



COMMUNITY HEAT PUMP DEPLOYMENT PROGRAM

2023 Program Report

Submitted to the

OREGON LEGISLATURE

by the

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DEPARTMENT OF

ENERGY

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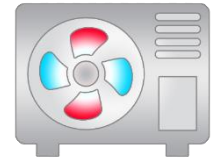
OREGON
DEPARTMENT OF
ENERGY

COMMUNITY HEAT PUMP DEPLOYMENT PROGRAM –2023

Executive Summary

The Community Heat Pump Deployment 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 grants to eligible entities to offer financial assistance for the purchase and installation of heat pumps and related upgrades to Oregon homeowners. Grants were made available to eligible entities to become fund administrators in 11 state economic development regions as well as the nine federally recognized Tribes in Oregon. This incentive program supports ODOE’s mission by advancing equitable energy solutions that protect public health.



While funds under this program are available to all households, administrators are required to prioritize at-risk groups, including environmental justice communities, households relying on bulk fuels (like wood or heating oil) and electric resistance heating, and households without functioning heating or cooling systems. Financial assistance can cover up to 100 percent of the cost of purchase and installation of heat pumps and related upgrades. Depending on heat pump efficiency, administrators can offer up to \$7,000 in heat pump installation costs and up to \$4,000 in upgrade costs per household. Eligible upgrades are those supporting and enabling the use of the heat pump, including weatherization and electrical upgrades. When combined with other available incentives, many installations can be completed at little to no cost to the customer.

Following stakeholder outreach, program rules were published in February 2023. The initial application opportunity for regional administrators opened in March 2023. During the application period, ODOE received applications to administer funds for six of the 11 economic development regions and for one Tribe. The agency selected five administrators, with the boundaries of three program regions being combined under one administrator. As of October 13, 2023 four performance agreements have been executed. One agreement is in negotiation but is anticipated to be executed soon. ODOE plans to open a second competitive grant opportunity in Fall 2023 to solicit applications for the remaining regions and Tribes. The agency has identified barriers for potential administrators and expanded outreach efforts in anticipation of a second application opportunity.

In the 2023 legislative session, the Legislature passed House Bill 3409, which, among other updates, changed the due date for the Department’s first biennial report to the Legislature to October 15, 2023. 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.

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

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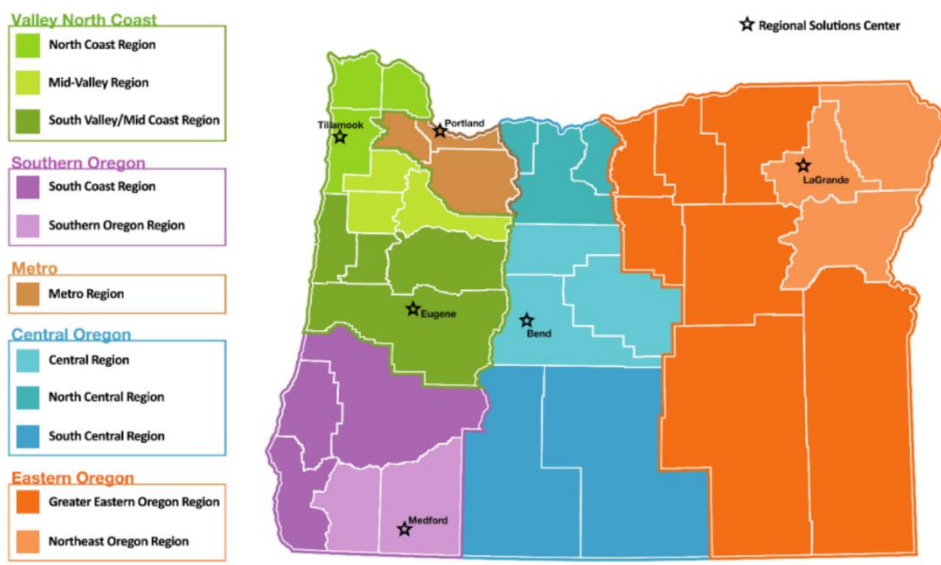
Program Background

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.

This report outlines progress on the Community Heat Pump Deployment Program, which targets benefits to Oregon homeowners in need of efficient heating and cooling devices.

SB 1536 directed ODOE to develop a program to provide grants to eligible entities to act as fund administrators, and to provide financial assistance for the purchase and installation of heat pumps and related upgrades to Oregonians. Oregon Tribes, local governments, local housing authorities, nonprofit organizations, coordinated care organizations, community action agencies, manufactured dwelling park nonprofits, and electric utilities are eligible applicants. Program grants are available to up to one eligible entity for each of the 11 economic development regions in Oregon, as designated by the Economic Development Administration of the United States Department of Commerce, as well as one eligible entity for each federally recognized Tribe in Oregon. An applicant may propose alternative boundaries for program administration that encompass more than one economic development region. The map below outlines the counties encompassed by each of the 11 program regions.



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Selected fund administrators must serve the entire region they apply to cover. Fund administrators are directed to prioritize projects in their area that benefit environmental justice communities, households with no existing heating or cooling system, and households relying on bulk fuels (like wood or heating oil) or electric resistance heating. Program grantees are required to submit annual reports that cover program data collected between July 1 and June 30 of each program year as well as quarterly progress reports. ODOE must distribute all program funds to fund administrators by June 30, 2025, and program funds must be expended by December 30, 2025.

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Program Operations

The Oregon Department of Energy consulted with possible program administrators, public interest organizations, 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 summer of 2022 and the rules were finalized and published in February 2023.

General program outreach and strategic engagement started in summer of 2022 and has continued throughout 2022 and 2023. Program staff completed direct outreach to a broad range of stakeholders, including utilities, community action partnership organizations, non-profits, local governments, housing advocacy organizations, healthcare organizations, Energy Trust of Oregon, and others. Program staff reached out to the nine federally recognized Tribes individually to determine how the program might best meet each Tribe’s needs. ODOE held several informational meetings and webinars in advance of program launch to grow interest in program participation and answer questions from potential applicants and other partner organizations. This included two public hearings held in September 2022 and three webinars held in early 2023 in preparation for application release.

In conjunction with rulemaking and outreach, ODOE developed an online database to organize application and grantee information, created guidance materials, and published informational resources for program partners and the public. The agency released an [opportunity announcement](#) for potential regional administrators in February 2023, detailing program parameters, estimated fund allocations, and application requirements.

During the first application period, the program received applications for six regions and one Tribe. Applications were reviewed for eligibility before being scored based on six program criteria, including the applicant’s connection to Tribal and environmental justice communities, experience with community program development, and the strength of the proposed program. Five entities were selected as fund administrators, including one entity that was selected to administer a program for an area encompassing three regions. Given that multiple regions and Tribes remained unrepresented following the first application opportunity, ODOE began planning and outreach efforts in preparation for a second round of applications. The second-round opportunity is anticipated to open in Fall 2023.

Program Metrics and Outcomes

Of the five entities selected to be fund administrators, four entities have signed performance agreements for grant awards, and one entity is in performance agreement negotiations with ODOE. Once all pending agreements are executed, approximately \$4.7 million of the \$8.5 million in allocated program funds will be available for use in established heat pump programs. Two fund administrators have launched their regional programs and begun accepting applications for heat pump incentives. Lake County Resources Initiative is partnering with Klamath Lake Community Action Services and Oregon Human Development Corporation to administer program funds in the South Central Region. Mid-Columbia Community Action Council will incorporate program funds into an existing weatherization program and anticipates reaching environmental justice communities with all program funds made available to the region. NeighborImpact, the administrator for the Central Region, will likely be the next administrator to launch its program, financing heat pump installations in central Oregon homes in preparation for the heating season. Earth Advantage, selected to administer funds for the Metro, Mid Valley, and South Valley/Mid Coast regions, will launch its program in collaboration with many public interest organizations across its program area. ODOE anticipates one additional agreement to be executed soon that will secure program administration for the Confederated Tribes of Grand Ronde.

Program grantees have not yet submitted their first quarterly reports, as they are due in November 2023. Quarterly update reports will collect various metrics about fund use, including cumulative installation details, administrative and marketing expenditures, and program benefits — including the number of projects completed that targeted priority households. Annual reports will request more detail at the project level, including any information about replacement of inefficient heating and cooling systems, heat pump efficiency data, and the estimated energy savings of each project. While this program is primarily focused on public health benefits, report metrics will also provide insight into the program’s contribution to energy savings and energy cost reductions. Reporting will also identify other state and federal funds leveraged as a result of the program’s financial assistance.

Program Challenges

After the first application opportunity closed in April 2023, there were no applications for five of the state’s regions nor for eight of the state’s nine federally recognized Tribes. The primary objective for this program, as well as the present primary challenge, is to secure fund administrators for each region and each Tribe to ensure program benefits to all Oregonians. This section will discuss the barriers to achieving this objective.

Statute limits an administrator’s use of funds for administrative costs to 15 percent of its grant award. Tribes and other eligible entities have cited this limitation as a central cause for their inability to participate in the program. With limited staff capacity, many eligible entities would need to hire new staff to administer this program but are unable to do so with the available funding allocations.



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Program administrators may partner with other eligible entities to complete outreach and administer funds, but one entity must still act as the lead administrator for the region and oversee partner activities. In the case of utilities, rarely does one utility provide service throughout the entirety of a program region. Similarly, other eligible and interested entities in unrepresented regions do not typically maintain community ties that cover more than one or two counties. During program outreach, various entities expressed interest in supporting regional program implementation but were not willing or able to lead administration of funds for an entire multi-county region.

Prior to opening the first application opportunity, ODOE took steps to support communication between possible regional partners. This included surveying stakeholders to compile and maintain a list of interested entities by region and Tribe to help eligible entities find partners in their area. Since the close of the first application period, ODOE has continued to reach out to Tribes and partner organizations to increase program awareness, while also taking measures to eliminate bias in a competitive application process.

Funds allocated to regions and Tribes must be expended by the close of the 2025 calendar year. ODOE plans to open a second application opportunity in Fall 2023. If regions or Tribes remain unrepresented after a second competitive application process, there is concern that those funds would remain inaccessible and unspent when the program expires. ODOE continues to explore how existing and emerging regional partnerships could help avoid this outcome.

Program Recommendations

Existing fund administrators can provide good examples of successful program design and implementation applicable in other areas of the state. Each of the existing and pending fund administrators will collectively form an advisory council. This council will study and identify best practices and barriers to administering grant funds and opportunities for providing technical assistance. Council members will use independent expertise and experience gained through program implementation to improve program outcomes across Oregon. The initial cohort of administrators will launch their programs and, through the advisory council, can offer insight and lessons learned that might reduce barriers to participation faced by entities interested in administering program funds for their regions or Tribes.

Fund administrators will form an advisory council to study and identify best practices and barriers to administering grant funds, as well as opportunities for providing technical assistance.

ODOE's Energy Development Services Division and Strategic Engagement Team are in collaboration to expand awareness of this funding opportunity and to work with regional stakeholder entities to overcome the logistical and capacity-related challenges to program implementation. ODOE's Community Navigator and a contracted Resource Assistance for Rural Environments (RARE) member continue to strengthen ties to partners throughout the state that could play an integral role in this program's success. The program offers a valuable opportunity to establish and strengthen partnerships in each region that will amplify the impact of future incentive programs and advance equity and environmental justice initiatives. ODOE hopes these ongoing collaborations will improve administrator turnout for the second application opportunity this fall. If regions or Tribes remain unrepresented following a second

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application period, statutory amendments that address program barriers may be necessary to allow for this vital, life-saving funding to reach all Oregon communities.

This and other home energy efficiency programs, such as those soon to be launched through the Inflation Reduction Act (IRA), are mutually beneficial. Implemented in tandem, 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 program objectives and resources, the number of homes with adequate heating and cooling will continue to grow.

For More Information

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