of Change	Reason for Change
Interior Lighting - Full Fixture Replacement Interior Lighting – Fixture Retrofit Kits	<p>For a limited time, add a bonus customer incentive of approximately 10% to the base incentive (bonus applied before project level incentive caps). Incentive Offer is required to reserve bonus funds. Customer Bonus Incentive funding is subject to availability. To receive the customer bonus incentive, applicable measures must be installed with final application submitted by November 30th, 2025. Projects completed after November 30th, 2025, will not be eligible for bonus incentives.</p> <p>The bonus deadlines and full terms and conditions will be available on the program website and may be modified at any time.</p>	<p>Increase participation in 2025 by offering a limited time customer bonus incentive to help customers offset the capital cost of interior lighting projects.</p> <p>Note - The bonus will not be available for Controls Only projects and Lamp Replacement projects to keep Small Business Lighting Incentives higher than Lighting Retrofit Incentives.</p>

Motor Incentive Table, Exhibit A-1, Page 10		
Category	Description of Change	Reason for Change
Variable Frequency Drives (HVAC fans and Pumps) Electronically Commutated Motor (ECM) - Retrofit Only	<p>For a limited time, add a bonus customer incentive of approximately 20% to the base incentive (bonus applied before project level incentive caps). Customer Bonus Incentive funding is subject to availability. To receive the customer bonus incentive, applicable measures must be installed with final application submitted by November 30th, 2025. Projects completed after November 30th, 2025, will not be eligible for bonus incentives.</p> <p>The bonus deadlines and full terms and conditions will be available on the program website and may be modified at any time.</p>	<p>The change aims to raise awareness of non-lighting measures in the program, encouraging more diverse energy-saving projects and increasing overall participation to drive greater energy savings.</p>

[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 \(pacificpower.net\)](#)

HVAC Equipment Incentive Table, Exhibit A-1, Page 11-13		
Category	Description of Change	Reason for Change
Unitary Commercial Air Conditioners Packaged Terminal Air Conditioners (PTAC) Packaged Terminal Heat Pumps (PTHP) (Heating & Cooling Mode) Heat Pumps (Heating & Cooling Mode) Heat Pumps, Air- Cooled, replacing electric resistance heating (Heating & Cooling Mode) (Retrofit only)	For a limited time, add a bonus customer incentive of approximately 20% to the base incentive (bonus applied before project level incentive caps). Customer Bonus Incentive funding is subject to availability. To receive the customer bonus incentive, applicable measures must be installed with final application submitted by November 30 th , 2025. Projects completed after November 30 th , 2025, will not be eligible for bonus incentives. The bonus deadlines and full terms and conditions will be available on the program website and may be modified at any time.	The change aims to raise awareness of non-lighting measures in the program, encouraging more diverse energy-saving projects and increasing overall participation to drive greater energy savings.
Ground Source or Groundwater- Source Heat Pump Loop	Include CEE Tier 1 Requirements	To make more clear the efficiency requirements for this measure

Other HVAC Equipment and Controls Incentive Table, Exhibit A-1, Page 15		
Category	Description of Change	Reason for Change
Connected Thermostat	Reduce incentive from \$150 to \$100	The reduction in incentive reflects the lower incremental cost of these projects. Incentive structure will still encourage participation.

<u>HVAC Check-Up Incentives, Exhibit A-1, Page 31</u>		
<u>Category</u>	<u>Description of Change</u>	<u>Reason for Change</u>
Maintenance Agreement Economizer Refrigerant	For a limited time, add a bonus customer incentive of approximately 20% to the base incentive (bonus applied before project level incentive caps). Customer Bonus Incentive funding is subject to availability. To receive the customer bonus incentive, applicable measures must be installed with final application submitted by November 30 th , 2025. Projects completed after November 30 th , 2025, will not be eligible for bonus incentives. The bonus deadlines and full terms and conditions will be available on the program website and may be modified at any time.	The change aims to raise awareness of non-lighting measures in the program, encouraging more diverse energy-saving projects and increasing overall participation to drive greater energy savings.
Thermostats	Remove measure from HVAC Check-up. Thermostats are still offered through Listed incentives and the Small Business non-lighting offers.	Thermostats incentives are available through the Listed Incentive and Small Business offers. Including them in the HVAC Check-Up is redundant and offering them via Post-Purchase application will streamline the process for participants.

<u>Small Business Enhanced Incentives for Non-Lighting (Retrofit Only), Exhibit A-3 - Page 1</u>		
<u>Category</u>	<u>Description of Change</u>	<u>Reason for Change</u>
Thermostat	Reduce incentives	The reduction in incentives reflects the lower incremental cost of these projects. Incentive structure will still encourage participation.

Other Adaptive Management Improvements

In addition to the program changes described above, the company will implement the following adaptive management improvements.

Limited Time Revised Customer Eligibility for the Small Business Offer

Of the approximately 200 small businesses with annual usage between 200,000 and 300,000 kWh/year, 50 have participated, leaving 150 businesses with potential opportunities. This limited-time offer is designed to help these larger small businesses overcome cost challenges by providing enhanced incentives to increase participation. From March 4th, through November 30th, 2025, the maximum electric annual usage eligibility criteria for Small Business and Named Community Small Business has been increased from 200,000 kWh to 300,000 kWh. Projects must be completed by November 30th, 2025. After this limited time offer, the threshold will revert back to 200,000 kWh.

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.”

This language will be temporarily revised to:

“Washington small businesses on rate schedule 24 with annual usage less than or equal to 300,000 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 offer maximum electric annual usage eligibility criteria will also be increased from 200,000 to 300,000 kWh.

Financing with Interest Rate Buydown

Description:

Replace the current optional financing offer (with market interest rates) with a new financing offer with an interest rate buydown. This represents a significant addition to the program and the information below is expected change as the company completes final design prior to launch and to evolve and be adaptively managed over time outside of the program change process.

Targeted Customers:

Customers with capital energy efficiency projects that need financing to move forward. With interest rates bought down by the program, these participants can move forward with projects and potentially be cash flow neutral on day one (making the decision to proceed easier).

Targeted Measures:

Lighting measures will be the main target for financing since, due to their typically low Return on Investment (ROI), they are likely to qualify for a lower interest rate financed project and potentially be cash flow neutral on day one.

Primary Customer Outreach:

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

The primary outreach will be through approved Wattsmart Business vendors. Program staff will train Vendors on how to incorporate the financing offer into their project proposals and will work closely with these vendors and participating customers.

Financing partner:

Program delivery administrator, Evergreen Energy Partners, will subcontract with a financing partner, Verdant Commercial Capital. Verdant Commercial Capital will be responsible for reviewing and approving financing applications. Participants who apply and are approved for financing will make their loan repayments to Verdant Commercial Capital and Verdant is responsible for any write-offs due to non-payment.

How the buydown amount will be determined for a project:

The amount financed is the total project cost minus the incentive. The Buydown Amount is a % of the Amount Financed or the Subsidy Cap (30% of approved incentive), whichever is lower.

$\text{Amount Financed} = \text{Project Cost} - \text{Incentive}$

Subsidy Amount (Buydown Amount) = The dollar amount the utility would provide to Verdant to buy down the customer interest rate. The subsidy amount is the same regardless of the loan term the participant selects.

Required Subsidy Amount = The Subsidy Amount needed to buy the interest rate down to the target rate.

Subsidy Cap = The maximum allowed Subsidy Amount for a specific project, which is 30% of the approved incentive.

Examples:

Target rates will be determined as part of design. Project Examples below are to depict the buydown calculations and how financing can work.

Project Example 1:

Project Cost (before incentive) = \$150,000

Incentive Amount = \$50,000

Amount Financed = \$100,000

Annual Project Energy Savings (kWh/yr): 421,000

Required Subsidy Amount = $\$100,000 \times 0.13 = \$13,000$

Subsidy Cap = $\$50,000 \times 0.3 = \$15,000$

Since the Required Subsidy Amount is less than the allowable Subsidy Cap, the Subsidy Amount = \$13,000 and the rate is bought down to target rate.

Term	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months
Rate Offered	0.00%	1.99%	3.99%	4.99%	5.59%	5.99%
Monthly Payment	\$4,166	\$2,863	\$2,257	\$1,886	\$1,638	\$1,460
Monthly Energy Savings (\$)	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400

Project Example 2:

Project Cost (before incentive) = \$150,000

Incentive Amount = \$40,000

Amount Financed = \$110,000

Annual Project Energy Savings (kWh/yr): 108,000

Required Subsidy Amount = \$110,000 x 0.13 = \$14,300

Subsidy Cap = \$40,000 x 0.3 = \$12,000

Since the Required Subsidy Amount is more than the allowable Subsidy Cap, the Subsidy Amount will be limited to the Subsidy Cap. While target rate can't be met, the contractor can use the calculator to offer interest rates that are higher than the target but still below market.

Term	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months
Rate Offered	2.29%	3.56%	5.19%	5.97%	6.42%	6.72%
Monthly Payment	\$4,693	\$3,225	\$2,542	\$2,125	\$1,845	\$1,645
Monthly Energy Savings (\$)	\$532	\$532	\$532	\$532	\$532	\$532

Estimated Timing:

March 2025 Soft launch at Wattsmart Business vendor events (complete)

March 2025 Complete financing offer design

April 2, 2025 Begin offering financing

Estimated 2025 Budget:

\$100,000 for the estimated costs for interest rate buydowns

Vendor Promotions

To boost participation from the currently low or non-participating vendors, program outreach staff will offer Sales Performance Incentive Funds (SPIFs) to those who can demonstrate an increase in the number of projects completed year over year. Other vendor promotions may be added as well.

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 are 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 2025 began on January 1st for lighting, select non-lighting, and small business lighting/non-lighting projects.

For non-lighting, vendor incentives are available for advanced rooftop unit controls, small business non-lighting, and for select air-conditioners and heat pumps.

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 business participation.

Named Communities include customers located in Highly Impacted Communities⁵ 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. Pacific Power will continue enhanced incentives and targeted outreach strategies to better serve these customers and to connect them with energy efficiency improvements.

All of the utility actions planned for 2025 are continuing.

Wattsmart Business:

- Continue to increase the number of businesses in Highly Impacted Communities and small businesses participating; 2024-2025 results will be reflected in the energy efficiency Customer Benefit Indicator metrics.
 - Enhanced customer incentives for Small Businesses in Highly Impacted Communities and Very Small Businesses
 - Continue the small business enhanced incentive lighting and non-lighting offers targeting Named Community Small Businesses (located in Highly Impacted Communities) and the smallest businesses using less than 30,000 kilowatt-hours per year (very small businesses) on Schedule 24.
 - Continue to offer higher incentives than the regular small business offer with incentives capped at 100% of project costs for lighting to reduce the customer out-of-pocket cost barrier.
 - Enhanced vendor incentives - Continue to offer approved small business lighting vendors a higher vendor incentive for completed lighting retrofit projects with Small Businesses in Highly Impacted Communities and Very Small Businesses.
 - Targeted outreach

⁵<https://www.doh.wa.gov/DataandStatisticalReports/WashingtonTrackingNetworkWTN/ClimateProjections/CleanEnergyTransformationAct>

- Continue to target a portion of company initiated proactive outreach to Small Businesses in Highly Impacted Communities and Very Small Businesses; continue to tie proactive outreach to approved small business vendor capacity to respond to customer inquiries.
- Target a portion of company initiated proactive outreach to business customers located on Tribal land.
- Continue development of program materials in Spanish; continue and increase outreach to Latine business customers, vendors, and community groups.

Regional Technical Forum (RTF) review

The program alignment to RTF Unit Energy Savings measures and Standard Protocols as of October 1, 2024, was reviewed as part of planning for program changes effective January 1, 2025. To update this document for the program effective May 2025, the only modification was to remove the thermostat measure from the HVAC Check-up table. The updated document 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. To minimize potential delays to projects, the program may implement special transition arrangements for projects with valid incentive offer issued between the program change notice and effective date. The table below provides more information.

Program Version Determination

Incentive Offer Letter Issue Date	Applicable Program Version
Incentive Offer Letter dated prior to 4/2/2025 Projects completed prior to 5/17/2025	Program version in effect when the Incentive Offer Letter was issued
Incentive Offer Letter dated from 4/2/2025 – 5/16/2025	Eligible to receive Customer Bonus Incentives To receive the Customer Bonus Incentive, applicable measures must be installed with final application submitted by November 30th, 2025. Projects completed after November 30th, 2025, will not be eligible for bonus incentives.
Incentive Offer Letter dated 5/17/2025 or after	To receive the Customer Bonus Incentive, applicable measures must be installed with final application submitted by November 30th, 2025. Projects completed after November 30th, 2025, will not be eligible for bonus incentives.

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. Customer bonus incentives can only be applied to projects completed by November 30th, 2025.

Cost-Effectiveness

The Wattsmart Business program with the proposed changes is projected to be cost-effective for 2025. Program level cost-effectiveness results (with and without Non-Energy Impacts or NEIs) are provided in the tables below and in the cost-effectiveness exhibit.

Wattsmart Business 2025 Cost-Effectiveness (without Non-Energy Impacts)

Table 14: Wattsmart Business Cost-Effectiveness Results - PY2025

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.0609	\$17,607,970	\$28,722,326	\$11,114,356	1.63
Total Resource Cost Test (TRC) No Adder	\$0.0609	\$17,607,970	\$26,111,205	\$8,503,235	1.48
Utility Cost Test (UCT)	\$0.0516	\$14,933,998	\$26,111,205	\$11,177,207	1.75
Participant Cost Test (PCT)		\$12,393,472	\$40,308,431	\$27,914,959	3.25
Rate Impact Test (RIM)		\$45,522,929	\$26,111,205	(\$19,411,724)	0.57
Lifecycle Revenue Impacts (\$/kWh)					\$0.0009513
Discounted Participant Payback (years)					3.68

Wattsmart Business 2025 Cost-Effectiveness (with Non-Energy Impacts)

Table 15: Wattsmart Business with NEIs Cost-Effectiveness Results - PY2025

Cost-Effectiveness Test	Levelized \$/kWh	NPV Costs	NPV Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.0609	\$17,607,970	\$34,540,327	\$16,932,357	1.96
Total Resource Cost Test (TRC) No Adder	\$0.0609	\$17,607,970	\$31,929,206	\$14,321,236	1.81
Utility Cost Test (UCT)	\$0.0516	\$14,933,998	\$26,111,205	\$11,177,207	1.75
Participant Cost Test (PCT)		\$12,393,472	\$46,126,432	\$33,732,960	3.72
Rate Impact Test (RIM)		\$45,522,929	\$26,111,205	(\$19,411,724)	0.57
Lifecycle Revenue Impacts (\$/kWh)					\$0.0009513
Discounted Participant Payback (years)					3.17

Exhibits Provided

- Exhibit A-1 – WA WSB Incentive Tables effective 1-1-2025 w changes marked for May 2025
- Exhibit A-2 –WA WSB Lighting Instant Incentive offer effective 1-1-2024 (provided for reference, no changes in this document)
- Exhibit A-3 – WA WSB Small Business Non-Lighting Enhanced Incentives effective 7-1-2023 with changes for May 2025
- Exhibit B – WA WSB RTF Alignment Review for program effective May 2025
- Cost-Effectiveness Analysis