



DATE: January 22, 2020
TO: Energy Council
FROM: Jennifer West, Program Manager
SUBJECT: Heat Pump Water Heater Grant Update and MOU

SUMMARY

Staff is requesting Energy Council approval to enter into a memorandum of understanding with local energy providers in the Bay Area to implement the regional heat pump water heater (HPWH) incentive program.

DISCUSSION

In February 2016, the Energy Council adopted fuel switching (also referred to as electrification) as a priority area. In consultation with the Energy Council Technical Advisory Group, staff identified heat pump water heaters as a promising technology for fuel switching in buildings. In July 2018, the Energy Council approved a contract with ABAG to promote HPWHs through a project of the Bay Area Regional Energy Network (BayREN) funded by the Bay Area Air Quality Management District (BAAQMD), under its Climate Protection Grant Program. The funded project continues until March 2021.

The core tasks of the HPWH grant include:

1. Supply Chain Engagement – manufacturers, distributors, and contractors installing HPWHs
2. Midstream Incentive Program Design – creating a platform that will allow a simple, uniform regional incentive program
3. Trainings and Workforce Development – contractor trainings and building department staff trainings
4. Homeowner Education – BayREN website and flyers (late 2020)
5. Multifamily Heat Pump Installations – for income-qualified residents (completing in early 2020)

At this time, we are asking for the Energy Council to approve entering into an MOU with participating local energy providers, and entering into a contract to administer incentives for the program, to be developed under task 2 in the resolution.

In the region, we do not have one energy provider that can provide rebates for HPWHs; we have 11 local energy providers (CCAs and municipal power agencies). We want to avoid the confusing situation of having 11 different HPWH incentive programs. Having one simple and uniform program in the region is the most important role for the Energy Council, as this will minimize confusion, and allow the market and supply chain actors to take advantage of one program across county and city boundaries. BayREN and the Energy Council by extension is in a key position to make this program regional and uniform.

The Energy Council would provide an administrative role: collecting incentive funds from the energy providers and distributing incentive funds to one program provider that will then disburse funds to participating local contractors. The administrative cost for the Energy Council passing these funds through is covered by the BAAQMD grant. We anticipate that this midstream incentive program offering is time-limited, allowing the Bay Area region to begin to develop the market for HPWHs over the next year, and attract other decarbonization funding sources in the longer term.

In the first quarter of 2020 the incentive program is moving from program design to implementation of the incentive program. Our team is asking local energy providers to sign a MOU with the Energy Council. The local energy providers includes all seven Community Choice Aggregators (CCAs) and four Publicly Owned Utilities (POUs). The list is provided below. The local energy providers will be contributing the incentive funds for equipment installation, as well as an application processing fee per unit. We anticipate that all 11 LEPs (Local Energy Providers) will join the BayREN program within the year.

Local Energy Provider	Type of LEP	Geographic territory
East Bay Community Energy	CCA	Alameda County (excluding City of Alameda, and including Tracy as of 2021)
MCE	CCA	Marin, much of Contra Costa, Napa and Solano Counties
Clean Power San Francisco	CCA	City/County of San Francisco
San Jose Clean Energy	CCA	City of San Jose
Peninsula Clean Energy	CCA	San Mateo County
Silicon Valley Clean Energy	CCA	Santa Clara County (excluding San Jose, City of Santa Clara)
Sonoma Clean Power	CCA	Sonoma County
Silicon Valley Power	POU	City of Santa Clara
Alameda Municipal Power	POU	City of Alameda
City of Palo Alto Utility	POU	City of Palo Alto
City of Healdsburg Utility	POU	City of Healdsburg

By providing all 11 LEPs a streamlined way to pool funds through the Energy Council and by contracting with one program provider, our agency would be creating a uniform, regional midstream program for HPWHs, encouraging the development of the market of this highly energy-efficient, electric water heating technology used commonly in other parts of the world and country, but not yet here. We are still finalizing the total amount of incentives that might be processed through this MOU, but we will come back to the Board for further action if it exceeds \$600,000.

RECOMMENDATION

Adopt the attached Resolution authorizing the Executive Director to negotiate an MOU with local energy providers for implementation of the BAAQMD HPWH incentive program and other related actions to be formally approved by the Council when completed and to enter contracts with service providers to implement the MOU work program in an amount not to exceed funds provided by the signatories to the MOU.

Attachment A: HPWH Program Source of Funding

**ENERGY COUNCIL
RESOLUTION #EC 2020 –**

**MOVED:
SECONDED:**

AT THE MEETING HELD JANUARY 22, 2020

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO AGREEMENTS FOR THE
HEAT PUMP WATER HEATER INCENTIVE PROGRAM AND OTHER RELATED ACTIONS**

WHEREAS, the Energy Council recognizes that it is in the interest of local, regional, state, and federal agencies to stimulate the economy; create and retain jobs; reduce fossil fuel emissions; and reduce total energy usage and improve energy efficiency; and

WHEREAS, the Energy Council was formed to seek funding to develop and implement programs and policies that reduce energy demand, increase energy efficiency, advance the use of clean, efficient and renewable resources, and help create climate resilient communities; and

WHEREAS, the Energy Council adopted fuel switching (electrification) as a priority area for external grant seeking; and

WHEREAS, in consultation with the Energy Council Technical Advisory Group (TAG), staff identified heat pump water heaters as a promising technology; and

WHEREAS, the Bay Area Air Quality Management District (BAAQMD) released a 2018 Climate Protection Grant program to accelerate local climate protection efforts; and

WHEREAS, the Energy Council partnered with the Bay Area Regional Energy Network (BayREN) to submit a regional market development proposal for heat pump water heaters, and

WHEREAS, BAAQMD awarded BayREN a grant of \$400,000 for the proposal entitled Heat Pump Water Heater Regional Market Transformation;

WHEREAS, ABAG provided the Energy Council with a contract of \$390,000 for the scope of work described in Attachment A;

NOW THEREFORE, BE IT RESOLVED, that the Energy Council hereby authorizes the Executive Director to:

1. Negotiate memorandum of understanding (MOU) and agreements with Local Energy Providers as necessary in order to accept additional funds not to exceed \$600,000, and make any necessary changes to the FY 2019-2020 budget to Project 1311: HPWH Grant. The final memorandum of understanding and agreements with Local Energy Providers shall be brought before the Board as a consent calendar item for final approval.
2. Enter into all necessary contracts and agreements with the program provider to streamline incentive processing and payments.

3. Approve any required time extensions, modifications, or amendments thereto.
4. Allocate the necessary resources to implement and carry out the amended scope of work.

ADOPTED this 22nd day of January, 2020, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAINED:

I certify that under the penalty of perjury that the foregoing is a full, true and correct copy of Resolution #EC 2020 –

ARLISS DUNN
Clerk of the Board

Attachment A
HPWH Program Source of Funding

BayREN Heat Pump Water Heater Incentive Program
Program Elements and source of funding

Midstream Incentive Program Design	Supply Chain & Workforce Development	Education	Low-income Multifamily Heat Pump Installations
Local Energy Provider Engagement	Contractor Training	BayREN webpage	Installations for 250 multifamily units
Uniform Regional Incentive Design*	Building Department Staff Training	Costing Tool for residents	
Application Processing system	Enroll Contractors into HPWH program	Informational Flyer	
Leveraging BayREN single family program	Engage Manufacturers, Distributors & Network	Engagement with stakeholders in related fields	KEY: Program Funding
Program Collateral and Outreach support	Develop TradeProConnect - contractor platform	Cross-promotion materials (EV, PV, financing fields)	Funding by Local Energy Providers (LEP)
Incentives and Processing costs	Customize TradeProConnect for BayREN Program		BayREN grant from BAAQMD
			Energy Solutions - CEC grant and other funding
			StopWaste funding
			BayREN support

* joint effort of grant funds, StopWaste and Energy Solutions

Source: StopWaste Dec 2019