

To: Honorable Public Utilities Board

Submitted by: /IS/
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From: Jarrod Juanitas
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Approved by: /IS/
Tim Haines
General Manager

Subject: By Motion, Approve the Administration of a Commercial Heat Pump Pool Heater Rebate Program as a Renewable Energy Credit Funded Program, and Find the Action Exempt from the California Environmental Quality Act

RECOMMENDATION

By motion, find AMP’s action is not a CEQA project pursuant to CEQA Guidelines Section 15378, is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15061(b)(3) as outlined in the administrative report, and approve the administration of a commercial heat pump pool heater rebate program as a Renewable Energy Credit Funded Program.

BACKGROUND

Alameda Municipal Power (AMP) has a diverse range of electrification programs that offer rebates and services to the Alameda community. Motivated by its mission to promote sustainability, AMP consistently looks to implement new, innovative programs for its customers and support the greenhouse gas (GHG) emission reduction goals of Alameda’s Climate Action and Resiliency Plan (CARP), as feasible and as approved from time to time by the Board. The commercial heat pump pool heater program is an ambitious pilot program designed to promote the City of Alameda’s climate initiatives.

DISCUSSION

Objective

The main purpose of the commercial heat pump pool heater rebate program is to incentivize commercial customers to install all-electric heat pump pool heaters in lieu of natural gas pool heaters. The program will provide financial assistance in the form of a rebate to eligible customers that complete these types of projects.

Eligibility

This program will allow for existing buildings and new construction projects to participate. New construction projects with pool heating pose a potentially large “lost opportunity” to entirely displace GHG emissions if electric heat pump pool heaters are not installed. To ensure that all cost-effective electrification measures are incorporated at the time of design and development,

inclusion of new construction projects under this program is essential.

As a program that targets the commercial sector, the following customer types will be eligible for this program:

- Multi-family buildings (more than four units)
- Businesses and non-profit entities
- Government and municipal agencies

Customers that wish to participate must be in the City of Alameda and have an AMP rate code of A1, A2, A3, or M1 to qualify. AMP staff were able to identify 48 existing pools in the City of Alameda that could participate in this program by analyzing geospatial data and publicly-accessible information.

Incentive

The incentive value (“Rebate”) for each project will be calculated as a sum of the following categories:

- **Total Pool Size:** \$0.10/gallon of water
- **Net Annual GHG Reduction:** \$0.15/lb. of carbon dioxide equivalent (CO₂e) displaced
- **Incremental Cost to Electrify:** 20 percent of the incremental measure cost (IMC) of installing the fully electric heat pump pool heater system instead of a comparably sized natural gas pool heater system (standard/baseline)

The utilization of all three categories for incentive calculations prevents overvaluation of one particular metric of a project and, in turn, mitigates exploitation of the program. A sample calculation can be found below:

$$(Gallons\ of\ Water\ X\ \$0.10) + (Pounds\ of\ CO_2e\ X\ \$0.15) + (IMC\ X\ 0.20) = Rebate$$

AMP staff conducted an analysis of non-residential heat pump pool heater projects and found that the IMC averaged \$500,000 and the total project cost averaged \$1,350,000 for 500,000-gallon pools. These higher costs for a single electrification measure warrant a larger incentive value not normally seen in AMP’s other programs, thus informing the following limitations:

- Maximum rebate per project: \$400,000 or 30 percent of total project cost to install, whichever is lower
- No minimum rebate amount
- Rebates from this program cannot be “stacked” with other AMP rebates
- If other state and/or federal incentives are utilized, the total public incentives cannot exceed 100 percent of the cost of the project

Eligible costs for the IMC and total project cost calculations include direct materials and labor costs associated with the installation of the heat pump pool heater system, as well as service upgrade costs to complete the project. During the pre-approval stage, applicants must submit a cost estimate to install the heat pump system, as well as a cost estimate to install a comparably-sized, code-compliant natural gas pool heater system (“Baseline Comparable Estimate”). AMP reserves the discretion to reject any Baseline Comparable Estimates that are not commercially

reasonable. Final IMC will be based on the paid-in-full invoices that include the eligible costs submitted by the applicant once the project is complete.

Application Process

- Interested applicants must receive pre-approval from AMP staff for a Rebate before installation begins on the electric heat pump pool heater. Applicants must be the owner of the subject property (“Owner”) or be appointed in writing as agent (“Agent”) by the Owner on a form approved by AMP. Applicants should submit an application with the following documents:
 - o Cost estimates with detailed breakdown of materials and labor for the fully electric heat pump pool heater system and a comparably sized natural gas pool heater system (standard/baseline).
 - o GHG reduction estimates with outlined assumptions.
 - o Manufacturer specification sheets of the proposed heat pump pool heater system.
 - o Photos of the existing equipment (if applicable).
- AMP staff will review the submitted application and will reach out with questions or to coordinate a pre-inspection of the site if necessary.
- Once AMP has pre-approved the project in writing by issuing a “Pre-Approval Letter” for an estimated Rebate value, installation can begin. Projects must be completed within 2 years of the date of AMP’s pre-approval with a possibility of a one-year extension if sufficient proof of progress can be established.
- When a project is complete, the applicant must submit the following documents:
 - o Final, signed building permit from the City of Alameda (if applicable).
 - o Paid in full invoice(s) for the project that includes material and labor costs associated with the heat pump pool heater installation.
 - o Revised scope of work and updated manufacturer specification sheets (if applicable).
 - o Photos of the newly installed equipment and capped gas lines (if applicable).
- AMP staff will review the final documents and will coordinate a post-inspection of the project to confirm installation has been completed as described.
- Once AMP staff has approved the project for payment, a check for the final Rebate value will be sent to the applicant. The completed project must be in place for at least 10 years; any removal prior to that time (other than replacement with an equivalent electric heating system or repair thereof) will incur a pro-rata recapture by AMP of the Rebate amount from either Owner and/or Agent at AMP’s discretion. Applicant agrees to allow AMP to receive electric heat pump pool heater usage data for up to three years after installation for program evaluation. Applicant will indemnify AMP for any damages caused or related to the installed equipment. Applicant will comply with all applicable California prevailing wage requirements.
- AMP reserves the right to cancel or modify this program at any time. Such cancellation or modification will not affect proposed projects that have received Pre-Approval Letters.

The application will be accessed online through AMP’s Customer Programs Portal, and the program will officially open on July 1, 2026. The program is expected to remain open for a minimum of 3 fiscal years or until June 30, 2029. Prior to release, the General Manager will

approve any specific rebate application forms or final program documentation, consistent with the general principles outlined in this administrative report as approved by the Board.

AMP staff will document feedback and results to implement improvements on future offerings and/or continuation of the program. AMP staff will make adjustments and modifications to the program to maintain the program's integrity when deemed necessary to do so.

It should be noted that AMP staff anticipate that the Alameda Aquatic Center will apply and be eligible for a substantial rebate.

FINANCIAL IMPACT

The total planned budget for the program over the next three years (July 1, 2026 to June 30, 2029) will be \$1,200,000 with each fiscal year budgeting \$400,000. There is no cap on the number of projects that may participate but the total value of rebates awarded cannot exceed the total budget. Budget will be allocated on a first-come, first-served basis to projects based on the date of their successful pre-approval. Funding for the program will be from the Renewable Energy Credit reserve account.

ENVIRONMENTAL REVIEW

Alameda Municipal Power finds that its actions are not a project as defined by CEQA Guidelines Section 15378, which excludes "continuing administrative or maintenance activities, such as purchases for supplies, personnel-related actions, general policy and procedure making" and "organization or administrative activities of governments..." Alameda Municipal Power further finds that it can be seen with certainty that there is no possibility that the activity will result in a direct or reasonably foreseeable indirect change in the environment. The project involves administering a commercial heat pump pool heater rebate program, and there is no potential for direct or indirect changes in existing conditions as a result.

Alameda Municipal Power further finds that its actions are exempt from CEQA, including but not limited to CEQA Guidelines Section 15061(b)(3). More specifically, Alameda Municipal Power finds its actions are subject to the commonsense exemption because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

LINK TO STRATEGIC PLAN AND METRICS

Sustainability, Tactic 2, Strategy #2: Promote energy efficiency and building electrification

EXHIBITS

A. Presentation

Commercial Heat Pump Pool Heater Rebate Program

March 16, 2026

Program Introduction

- **Objective:** Incentivize commercial customers to install heat pump pool heaters in replacement of or in lieu of natural gas pool heaters.
- **Budget:** Total of \$1.2 million over 3 fiscal years (\$400K budgeted per fiscal year). Budget on a first come, first served basis by date of pre-approval.
- **Start Date:** Program will start on July 1, 2026. Anticipated end date is June 30, 2029 unless deemed appropriate to extend the program.

Eligibility

Eligible customers include:

- Multi-family buildings (more than 4 units)
- Businesses and non-profit entities
- Government and municipal agencies
- Must have an AMP rate code of A1, A2, A3, or M1 to qualify.
- This program allows for existing buildings and new construction projects to participate.
- Potential scope includes an estimated 48 non-residential pools located in the City of Alameda.

Incentive Calculation

Incentive: The incentive will be calculated as a sum of the following categories:

- 1. Net Annual GHG Reduction:** \$0.15/lb of carbon dioxide equivalent (CO₂e) displaced
 - 2. Total Pool Size:** \$0.10/gallon of water
 - 3. Incremental Cost to Electrify:** 20% of the incremental measure cost (IMC) of installing the fully electric heat pump pool heater system instead of a comparably sized natural gas pool heater system (standard/baseline)
- The utilization of all three categories for incentive calculations prevents overvaluation of one particular metric of a project and in turn mitigates exploitation of the program.
 - The maximum rebate value a project can receive is \$400K or 30% of total project cost (the lesser value).

Application Process

1. Customers will apply for pre-approval
2. Customers have 2 years to complete the project (one-year extension allowed)
3. Documents at project completion: final signed building permit, paid-in-full invoices, any revisions to scope of work, and photos of new equipment
4. Post-inspection by AMP staff

Questions?