



California Public Utilities Commission
505 Van Ness Ave., San Francisco

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Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PRESS RELEASE

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CPUC PROVIDES ADDITIONAL INCENTIVES AND FRAMEWORK FOR ELECTRIC HEAT PUMP WATER HEATER PROGRAM

SAN FRANCISCO, April 7, 2022 - The California Public Utilities Commission (CPUC) today took important steps to fight climate change and promote building decarbonization by expanding incentives for electric appliances. The CPUC adopted budgets, incentive levels, and other program requirements for the Self-Generation Incentive Program (SGIP) Heat Pump Water Heater (HPWH) program that was authorized in prior CPUC Decisions. The building sector is responsible for 25 percent of the State's greenhouse gas (GHG) emissions.

Heat pump systems provide hot water using energy from the electric grid, which is increasingly renewable, with 86 percent GHG-free electricity expected by 2032, and 100 percent renewable electricity delivered by 2045. HPWHs are a cleaner and more efficient technology than water heating using natural gas from fossil fuels. They reduce GHG emissions and also avoid gas combustion that releases criteria air pollutants inside buildings.

Today's Decision allocates an additional \$40 million from 2023 gas Cap-and-Trade allowance auction proceeds to the previously authorized \$44.7 million SGIP HPHW program budget, for a total budget of \$84.7 million. This funding will significantly increase the number of HPWHs installed each year. Approximately 800,000 water heaters are replaced annually in California, and rapidly transforming the market to increase the use of heat pump technology is critical to the State's goal of decarbonizing buildings.

Half of the incentive funds are reserved for low-income utility customers. The incentive amount for single-family residential customers is capped at \$4,885 for low-income customers and \$3,800 for other customers. Incentives are also authorized if an electric panel upgrade is needed to install the HPWH. An

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additional incentive of \$1,500 is authorized for systems using “low global warming potential” refrigerants to reduce GHG emissions even further.

To receive incentives, the HPWH systems must be designed, installed, and operated in a manner that shifts electricity use from peak to off-peak periods and reduces GHG emissions. To achieve these benefits, the incentive program requires using a “thermostatic mixing valve” that allows pre-heating of water during off peak hours when electricity use is low. This is the “energy storage” function of HPWHs. Customers receiving these incentives must enroll in a demand response program where they agree to reduce their electricity use for a brief time during a severe heatwave or other grid emergency.

These new incentives are designed to bring the significantly higher cost to purchase and install a HPWH in line with the cost of a new gas hot water heater. With cost parity, contractors can recommend HPWHs to their clients who may not be familiar with the technology and must make quick decisions about replacing a failed hot water heater.

“Electrifying our appliances furthers the State’s climate, public health, and equity goals,” said Commissioner Clifford Rechtschaffen, who is assigned to the proceeding. “The HPWH systems incentivized also promote energy reliability and help meet the needs of our changing grid.”

“I appreciate the efforts made to create a unique program that promotes heat pump water heaters with load-shifting communication devices to reduce the carbon footprint of residential and commercial customers and maintain a reliable electric grid,” said Commissioner Genevieve Shiroma. “I encourage future heat pump water heater pilots or programs to consider requiring load-shifting communication as well.”

The CPUC adopted a statewide program administrator/program implementor (PA/PI) structure for the SGIP HPWH program, which will be selected through a competitive request for proposal process. The selected SGIP HPWH PA/PI will develop and implement an eligible contractor list that tracks and prioritizes contractors with preferred workforce training and development practices or that are located in a disadvantaged community.

The proposal voted on is available at

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M463/K622/463622210.PDF>.

Documents related to the proceeding are available at

https://apps.cpuc.ca.gov/apex/f?p=401:56:0::NO:RP,57,RIR:P5_PROCEEDING_SELECT:R2005012.

More information on the SGIP is available at <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/self-generation-incentive-program>.

The CPUC regulates services and utilities, protects consumers, safeguards the environment, and assures Californians' access to safe and reliable utility infrastructure and services. For more information on the CPUC, please visit www.cpuc.ca.gov.

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