

# Heat Pump Purchase Program (HP3) Policies

## Section 1

### **Purpose**

The purpose of this policy is to outline parameters regarding implementation of a heat pump incentive program with funding from the United States Environmental Protection Agency's Climate Pollution Reduction Grant. All incentives under this program are considered participant support costs. The policies provide procedures for submitting incentive applications, project and contractor eligibility, agency review of incentive applications, and agency audits and inspections to ensure compliance.

## Section 2

### **Definitions**

- (1) "Contractor organization" means a business licensed to install heat pumps.
- (2) "Department" means the Oregon Department of Energy.
- (3) "Director" means the director of the Oregon Department of Energy.
- (4) "Heat pump" means an air-source or ground-source heat pump that meets or exceeds the program requirements.
- (5) "Living area" means a space within a dwelling unit utilized for living, sleeping, eating, and cooking. Bathrooms, toilet rooms, closets, halls, storage, garages, workshops, detached offices, sheds, or utility spaces, and similar areas are not considered living areas.
- (6) "New construction" means a dwelling unit that has not been previously occupied.
- (7) "New contractor" means a contractor that registers as an ODOE approved contractor, for the first time, through this program.
- (8) "Participant support costs" have the definition given in [2 CFR 1500.1](#).
- (9) "Purchase price" means the cost to purchase a heat pump, before considering incentives.

## Section 3

### **Program Funding**

- (1) If, at any time during program operation, the federal funding allocated to the program becomes unavailable, the Department will suspend incentive reservations, redemptions, and payments.
- (2) The Department will promptly provide notice upon receiving notice of the unavailability of funding.

## Section 4

### **Contractor Eligibility**

- (1) In order to participate in the program, a contractor must meet the eligibility requirements provided in these policies. Once the Department has confirmed a contractor's eligibility, the contractor will receive login credentials to use the software system designated by the Department to complete, submit, and track reservations and incentive applications.

- (2) The Department will begin accepting contractor registrations when the program opens. The Department may continue to accept contractor registrations throughout the duration of the program until all funds allocated to the program have been spent.
- (3) All contractors must complete HP3 training provided by the Department before being approved by the Department.
- (4) A contractor must meet the eligibility requirements listed below and submit appropriate documentation to the Department. The Department shall verify the completeness and accuracy of information submitted by a contractor as part of the contractor registration process.
  - (a) A contractor that sells a heat pump, or a subcontractor that sells a heat pump on behalf of a contractor that offers heat pumps for sale, must hold any license, bond, insurance, or permit required to sell the heat pump. The contractor or any subcontractor working within the program must maintain all applicable licenses, bonds, insurance or permits required throughout the installation period until the installation of the heat pump is complete.
  - (b) The contractor must have an active license with the Construction Contractors Board and no Construction Contractors Board disciplinary actions, other than a civil penalty, in the two years prior to the contractor registration request.
    - (A) If the contractor has received a civil penalty in the two years prior to the contractor registration request, they must demonstrate having paid any fines and abated any violations.
    - (B) The contractor must not have received more than one disciplinary action for the same civil violation in the two years prior to the contractor registration request.
  - (c) If applicable, the contractor must have proof of Workers' Compensation Insurance Coverage and have not received a non-complying employer order in the two years prior to the contractor registration request.
  - (d) The contractor must either have no Occupational Safety and Health Division violations in the two years prior to the contractor registration request or demonstrate having paid any fines and abated any violations.
  - (e) The contractor must demonstrate a history of compliance with the administrative rules and requirements of the Bureau of Labor and Industries by meeting the following requirements:
    - (A) Have no final order determinations from the Labor Commissioner in the two years prior to the contractor registration request; and
    - (B) Be absent from the list of contractors maintained by the Bureau of Labor and Industries that are ineligible to receive public works contracts.

- (f) If the contractor business is not registered in Oregon, they must not have violations with any of the equivalent above listed departments in the state that the business is registered in.
- (5) The Department reserves the right to verify all applicable licenses, bonds, insurance, and permits of a contractor at any time.
- (6) The Department shall verify a contractor's compliance with the Construction Contractors Board, Occupational Safety and Health Division, Bureau of Labor and Industries, and if applicable, Workers' Compensation Division, prior to approving or denying an incentive reservation request. Evidence that a contractor has paid any fines and abated any violations shall not require verification with the Occupational Safety and Health Division. Failure to comply shall result in a denial of the incentive.

## Section 5

### *Project Eligibility*

- (1) To be eligible for an incentive for the purchase of a heat pump, the project must meet the following requirements:
  - (a) The heat pump must be installed in a dwelling unit in Oregon.
  - (b) The heat pump must be installed on or after the program start date. The program start date will be announced on the program website.
  - (c) The heat pump must be purchased from an eligible contractor.
  - (d) The heat pump must be purchased for use in one of the following dwelling units:
    - (A) An existing dwelling unit used as a residential tenancy, which does not include vacation occupancy or transient occupancy in a hotel or motel as defined in ORS 90.100;
    - (B) An existing residential dwelling unit occupied by the individual that owns the dwelling unit; or
    - (C) A newly constructed residential dwelling unit or residential tenancy.
  - (e) The heat pump must provide heating and cooling for a living area of a dwelling unit.
  - (f) The heat pump must have a Heating Seasonal Performance Factor (HSPF2) of 8.1 or greater and a Seasonal Energy Efficiency Ratio (SEER2) rating of 16 or greater.
    - (A) If installing a Packaged Terminal Heat Pump (PTHP), the PTHP must meet the minimum standard Energy Efficiency Ratio (EER) and Coefficient of Performance (COP) for the size of the PTHP, as detailed in [Table 2 of AHRI 310/380-2017](#) and Table 1 below.

Table 1

Category	Cooling Capacity W and Btu/h	Minimum efficiency requirements*
Standard size <sup>†</sup>	< 2,030 W and 7000 Btu/h	EER = 11.9 COP = 3.3
Standard size <sup>†</sup>	2030 – 4390 W	EER = 14.0 – (0.300 × Cap/293.1 §) COP = 3.7 – (0.052 × Cap/293.1 §)
Standard size <sup>†</sup>	7000 -15000 Btu/h	EER = 14.0 – (0.300 × Cap/1000 §) COP = 3.7 – (0.052 × Cap/1000 §)
Standard size <sup>†</sup>	> 4390 W and 15000 Btu/h	EER = 9.5 COP = 2.9

\* All energy efficiency ratio (EER) values must be rated at 35 °C (95 °F) outdoor dry-bulb temperature for air-cooled equipment and evaporatively cooled equipment and at 29.4 °C (85 °F) entering water temperature for water-cooled equipment. All coefficient of performance (COP) values must be rated at 8.3 °C (47 °F) outdoor dry-bulb temperature for air-cooled equipment.

† Standard size refers to PTAC or PTHP equipment with wall sleeve dimensions having an external wall opening greater than or equal to 0.41 m (16 in) high or greater than or equal to 1.07 m (42 in) wide, and a cross-sectional area greater than or equal to 0.43 m<sup>2</sup> (670 in<sup>2</sup>).

§ “Cap” means cooling capacity in W or Btu/h at 35 °C (95 °F) outdoor dry-bulb temperature.

- (g) The heat pump system must include at least a five-year warranty against manufacturer defects.
- (h) Installations of heat pump systems must include at least a one-year labor warranty covering the system.
- (i) The heat pump must be new, meaning that it has not previously been used to provide heating or cooling.
- (j) Under no circumstances will more than one incentive be issued under the program for the purchase of the same heat pump.

## Section 6

### ***Incentive Amounts***

- (1) An incentive of up to \$2,000 may be claimed per dwelling unit for the purchase of a heat pump.
- (2) Only one incentive may be claimed per address.
- (3) The department shall reduce the incentive amount if the incentive combined with other incentives, rebates, or other form of discount received for the purchase of a heat pump exceeds 100 percent of the purchase price.

## Section 7

### ***Incentive Reservation Process***

- (1) Contractors may reserve an incentive using the Department's designated software system.
  - (a) The contractor must submit the address of the household where the heat pump will be installed.
  - (b) Once submitted, the address may not be changed.
- (2) Reservations are valid for the duration of the program.
- (3) If an incentive has not been claimed within one year of a reservation submittal, the Department may investigate the viability of the project. If the Department determines that the project is no longer viable, the Department shall cancel the reservation and reallocate the funds for reservations or incentive claims.
- (4) A reservation does not guarantee payment, in the event that federal funding for the program becomes unavailable.
- (5) The Department may begin accepting incentive reservations on or after April 25, 2025, from contractors who have established eligibility under the program.

## Section 8

### ***Contractor Incentive Limit***

- (1) A contractor organization may claim no more than 50 incentives or reservations per calendar quarter with a maximum of 200 incentives or reservations per calendar year.
- (2) On a case-by-case basis, the Department may work with contractor organizations performing installations in large multi-family complexes to allow more than 50 incentives or reservations per calendar quarter with a maximum of 200 incentives or reservations per calendar year.
- (3) No more than 124 incentives may be claimed for a single multi-family building or at a single address.
- (4) These limits may be modified by the Department with prior notification.

## Section 9

### **Incentive Application Process**

- (1) Contractors must apply for a heat pump incentive using the Department's designated software system. The Department may begin accepting incentive applications on or after April 25, 2025, from contractors who have established eligibility under the program.
- (2) The following information about the purchase of a heat pump must be provided to the Department on the incentive application:

- (a) An invoice that includes:

- (A) Name of customer;
    - (B) Address where heat pump will be located;
    - (C) Eligible costs for the purchase of the heat pump, separated from installation and labor costs;
    - (D) Department incentive
    - (E) Amount of other incentives, if applicable;
    - (F) Net cost to customer (remaining heat pump purchase cost not covered by incentive(s));
    - (G) The following statement: *"This invoice documents incentive(s) issued through the Heat Pump Purchase Program, with funds provided through Section 60114 of the 2022 Inflation Reduction Act. This invoice serves as sufficient documentation for accounting records and no further reporting is required of the program beneficiary. The installing contractor and customer agree that incentive amount on this invoice is an incentive for the heat pump(s) included herein and purchased by the customer, who has title to the equipment. Costs associated with the equipment are based on market rates that are consistently applied regardless of funding source.*

*The beneficiary (homeowner, building owner or developer) of the HP3 incentive has not been excluded, disbarred, or disqualified from receiving federal payments."*; and

- (H) Signature of contractor and customer.

- (b) Information including:

- (A) Name of customer;
    - (B) Customer address;
    - (C) Air-Conditioning, Heating, and Refrigeration Institute (AHRI) certificate showing proof that heat pump meets efficiency requirements;
    - (D) Declaration from contractors that the heat pump is appropriately sized to the space or structure;

- (E) Cost for the purchase of the heat pump, separated from installation and labor costs;
  - (F) Whether any other incentives will be issued for the purchase of the heat pump;
  - (G) Amount of other incentives, if applicable;
  - (H) Net cost to customer (remaining heat pump purchase cost not covered by incentive(s)); and
  - (I) A final mechanical permit from the authority having jurisdiction to demonstrate that the heat pump purchase is associated with the customer address.
- (c) Identification of the type of housing where the heat pump will be installed;
  - (d) Indication of whether the homeowner or tenant is experiencing a low- or moderate-income;
  - (e) Attestation to the accuracy of the information submitted in the application; and
  - (f) Other information as requested by the Department.
- (3) The Department will review incentive applications in the order that they are received and will provide written notice to the contractor once an incentive application has been approved or denied.
  - (4) An incomplete or inaccurate incentive application will be denied and the contractor will need to resubmit with all required information included.

## Section 10

### *Application Review and Allocation of Funds*

- (1) The Department will review applications in the order in which they are submitted.
- (2) The Department will allocate incentives according to the order in which the applications are approved by the Department, subject to limits on the number of incentives for specific categories of dwelling units.
- (3) Of the 12,000 incentives available:
  - (a) 4,000 incentives must be reserved for new construction;
  - (b) 2,000 incentives must be reserved for owner-occupied dwelling units; and
  - (c) 6,000 incentives must be reserved for residential tenancies.
- (4) The Department reserves the right to remove categorical restrictions on the incentives.

## Section 11

### **Compliance**

- (1) The Department reserves the right to conduct a physical inspection of all heat pumps and to audit all documentation relating to a heat pump for which an incentive application is submitted. The Department may inspect the first three projects for each new contractor.
- (2) The Department shall provide at least 15 days advance notice before performing a physical inspection of a heat pump. If the owner, or their representative, requests an inspection before the 15-day notice period has expired, the Department may inspect the site earlier. The owner of the dwelling unit, a representative of the owner, or the contractor must be present and must provide safe access to inspect the heat pump. Department inspectors will not inspect areas that they deem to present an unreasonable risk to personal safety and will schedule an inspection at another property with the same contractor, if possible.
- (3) The Department shall provide a written determination of whether the project was completed as described in the application and meets the project eligibility criteria within 30 days to the contractor based upon the inspection.
- (4) If the Department determines that the heat pump does not meet project eligibility criteria under the program or the completed project does not match the project description entered by the contractor when applying for an incentive, the incentive application will be denied. The contractor may correct any discrepancies and reapply for an incentive.

## Section 12

### **Revocation of Contractor Eligibility or Incentives**

- (1) The Director may deny or revoke a contractor's eligibility to claim an incentive on behalf of a customer if the Director finds any of the following:
  - a. The contractor's eligibility, under Section 3 of these policies, was obtained by fraud or misrepresentation by the contractor.
  - b. The contractor's performance does not meet industry standards.
  - c. The contractor has misrepresented to customers either the program or the nature or quality of the heat pumps for which incentives are available.
  - d. The contractor attempts to obtain an incentive through fraud or misrepresentation.