



COUNCIL REPORT

DATE: January 27, 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 \$250,001, Resulting in a Total Not-to-Exceed Amount of \$500,000, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND

On October 28, 2024, staff proposed launching the "Year of the Water Heater" campaign to the Council Sustainability Committee. The campaign aims to educate residents about heat pump water heaters and offers a limited-time rebate of \$2,000 to Mountain View residents who replace their gas water heaters with electric heat pumps, supporting greenhouse gas emission reductions. The Committee provided feedback and supported the campaign, including the possibility of increasing the Mountain View incentive budget in the future to encourage more electrification of gas-fired water heaters.

At the City's Earth and Arbor Day Celebration on April 19, 2025, the "Year of the Water Heater" campaign was officially launched. The City also entered into an agreement with Silicon Valley Clean Energy (SVCE) to implement the rebate program. The budget for the rebate program under this agreement was \$249,999.

In October, the rebate program's funding was exhausted after installing 126 water heaters. Staff recommends adding \$250,001 to the program, increasing the total SVCE agreement for the rebate budget to \$500,000. There are sufficient funds in Project 20-99, the "Sustainability Fund," to continue the rebate program through the City's next Earth Day celebration, anticipated in April 2026. Extending the rebate would continue to support the year-long educational campaign, further reducing emissions and achieving the other benefits listed in the Analysis section below.

City Council approval is required to amend the agreement amount with SVCE, as it exceeds the City Manager's signing authority.

ANALYSIS

Benefits of Year of the Water Heater Campaign

Reduction in Green House Gas Emissions

The "Year of the Water Heater" campaign aims to promote electric heat pump water heaters by providing education and incentives. This initiative targets a significant source of greenhouse gas emissions in Mountain View that contributes to climate change: the natural gas used in buildings, which accounts for 22% of the City's emissions. Transitioning to electric heat pumps is crucial for reducing overall emissions, particularly since SVCE offers low- or zero-greenhouse gas electricity to its residents and businesses. Additionally, water heaters are in constant use throughout the year, unlike other heating appliances, making them a key strategy for reducing emissions in buildings.

Heat Pump Water Heaters as First Step in Home Electrification

The educational component of the campaign provides residents with essential information about the advantages of heat pump water heaters, including their efficiency, lower operating costs, and environmental benefits. By making residents more comfortable with switching to electric equipment, the campaign can drive more conversations among peers about the benefits of heat pump water heaters. This outreach aims to move beyond early adopters and engage the early majority, thereby creating broader acceptance of this technology within the community. Additionally, it 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.

Preparation for Upcoming BAAQMD Ban on Sale of Gas-Fired Water Heaters

The campaign also aims to generate awareness around heat pump water heaters to help educate the community before the Bay Area Air Quality Management District's prohibition on the sale of gas-fired water heaters begins in 2027. BAAQMD's Rule 9-6: Nitrogen Oxides Emissions from Natural Gas-Fired Boilers and Water Heaters regulates point of sale emissions standards for residential and commercial water and space heating systems.

Building Capacity for Electrification Installation Services

The campaign not only focuses on promoting electric heat pump water heaters but also emphasizes the importance of workforce development in this transition. By signaling to contractors that there is an increasing demand for electric equipment, the campaign

encourages them to become more familiar with the technology and develop the necessary skill sets. This knowledge will enable contractors to provide competitive pricing and top-notch installation services to support more widespread transitions to heat pump water heaters.

Campaign Elements

By encouraging early adoption, this proactive approach can accelerate emission reductions, help the community prepare for upcoming regulations, and ultimately support local workforce development in the green energy sector.

The City's Year of the Water Heater campaign involved several outreach activities:

- Designing Wattson, a friendly heat pump water heater mascot, to raise awareness about the benefits of heat pump water heaters (Figure 1).
- Hosting a water heater "dating game" to help residents learn about their water heater's age and plan replacements proactively.
- Mailing outreach materials to residents to inform them about the rebates, including direct postcards to 959 homes identified as most likely to benefit most from switching to a heat pump water heater based on building age, energy efficiency improvement potential, and type of fuel used in the home.
- Coverage in The View Fall/Winter 2025 edition, delivered to all Mountain View homes.
- Sending a sustainability e-newsletter to 4,164 subscribers across four languages.
- Conducting 14 in-person outreach events in partnership with other departments and organizations to promote the heat pump water heater rebate program that included staff dressing up as Wattson to attract attention and spur conversation with and discussion by the public.



Figure 1: Wattson

The outreach activities were funded by a \$100,000 SVCE community engagement grant, of which \$68,442 has been spent or is reserved. This included hiring a Climate Fellow to support the outreach efforts. Staff plans to utilize the remaining funds for one all-resident mailer and educational outreach materials for the remainder of the Year of the Water Heater campaign.

Success of Mountain View Rebate in Driving Heat Pump Water Heater Installations

SVCE has been providing a \$2,000 rebate to residents for replacing gas-fired water heaters with electric heat pumps since 2019. Residents were able to combine the City's \$2,000 rebate with the existing \$2,000 SVCE rebate for heat pump water heaters, resulting in a total rebate of \$4,000.

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 compared to the same period in 2024, which is a significant increase. The introduction of this time-limited rebate may be motivating more residents to make replacements more quickly than before.

Additionally, the average cost to replace a gas-fired water heater with a 65-80 gallon electric heat pump is \$6,400. With the rebates and incentives available in 2025 from the City, SVCE, the state, and federal tax credits, a resident could install a heat pump water heater for as little as \$385, which is less than replacing a gas water heater with another gas model priced around \$1,750. However, federal and state funding for electric equipment has become less common over the past several months, making the City and SVCE rebates two of the few remaining funding sources for heat pump water heater installations.

As a result of the Year of the Water Heater campaign, a total of 126 heat pump water heater installations are either complete or in progress, representing the removal of 12,209 metric tons of carbon dioxide equivalent per year or the equivalent of taking 2,848 cars off the road.¹

An additional funding allocation of \$250,001 is expected to result in an additional 126 heat pump water heater installations in Mountain View, bringing the total to approximately 252 heat pumps from the Year of the Water Heater campaign. SVCE has not charged any administrative fees thus far for managing the Mountain View rebate program, so all funds from the agreement have been provided to residents as direct rebates. The City's agreement with SVCE allows it to charge up to 3.7% of the direct rebates paid out by the City after the first 100 customers.

Since the funding originally allocated for this program has been fully reserved, staff has made an interest list available to residents to indicate their desire to be notified if the heat pump water heater rebate becomes available again. Currently, 31 people have signed up for the interest list.

If the City Council approves the amendment to the agreement, staff will continue the rebate program until the funding is fully used. It is expected that funding will be available until the City's Earth Day Celebration, anticipated in April 2026, but the exact timeline will depend on participation levels in the program. Staff will monitor how quickly the rebate funds are spent and may lower the rebate amount if needed to ensure residents can access the rebate

¹ The estimated carbon dioxide equivalent reductions and estimated cars taken off the road were calculated by applying the “actual GHG emissions” rate provided from ADM Associates, Inc., within a Silicon Valley Clean Energy report, titled *Evaluation Report: FutureFit Heat Pump Water Heater Pilot*.

through Earth Day. Additionally, staff will work with SVCE to gather information on the program after its completion, allowing for an assessment of its success and to guide future electrification efforts.

FISCAL IMPACT

If approved by City Council, staff will execute an amendment to the agreement with Silicon Valley Clean Energy to increase the rebate budget to \$500,000, an increase of \$250,001. Sufficient funding is available in Project 20-99, the “Sustainability Fund,” to support the continued implementation of the rebate program.

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 \$250,001, resulting in a total not-to-exceed amount of \$500,000. The education campaign would still continue for the next few months.
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