



COUNCIL REPORT

DATE: June 9, 2026

CATEGORY: Consent

DEPT.: City Manager's Office

TITLE: **Heat Pump Water Heater Rebate Program**

RECOMMENDATION

Adopt a Resolution of the City Council of the City of Mountain View Authorizing the City Manager or Their Designee to Amend an Agreement with Silicon Valley Clean Energy to Increase Funding for the Heat Pump Water Heater Program by \$500,000, Resulting in a Total Not-to-Exceed Amount of \$1,000,000, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND

The City launched its "Year of the Water Heater" campaign at the City's Earth and Arbor Day Celebration on April 19, 2025, to remove a major source of greenhouse gas emissions in the community: gas-fired water heaters. The campaign aims to educate residents about electric heat pump water heaters through community engagement activities and offering a limited-time rebate of \$2,000 to Mountain View residents who replace their gas water heaters with heat pump water heaters. The City has an agreement with Silicon Valley Clean Energy (SVCE) to implement the rebate program.

Currently, the program budget is \$500,000, as approved by the City Council on [January 27, 2026](#). Staff recommends increasing the program budget by an additional \$500,000, raising the total SVCE agreement for the rebate budget to \$1,000,000. This increase aims to enhance community-wide education and support preparation for the Bay Area Air District Regulation 9 Rule 6, which will phase out nitrogen oxide (NOx) emissions from residential gas-fired water heaters at the end of their lifespans. The zero NOx standard will apply to water heaters manufactured after January 1, 2027, at the point of sale in the Bay Area.

There are sufficient funds in Project 20-99, the Sustainability Action Plan 4 (SAP) "Sustainability Fund," for the proposed \$500,000 program fund increase, and this program aligns with the implementation of community-wide decarbonization in the SAP. City Council approval is required to amend the agreement amount with SVCE, as it exceeds the City Manager's signing authority.

ANALYSIS

Water heaters account for a major share of the natural gas used in buildings, which together account for 22% of the City's emissions. Switching gas-fired water heaters to electric heat pump water heaters greatly reduces building emissions, because SVCE provides the City with lower or no-emission electricity.

The City's "Year of the Water Heater Campaign" was initially scheduled to end in April 2026, but is now proposed for expansion to educate the public and ensure readiness for new Air District regulations taking effect in 2027. These regulations will prohibit the sale of NOx-emitting water heaters, specifically gas-fired models that have an output of less than 75,001 BTU/hr, which are commonly used as residential tank water heaters in the Bay Area. Some exceptions are being explored for low-income qualified property owners, the allowance of temporary gas water heater loaners in emergency replacements, and exemptions due to space and electrical capacity constraints.

Over the past year, federal and state-level incentives for heat pump water heaters have decreased for Mountain View residents, and SVCE and City rebates are among the few remaining sources to make the transition to heat pump water heaters more cost-effective.

SVCE recently increased its heat pump water heater rebate from \$2,000 to \$2,500 and is also offering a limited-time increase to \$3,000 for rebate reservations made in May and June.

The average cost to replace a gas-fired water heater with a 65-80 gallon electric heat pump is \$6,400. In comparison, the average cost to install a gas-fired water heater of the same size is \$2,250, which results in a \$4,150 premium for installing a heat pump water heater.

The combined value of the SVCE and City rebates is \$5,000 for reservations made in May and June, and \$4,500 for reservations made thereafter. This amount covers the entire cost premium for the average heat pump installation.

The limited-time Mountain View rebate has been correlated with an increase in heat pump water heater installations. Before the City launched its rebate program, SVCE averaged 9 heat pump water heater rebates per month in Mountain View. After the City began its educational campaign and rebate initiative, the participation rate increased to 25 rebates per month, and SVCE received 78% more applications from Mountain View residents from April through October than in the same period in 2024.

The program continues to make a positive impact and experience toward cleaner energy. So far, 121 heat pump water heaters have been installed through the program, and 25 additional installations are in progress. An additional 67 customers have expressed interest in the program through a City interest list.

Staff expects that the proposed expansion to \$1,000,000 in total program funding will enable the City to fund about 500 heat pump water heater installations, compared to about 250 with the current budget.

Benefits of the Heat Pump Water Program Expansion

Installing a heat pump water heater often serves as the first step that many people take toward electrifying their homes, as replacing a gas-fired water heater with a heat pump can be relatively straightforward and involve moderate costs. As participants in the program gain more comfort with electric appliances/equipment and experience the benefits, they may be more likely to switch their other gas appliances to electric alternatives. In addition, individual households can influence others to start their decarbonization path. For example, members of Carbon Free Mountain View and the City's Cool Block program have successfully shared their experiences and supported others in taking action.

In light of the Air District's upcoming rules requiring all new residential water heaters to be zero NOx starting in 2027, SVCE and its member jurisdictions are collaborating to educate the public on the benefits of heat pump water heaters and how to go electric. By expanding the heat pump water heater program, Mountain View would serve as an example and leverage its resources with those of others to support heat pump water heater adoption ahead of the Air District's rules. Already, the existing electric appliance rebate programs in Mountain View and Milpitas, the first two such programs in the SVCE territory, have inspired cities such as Sunnyvale and Los Altos to follow suit with their own rebate programs.

Adding funding now will support the Mountain View program's continuity through the end of the year, enabling about 500 heat pump water heater installations throughout the community. Given that community interest is anticipated to be high for the program, adding the necessary funding now, before the current program budget is exhausted, helps avoid a waiting period for residents if funds were to run out.

Marketing and Outreach

Marketing, outreach, and incentives are important factors in driving the uptake of new technologies through the S-curve pattern of adoption. The S-curve pattern is characterized by slow adoption at first, rapid growth, and a slowing of adoption again at the point of market saturation. Incentives can lower the initial capital cost of a technology, encouraging more people to purchase the technology. As more people use a technology, other community members tend to become more interested, further speeding up adoption. Strategic marketing and outreach efforts can further amplify awareness within the community.

The City has used a combination of marketing, outreach, and rebates to drive heat pump water heater adoption. The combination of a limited-time rebate and a “Year of the Water Heater Campaign” over the past year successfully generated buzz and excitement in the community, utilizing innovative and creative outreach methods. These included targeted mailers sent to homes with older water heaters, the creation of a Wattson Heat Pump Water Heater character to engage with the public, a water heating “Dating Game” for residents to prepare for water heater replacements, outreach in languages other than English, such as Mandarin and Spanish, and ongoing additional efforts to educate the community about the benefits of switching from gas to electric water heating with the help of Wattson.

The “Year of the Water Heater” was prominently featured at the annual Earth Day celebration on April 18, 2026, to raise community awareness and continue promoting participation. The activities at the Earth Arbor Festival included distributing and discussing rebate information with attendees, a photo opportunity with Wattson, the Heat Pump Water Heater, and the National Football League 49ers mascot Sourdough Sam, a Mountain View photo backdrop, Mountain View Sustainability Year of the Water Heater coloring books, and Wattson temporary tattoos. Residents engaged with Staff on the topic and showed greater awareness of heat pump water heaters than in 2025. An estimated 1300 attendees attended the event.

Additional educational outreach is planned for 2026 to increase awareness about heat pump water heaters. Near-term plans include sending a direct mail piece to each Mountain View residence that includes information on the benefits of switching to a heat pump water heater and the upcoming Air District rule. Ongoing in-person outreach will continue through the summer outreach season.

Next Steps

If the City Council approves the amendment to the agreement, the new program budget will total \$1,000,000, and staff will continue the rebate until the funding is fully exhausted. It is expected that funding will be available through the end of 2026, but the exact timeline will depend on program participation levels. Staff will monitor how quickly rebate funds are spent and may lower the rebate amount if needed to ensure residents can access it.

If the City does not add funding to the program, it will run until the current program budget of \$500,000 is expended, likely before the end of 2026.

The next phase of the program will focus on outreach efforts and potential incentives for community members who may find it challenging to transition to electric heat pumps and may be exempt from Air District regulations. This next program phase could address gaps in regional policy, particularly for low-income residents, small businesses, and mobile home park communities.

FISCAL IMPACT

If approved by City Council, staff will execute an amendment to the agreement with Silicon Valley Clean Energy to increase the rebate program budget from \$500,000 to \$1,000,000, an increase of \$500,000. Sufficient funding is available in Project 20-99, Sustainability Fund, to support the expanded rebate program. No additional appropriation is required.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a “license, permit, or other entitlement for use” if the official has received a campaign contribution exceeding \$500 from a party, participant, or agent of a party or participant within the last 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please see below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

EXEMPT FROM THE LEVINE ACT

Contract between two or more state or local government agencies

ALTERNATIVES

1. Do not adopt a resolution of the City Council of the City of Mountain View authorizing staff to amend an agreement with Silicon Valley Clean Energy to increase funding for the Heat Pump Water Heater Program by \$500,000, resulting in a total not-to-exceed amount of \$1,000,000. The heat pump water heater campaign would still continue until existing funds are exhausted.
2. Authorize staff to amend an agreement with Silicon Valley Clean Energy with an alternate total not-to-exceed amount.
3. Provide other feedback on the Heat Pump Water Heater Rebate Program.
4. Provide other direction.

PUBLIC NOTICING

Agenda posting, and emails sent to community members interested in sustainability.

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Attachment: 1. Resolution