



OREGON RENTAL HOME HEAT PUMP PROGRAM

2023 Program Report

Submitted to the

OREGON LEGISLATURE

by the

**OREGON
DEPARTMENT OF
ENERGY**

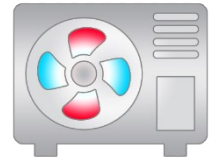


OREGON
DEPARTMENT OF
ENERGY

December 2023

Executive Summary

The Oregon Rental Home Heat Pump Program is administered by the Oregon Department of Energy at the direction of SB 1536, passed by the Oregon State Legislature in 2022. This bill followed the summer heat dome event of 2021, during which at least 100 Oregonians died of heat-related illness, many in their own homes. The legislation directed ODOE to develop a program that provides rebates and grants for the installation of heat pumps and related upgrades in dwellings used as residential tenancy (rentals) and manufactured dwellings or recreational vehicles located in a rented space. This incentive program supports ODOE’s mission by advancing equitable energy solutions that protect public health.



Program rebates and grants are issued to participating contractors, who pass the savings on to eligible customers as an up-front reduction in the price of the installed system (ODOE’s program staff do not work directly with the customers). To claim a rebate or grant, a contractor must first apply for a reservation of rebate and grant funds prior to the start of project installation. Reservations are converted into cash rebates and paid to the contractor once the contractor certifies a project is complete. The legislature directed the department to reserve 25 percent of funding for owners of units rented to low- or moderate-income households and 25 percent for affordable housing providers in each calendar year. Properties owned by affordable housing providers offer a proportion of their units to those below median income.

The Oregon Rental Home Heat Pump Program advances Oregon clean energy goals by helping reduce the upfront costs associated with the purchase and installation of heat pump systems, as well as supporting the Oregon heat pump installer industry.

Informed by a public engagement process, this program features tiered rebate and grant rates based on the efficiency of the heat pump installed, whether the residence is a residential tenancy or manufactured home, and the income level of the tenant. The largest rebate and grant amounts are reserved for low- and moderate-income tenancy customers and affordable housing providers to expand access to those populations that may not otherwise have the financial resources to afford heat pumps. Eligibility for low- and moderate-income rebates and grants can be demonstrated by providing proof of eligibility for several low-income programs operated by the State of Oregon or by providing an Oregon Department of Revenue or IRS tax transcript. The department implemented an expanded list of eligibility options after the start of the program in response to program stakeholder feedback.

Following stakeholder outreach, program rules became effective in April 2023. The applications to become an approved contractor opened in June 2023. There are currently 130 contractors participating in the program. To be eligible to participate in the program, a contractor must meet eligibility requirements established under rule.

The applications to request rebates and grants opened in July 2023. ODOE received and processed applications for rebates and grants. From July 2023 to December 2023, the program reserved funds for more than 2,500 projects, representing over \$10 million in funds. The program has reserved or issued rebates and grants for projects in 28 of Oregon’s 36 counties.

This report will provide additional details on program operations and outcomes to date, as well as discuss challenges to implementation and how those challenges might be addressed.

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This report is available online: <https://www.oregon.gov/energy/Data-and-Reports/Pages/Reports-to-the-Legislature.aspx>

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Program Background

In the summer of 2021, Oregon experienced a heat dome event that saw record high temperatures, during which at least 100 Oregonians died of heat-related illness — many in their own homes. Following this event, a coalition of more than 60 organizations formed to support legislative action to prevent such deaths in the future. With the coalition’s support, the Oregon Legislature passed Senate Bill 1536 in 2022. The bill had several components:

- The appropriation of \$25 million for the creation of two heat pump incentive programs: the Community Heat Pump Deployment Program and the Oregon Rental Home Heat Pump Program, both administered by the Oregon Department of Energy.
- A cooling needs study, which will be released by the Oregon Department of Energy in December 2023.
- An emergency air conditioner deployment program administered by the Oregon Health Authority.
- A rebate program run by Energy Trust of Oregon to help landlords cool shared spaces.

SB 1536 directed ODOE to develop a program that provides rebates and grants for the installation of heat pumps and related upgrades in dwellings used as residential tenancy (rentals) and manufactured dwellings or recreational vehicles located in a rented space. This incentive program supports ODOE’s mission by advancing equitable energy solutions that protect public health.

Program rebates and grants are issued to participating contractors, who pass the savings on to eligible customers as a reduction in the price of the installed system. ODOE’s program staff do not work directly with the customers. To claim a rebate and grant, a contractor must first apply for a reservation of rebate and grant funds prior to the start of project installation. Rebates are available for the purchase and installation of heat pumps and grants are available for eligible upgrades to facilitate the installation of the heat pump. Reservations are converted into cash rebates once a contractor certifies a project is complete. The legislature directed the department to reserve 25 percent for owners of units rented to low- or moderate-income households and 25 percent for affordable housing providers in each calendar year. Properties by affordable housing providers offer a proportion of their units to those below median income.

The Oregon Rental Home Heat Pump Program advances Oregon energy policy by helping reduce the upfront costs associated with the purchase and installation of heat pump systems, as well as supporting the Oregon heat pump installer industry.

SB 1536 directed the department to provide a report on the rebates and grants to the legislature by December 31, 2023. This report outlines progress on the Oregon Rental Home Heat Pump Program, which provides benefits to Oregonians in residential tenancy (rentals) and manufactured dwellings or recreational vehicles located in a rented space in need of efficient heating and cooling devices. While not required, this report also includes legislative recommendations.

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Program Operations

The Oregon Department of Energy developed program rules informed by targeted outreach with a variety of stakeholder groups. The Oregon Department of Energy consulted with possible contractors, landlords, public interest organizations, state agencies, and the SB 1536 coalition ahead of formal rulemaking. ODOE also held a public hearing in January 2023 to solicit public feedback on the program rules. Administrative rulemaking processes were started in the summer of 2022 and the rules were finalized and published in April 2023. ODOE held three public meetings or rule hearings. The feedback and suggestions provided through ODOE’s outreach and engagement were very valuable in the development of the program’s rules. In response to feedback, the administrative rules made it easier to demonstrate qualification for a low- and moderate-income rebate by adding programs from Oregon Department of Human Services, Oregon Health Authority, or Oregon Housing and Community Services to the list of programs under which a project owner would be eligible. In addition, the agency added an option for a project owner to prove low- and moderate-income eligibility by providing the tenant’s current tax transcript from the Oregon Department of Revenue.

General program outreach and strategic engagement started in the summer of 2022 and has continued throughout 2022 and 2023. Program staff completed direct outreach to a broad range of stakeholders, including contractors, distributors, landlords, housing providers, low-income housing providers, housing advocacy organizations, Energy Trust of Oregon, and others. ODOE held several informational meetings and webinars in advance of program launch to grow interest in program participation and answer questions from potential applicants among contractors and landlords. This included two public meetings held in September 2022 and webinars held in early 2023 in preparation for application release.

In conjunction with rulemaking and outreach, ODOE developed an online database to organize application information, created guidance materials, and published informational resources for program participants and the public.

Applications to become an approved contractor opened in June 2023. ODOE approved 157 contractors from 132 contractor organizations.

Applications to request rebates and grants opened in July 2023. ODOE received and processed more than 2,500 applications for rebates and grants.

Program Metrics and Outcomes – Contractors

One hundred and fifty-seven contractors have been approved to offer rebate and grant awards to their customers. Contractor registrations have been submitted from 28 counties.

The counties with the greatest number of registered contractors are Multnomah County (44 contractors), Lane County (26 contractors), Clackamas County (23 contractors), Marion County (18 contractors), and Jackson County (17 contractors).

Table 1: Summary of Contractors in Year

Count of Approved Contractors	157
Count of Organizations with approved contractors	132
Count of Counties with Approved Contractors	28

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Program Metrics and Outcomes – Rebates and Grants

Registered contractors have submitted 2,587 rebate and grant requests totaling \$10.2 million. The average rebate request for the purchase and installation of a heat pump is \$3,327 and the average grant to facilitate the installation is \$945.

Table 2: Summary of Incentive Requests by County

County	Rebates	Grants	Incentives	Projects
Benton	\$260,618	\$0	\$260,618	82
Clackamas	\$185,401	\$17,504	\$202,905	53
Columbia	\$3,000	\$0	\$3,000	1
Coos	\$37,620	\$14,900	\$52,520	11
Deschutes	\$208,295	\$68,026	\$276,321	56
Douglas	\$200,225	\$71,570	\$271,795	59
Hood River	\$2,000	\$2,000	\$4,000	1
Jackson	\$225,990	\$42,104	\$268,094	59
Jefferson	\$5,000	\$0	\$5,000	1
Josephine	\$252,508	\$86,500	\$339,008	41
Klamath	\$53,458	\$14,300	\$67,758	13
Lake	\$3,446	\$0	\$3,446	1
Lane	\$3,006,042	\$465,939	\$3,471,981	936
Lincoln	\$5,560	\$0	\$5,560	1
Linn	\$681,886	\$49,200	\$731,086	205
Malheur	\$5,000	\$3,500	\$8,500	1
Marion	\$1,759,679	\$484,637	\$2,244,316	561
Multnomah	\$1,291,691	\$185,139	\$1,476,830	382
Polk	\$256,665	\$96,880	\$353,545	78
Tillamook	\$3,673	\$0	\$3,673	1
Umatilla	\$15,716	\$0	\$15,716	4
Wasco	\$15,939	\$5,543	\$21,482	4
Washington	\$78,000	\$26,879	\$104,879	22
Yamhill	\$50,360	\$1,850	\$52,210	14
Grand Total	\$8,607,773	\$1,636,471	\$10,244,244	2587

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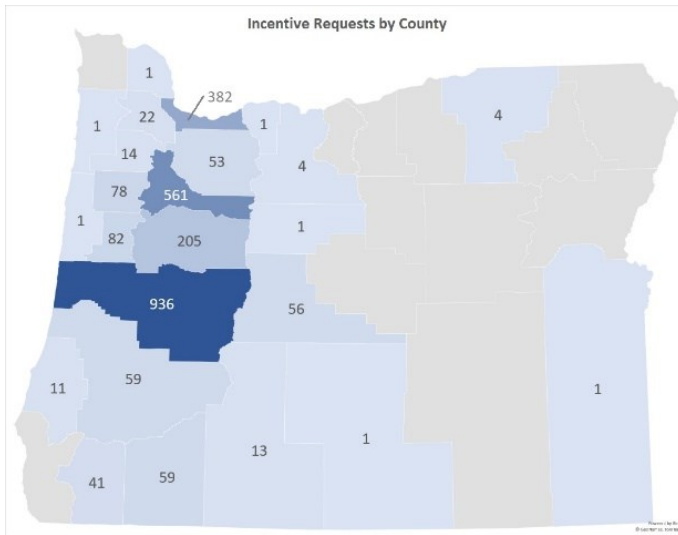


Figure 1: Number of All Reservation Requests by County in 2023

Table 3: Summary of Completed Projects by County

County	Rebates	Grants	Incentives	Projects
Benton	\$99,406	\$0	\$99,406	30
Clackamas	\$18,804	\$0	\$18,804	5
Coos	\$7,000	\$0	\$7,000	2
Deschutes	\$14,000	\$0	\$14,000	4
Douglas	\$17,928	\$1,200	\$19,128	4
Jackson	\$35,950	\$1,909	\$37,859	12
Josephine	\$24,400	\$9,000	\$33,400	4
Klamath	\$24,671	\$6,200	\$30,871	7
Lane	\$900,204	\$74,889	\$975,093	272
Lincoln	\$5,560	\$0	\$5,560	1
Linn	\$24,000	\$0	\$24,000	8
Marion	\$196,399	\$84,720	\$281,119	59
Multnomah	\$58,362	\$6,792	\$65,154	18
Polk	\$17,640	\$0	\$17,640	5
Tillamook	\$3,673	\$0	\$3,673	1
Umatilla	\$8,716	\$0	\$8,716	3
Washington	\$21,000	\$3,000	\$24,000	7
Yamhill	\$14,559	\$0	\$14,559	4
Grand Total	\$1,492,272	\$187,710	\$1,679,982	446

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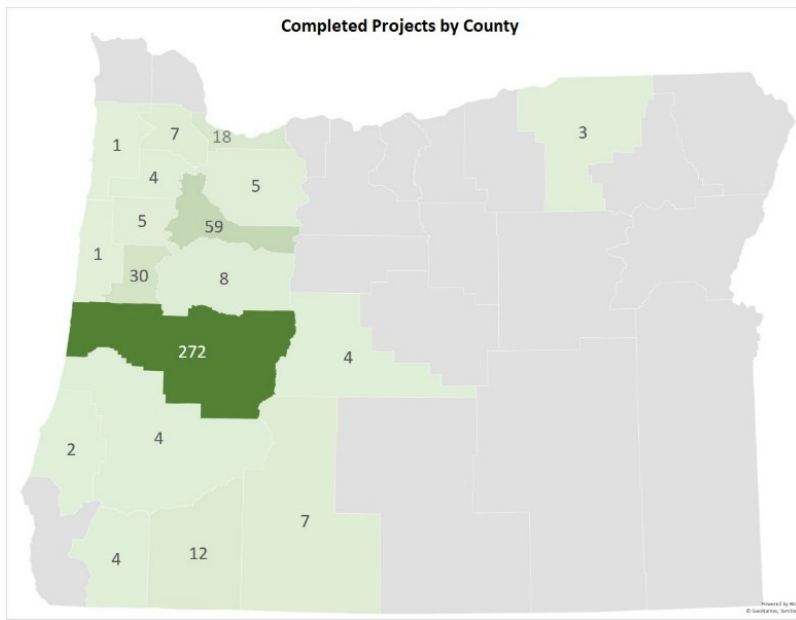


Figure 2: Number of Completed Projects by County in 2023

As of December 18, 2023, \$3.5 million of the \$13.8 million in allocated program funds remain available for use by registered contractors. Contractors have offered rebates across the state with projects in 24 counties and 106 cities. Heat pump installations occurred most frequently in Lane County, with 936 projects claiming \$3.5 million in rebates and grants. Contractor activity was also high in Marion County, where 561 projects claimed \$2.2 millions of program funds; Multnomah County, where 382 projects claimed \$1.5 million in rebates and grants; and in Linn County, where \$0.73 million was claimed for 205 projects.

Table 4: Total Residential Reservations and Rebates Issued in Year 2023

Customer Type	Rebates Only		Grants (Paired with Rebates)			Total
	# of Projects	Funds Committed	# of Projects	Funds Committed	# of Projects	Committed Funds
Non-LMI	1147	\$3,425,921	767	\$3,427,177	1914	\$6,853,098
LMI	279	\$1,281,764	193	\$1,353,102	472	\$2,634,866
AHP	187	\$681,178	14	\$75,102	201	\$756,280
Totals	1613	\$5,388,863	974	\$4,855,381	2587	\$10,244,244

Though the program has been successful at driving program funding (25 percent) to low-and moderate-income (LMI) homeowners and affordable providers, demand for heat pump rebates, by number of reservations and rebates, is higher in the non-LMI category. Of the 25 percent of program funds reserved for low- or moderate-income households, \$2.6 million in funding has been claimed for 472 households while \$0.8 million remains available. Of the 25 percent of program funds reserved for affordable housing providers, \$2.7 million is still available.

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into the program’s contribution to energy savings and energy cost reductions. Project reports will also identify other state and federal funds leveraged because of the program’s financial assistance. ODOE will collect, compile, and analyze project completion data to understand costs, efficiency and energy savings. ODOE will use this data to ensure program benefits are in alignment with legislative mandate. This information will be included in next year’s report.

Program Challenges

The primary objective for this program is to save renters money on utility bills and improve the comfort and habitability of dwellings. The present primary challenge is to expand the geographic availability of program benefits to all Oregonians. This section will discuss the barriers to achieve this objective.

Since the first reservation requests were submitted in July 2023, the rate of rebate requests has been steadily increasing every month.

There are not enough participating contractors in rural areas in this program. With high fuel prices, many eligible contractors would need reimbursement for travel to include rural areas in this program but are unable to do so.



Table 6: Total Rebate Requests Received Each Month in Year 2023

Month	Requests
Jul 2023	77
Aug 2023	490
Sep 2023	582
Oct 2023	631
Nov 2023	654

Registered contractors may partner with other tradespeople to complete heat pump installations and inspections, but one entity must still act as the lead contractor for the project and oversee partner activities. During program outreach, various contractors expressed interest in offering program rebates but were not willing or able to service customers in distant locales. ODOE continues to explore how to help bridge the distance in a manner that could help avoid this geographic challenge.

Since the first reservation requests were submitted in July 2023, the number of rebate requests has increased each month. Training, customer service and engagement with contractors helped contractors understand program requirements and improved data submitted by contractors when applying for rebates and grants. ODOE is continuously monitoring this growth and engaging with stakeholders on the status of projects and availability of funds to help contractors offer rebates to their customers.

Program Recommendations

ODOE will seek insights and lessons learned from the initial cohort of registered contractors that might reduce barriers to participation faced by others interested in passing program funds to their customers as rebates. In addition to gathering rulemaking testimony, ODOE will actively solicit such comments using customer surveys. Through their comments, ODOE will study and identify best practices and barriers to administering grant funds and opportunities for providing technical assistance.

ODOE can continue collaboration to expand awareness of this program and funding opportunity to contractors and other stakeholders to overcome the logistical and capacity-related challenges to program participation. The program offers a valuable opportunity to establish and strengthen partnerships across the state that will amplify the impact of future incentive programs and advance equity and environmental justice initiatives. ODOE hopes these ongoing collaborations will improve contractor participation in 2024. If rural areas remain unrepresented in the coming year, statutory amendments that address program barriers may be necessary to allow for this vital, life-saving funding to reach all Oregon communities.

This program was designed to complement the Community Heat Pump Deployment Program, which when fully implemented may help fill some of the gaps in coverage for rural Oregon. These two programs, together with other home energy efficiency programs, such as those soon to be launched through the Inflation Reduction Act (IRA), are mutually beneficial. Implemented synergistically, these programs can bolster each other's impact and amplify benefits to Oregon residents. The Community Heat Pump Deployment Program will benefit from the workforce development elements of federal programs, as contractor availability is insufficient throughout much of rural Oregon. By aligning these program objectives and resources, the number of homes with adequate heating and cooling can continue to grow.

For More Information

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