ENERGY STAR[®] Products Partner Meeting 2020 Heat Pump Water Heater Program Design and Implementation







SAVE TODAY. SAVE TOMORROW. SAVE FOR GOOD.

Heat Pump Water Heater Program Design and Implementation Session Overview

Nate Jutras, U.S. Environmental Protection Agency Ryan Crews, Energy Trust of Oregon Ryan Kiscaden, Bradford White Corporation Panama Bartholomy, Building Decarbonization Coalition





October 2020





SAVE TODAY. SAVE TOMORROW. SAVE FOR GOOD.

Heat Pump Water Heater Technical Advisory Committee

Contact us at <u>midstreamdistributor@energystar.gov</u> to set up a call with ENERGY STAR and the Technical Advisory Group. The group includes:







Midstream Water Heater Program October 2020





Ryan Crews

Residential Program Manager Energy Trust of Oregon

Agenda

- Background
- Challenges
- Lessons Learned
- Results

Background

Supply Chain



Water Heater Program History



Midstream Program Basics

- Incentives:
 - \$500 per unit
- Incentives provided to distributors and retailers
 - Retailers must:
 - Report # of units, model, SKU, store location, date of sale
 - Pass incentive through to customers
 - Distributors must:
 - Report # of units, make, model, serial #, branch location, purchaser name, sales date, housing type, install zip code
 - Pass incentive through to contractors (mostly)



Current Participation

- Retailers:
 - Lowe's
 - Home Depot
 - Grover Electric and Plumbing Supply
 - Perry's Electric & Plumbing
 - Ace Hardware
 - George Morlan Plumbing

• Distributors:

- Ferguson
- Keller Supply Co.
- General Pacific
- Consolidated Supply Co.
- Fast Water Heater
- NW Natural Appliance Center
- Standard Supply
- Plumbing Materials Supply

Special Promotions



Began with a focus on do-it-yourself customers:

- \$50 bonus, plus \$200+ of layered incentives (mfg., NEEA, supplier)
- 35,000 targeted direct mail pieces
- Online direct-to-customer fulfillment site
- 2nd promotion just launching
 - Adding installer options
 - Increasing marketing efforts

Income Qualified Offers

 \$270 incentive for income qualified customers

- Very little uptake

- Free units installed through partnership with community-based organization
 - Qualified and co-funded by Community Energy Project
 - Installed by Great NW Installations
 - 30-40 units per year

Challenges & Lessons

Distributor Challenges

- Unfamiliar with utility programs
- Difficult coordinating all branch locations
- Data reporting:
 - Difficulty providing installation zip code & housing type
 - Purchaser doesn't always know this information at the POS
 - Sales staff might forget to ask for it
 - May need to get creative:
 - Contractor credit system
 - Administration payment
 - Administratively burdensome
- Eligibility requirements can be confusing
 - "Only these models, installed in these zip codes, into this type of home, during this period of time, get this discount amount."

Retail Challenges

- Stocking and pricing can be inconsistent
- Mixed success with marketing efforts

Contractor Challenges

- Don't always know how to sell or install HPWHs
- HVAC contractors vs. plumbing contractors
- Sold as a premium item with premium price
- Consumer demand is low
- Bigger and take longer to install

Lessons Learned

- Visit retailers and distributors often
- Keep it simple for distributors
 - Keep eligibility/reporting requirements minimal (i.e. accept some of the risk)
 - Require pass-through of incentives, or don't
- Create special promotions to drive consumer demand
 - Get the price down
 - Ask for commitment from contractor and distributor partners
 - Support with targeted marketing
- Leverage new construction market demand
- Direct mail marketing



Retail Channel

Retail HPWH Units by Quarter



Distributor Channel

Distributor HPWH Units by Quarter





Thank you

Ryan Crews Program Manager ryan.crews@energytrust.org



The Power of Plumbing Professionals Educating Homeowners



The Power of the Plumbing Professionals Educating Homeowners

- We will:
 - Emphasize how <u>contractors are trusted advisers already in 3-5 homes each</u> <u>day</u> for non-water heating service issues – Proactive sales opportunity for HPWH to replace current low efficiency product
 - Discuss the distinction between offering <u>good, better, best</u> selling for water heater replacement calls
 - Detail <u>personal experiences</u> which creates a more passionate approach to education
 - Show examples of how <u>integrated marketing concepts</u> help grow the heat pump water heater market
 - <u>Demonstrate these principles in action</u> with the Monterey Power and 2021 rebate program



Our Philosophy

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We Believe in the **Professional Specification and Installation** of Water Heating and Water Storage products sold through **Wholesale Distribution**.

CONTRACTOR

WHOLESALER

MANUFACTURER



ENERGY STAR[®]

For You and Your Customers



Bradford White Wins ENERGY STAR[®] 2020 Partner of the Year Award

ENERGY STAR' Products

Bradford White's innovative product line features many ENERGY STAR' qualified models.



- · Eco-Friendly models save energy and money for homeowners
- Products include atmospheric vent, power vent, power direct vent, tankless gas, heat pump water heaters, bollers, and combination boller models

Models eligible for most utility and state rebate programs

ENERGY STAP* is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy. The goal in developing this program is to assist appliance manufacturers in promoting high efficiency products that save money, use less energy, and deliver the same or better performance as comparable products.

Committed to the Professional.

BRADFORD WHITE



Residential Electric Product Innovation

AeroTherm[®] Series Heat Pump Water Heaters One of the most advanced and efficient water heaters on the planet.







HERS Rating Story





EDUCATION Examples

How HPWH Works



Heat pump

- · Evaporator draws in ambient heat using a fan
- Evaporator absorbs the heat and the compressor increases the temperature and pressure of the 134A refrigerant

External condenser coils

- · Heated refrigerant flows through the coils to heat water in the tank
- Coils are external and surround the porcelain lined tank to prevent corrosion and calcium build-up
- Can take tank temp up to 140 degrees

Tank and electric elements

- If tank is depleted, HP cycles off and upper element (4500w) activates to recover top half of tank.
- Then upper element goes off and lower element comes on (4000w) AND the HP comes on (550W) to recover bottom half. Unit then returns to Hybrid mode.



Selling In Home

Learning to tell the heat pump water heater story...







SEE THE LIGHT about Heat Pump Water Heaters!

 AeroTherm[®] uses the same energy as <u>5 ½ incandescent 100 watt light bulbs</u> while in heat pump mode



 Standard electric heating elements use the energy of <u>45</u> bulbs!





The Uniform Energy Factor (UEF) measures efficiency. The higher the UEF, the greater the efficiency - and the more money you save!

AeroTherm®

Saves \$304 a Year vs. Electric!



Standard Electric .93 UEF



AeroTherm® 3.39 UEF





Saves \$181 **Per Year** vs. Gas!





Saves \$55 **Per Year** vs. Tankless!

Standard gas tank .63 UEF

AeroTherm® 3.39 UEF

Gas tankless .90 UEF

AeroTherm® 3.39 UEF

Facebook – Did You Know series





Trademarking Initiatives





Integrated Heat Pump Water Heater Marketing





The AeroTherm[®] Heat Pump Water Heater.

The AeroTherm* from Bradford White is a smarter water heater. It uses advanced technology to heat your home's water much more efficiently than a standard electric water heater.

The average U.S. family saves about \$300 a year on their utility bill*. So the AeroTherm* quickly pays









Which "Stream" Rebate Models Work?

- Downstream Utility rebate offered directly to Consumer (traditionally mail-in rebates).
- Midstream Instant utility rebate offered to Distributor or Contractor.
- Upstream Instant utility rebate offered to manufacturer.
- Markdown Price reduction available to ALL consumers shopping at that store or online.
- Validated Instant Utility instant rebate offered to consumer after electronic validation that consumer is an account holder of the utility.

Average HPWH Rebates* by State



*Unrelated to connectivity/DRM



Utility Engagement:

California Community Choice Agencies (CCA)

- CCA (Community Choice Aggregation)
 - Birthed from 2001 Energy Crisis (AB. 117)
 - Community Choice Aggregation (CCA) is a model that allows communities to purchase power to meet their electricity needs, offering an alternative in the market. CCAs can provide the communities they serve with competitively priced, clean energy choices while reinvesting revenues into projects and programs, supporting the local economy.
- CCAs are offering rebates/incentives for existing retrofit and new construction residential HPWH installations.
- Currently available CCA Incentive programs:
 - Sonoma Clean Power Grid Savvy Program
 - Load shifting incentive program
 - Marin Clean Energy Heat Pump Water Heater Contractor Rebate
 - \$1000 in cash to participating contractors to install HPWH
 - Peninsula Clean Energy Design Technical Assistance Program
 - All-electric building technical assistance program
 - Central Coast Community Energy Residential Electrification Program (coming 2021)
 - · Midstream installer incentives for HPWH installations in existing homes
- California CCA's are and continue to pursue climate action and GHG reductions through clean energy development and novel decarbonization & electrification programs.



On behalf of Bradford White Water Heaters, thank you for your time.



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Making Heat Pump Water Heaters the Right Fit for California



BUILDING DECARBONIZATION COALITION

Panama Bartholomy Director

California's Climate Goals

<u>By 2030</u>

40% below 1990 levels (SB 32, 2015)

By 2050

80% below 1990 levels (EO's B-30-15 & S-3-05)

<u>By 2045</u>

100% zero-carbon electricity (SB 100) & <u>carbon neutral economy-wide (EO B-55-18)</u>



California's GHG emissions today – Buildings 24%



Up to 60% GHG emission reductions can be achieved in the near term by electrifying a whole home in California

Greenhouse Gas Savings

1990s vintage Single-Family Home (Sacramento)



Source: E3 report on "Residential Building Electrification in California" April 2019.

California prepares to shift away from natural gas, while keeping power reliable and affordable



By Liane Randolph, Special to CalMatters





NATURAL GAS USE IN HOMES (% SITE ENERGY)

Clothes Drying Cooking Water Heating Heating



Stock Turnover



Emergency



Average Installed Cost of Gas WH and HPWH



Contractor Value Proposition

- Cost at distributer or retail
- Ease of program use





"So why would [a plumber] want to learn something like that when he can put in his normal water heater he's always put in, and get several done in a day if he wanted to?"





Panel Upgrades and Wiring

Panels: \$3,000-\$4,000 220V Wiring: \$300-\$1,000



Customer Awareness and Value Proposition

Fuel-switching is a leap of faith.

- Need broad-based and specific education
 - ENERGY STAR Helps here!
- Need the finances to be clearly better than a gas model, a no-brainer





- Support rebates and incentives for fuel switching and for upgrading to efficient electric equipment.
- Bringing down upfront costs motivates end-users to pursue those options and will help contractors sell this equipment more frequently.



GOAL 1: Customers, contractors and policymakers are aware of and demand building decarbonization measures.

GOAL 2: Customers receive a good value from adopting building decarbonization measures.

GOAL 3: Building decarbonization provides a better value to contractors than fossil-fuels.

GOAL 4: Supply-chains and delivery agents are able to meet rising demand for carbon-free building technologies with a quality product.

GOAL 5: Policies are aligned to maximize customer awareness of and interest in building decarbonization, the customer, builder and contractor value proposition, and the industry's ability to meet rising demand.



Developed with input from broad industry and climate advocates coalition





















Program Design Proposal

- Long-term (10 Year) State vision for water heating transition and investment plan
- Programs that can lower HPWH unit and installed cost below that of gas alternatives
 - Instant rebates to give customers the carrot they need to switch fuels
 - Avoid incentive to undersize, encourage right-sizing to maximize efficiency and flexibility benefit
- Programs that are easy for installers and customers to use
 - Pre-approved product list
 - ENERGY STAR!
 - Mid-stream, instant rebates
 - Simple and fast application and eligibility verification
 - Load shifting controls adder built into the retail price with incentive for load shifting
- Downstream panel upgrade and wiring assistance

Cost Case Studies

Total cost for each install will vary greatly based on:

- Product Cost (size and equipment type)
- Load Shifting Product Cost (hardware/software)
- Installation Cost (basic install/wiring/ducting)
- Energy Source Conversion Cost (panel upgrade)

Classifications of HPWH Systems

	HPWH TYPE	APPLICATION PROCESS	DEFINITION	ELIGIBILITY
-	Unitary Residential	Midstream Instant Rebate + Mail-In for Additional Costs	Heat pump water heater with a total nominal compressor output power of 6 kW or less , including integrated heat pumps with storage as shipped from the point of manufacture and split-system heat pumps that consist of a separate heat pump and storage tank that are designed and marketed to operate together.	NEEA Tier 3- compliant + JA13-compliant for load shifting adder
	Unitary Commercial	Midstream Instant Rebate + Mail-In for Additional Costs	Heat pump water heater with a total nominal compressor output power greater than 6 kW with integrated storage as shipped from the point of manufacture, including skid systems that are pre- plumbed and wired.	ENERGY STAR- certified + Appendix A- compliant for load shifting adder
-	Central Residential	2-Step Reservation Process	Heat pump water heater(s) without integrated storage as shipped from the manufacturer, and designed for residential, single and multi-family applications .	Approval in CEC Title 24 CBECC software + Appendix A- compliant for load shifting adder
	Central Commercial	2-Step Reservation Process	Heat pump water heater(s), without integrated storage as shipped from the manufacturer, and designed for commercial applications .	Approval in CEC Title 24 CBECC software + Appendix A- compliant for load shifting adder

Unitary Residential – Cost Samples

50 gallons	Description	Cost No load shifting	Cost with load shifting
Unit		\$1,100	\$1,500
Wiring	From unit to panel	\$300-\$1,000	\$300-\$1,000
Other installation labor (plumbing)		\$700-\$1,000	\$700-\$1,000
Panel upgrade		\$3,000-\$4,000	\$3,000-\$4,000
Total pre-incentive	Unit price Installed cost (w/o panel) Installed cost (w/ panel)	\$1,100 \$2,100-\$3,100 \$5,100-\$7,100	\$1,500 \$2,500-\$3,500 \$5,500-\$7,500
Incentive	Base incentive Load shifting adder Installation Panel upgrade Max	\$800 up to \$800 \$2,500 \$1,600-\$4.100	\$800 \$400 up to \$800 \$2,500 \$2,000-\$4 500
Total Cost to Customer	Retail price Installed cost (w/o panel) Installed cost (w/ panel)	\$300 \$500-\$1,500 \$1,000-3,000	\$300 \$500-\$1,500 \$1,000-3,000



Shop Ideas Savings Services

Plumbing / Water Heaters / Electric Water Heaters





***** 217 View Q&A

PLUS, up to \$300 in Rebates >

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Qty

A.O. Smith Signature Premier 50-Gallon Tall 10-year Limited 4500-Watt Double Element Electric Water Heater with Hybrid Heat Pump

Item #816193 Model #HP10-50H45DV

+

- · ENERGY STAR® certified, reduces water heating costs up to 72%, annual operating costs as low as 114 dollars
- · Saves an average 3,000 dollars in standard projected operating expenses over 10 years versus a comparable standard electric Wat ...
- · Two back-up 4,500-watt copper heating elements deliver when fast recovery is needed





Need this water heater installed? Lowe's can help, simply call 1-877-GO-LOWES prior to purchase; In use/lifestyle images accessories not included

Incentive programs



CO

ENERGY



Local Governments Empowering Our Communities



Energy for What's Ahead®





CITY OF

PAL

SILICON VALLEY CLEAN ENERGY Sonoma Clean Power Monterey Bay **Community Power** SMUD® MCE | My community. My choice. EAST BAY

~\$450 Million

Retrofit-Ready Heat Pump Hot Water Heater Summit October 22-23, 2018 San Francisco, CA

Demand-side

- Policy Makers
- Program administrators
- Permitting agencies
- Installers

- Technical Spec Group
- **Program Framework Group** •

Thanks

Supply-side • OEMs

- Size
- Amperage
- Voltage
- Grid-interactivity



Electrical Constraints	Unit shall be able to operate on a shared 120 Volt / 15 Amp circuit.	
Electrical Connections	Unit shall have a cord allowing plug in to standard 120V receptacle.	
Space Constraints	 To qualify as a "space constrained" product, the unit shall fit within a space of 24" x 26" x 72" inclusive of drain pan and all plumbing connections and be able to fit through an opening of minimum size as specified by the manufacturer and listed on the Qualified Products List. 	
	If larger than these dimensions, the product will be listed without the space constrained mark.	
Energy Performance	If First Hour Rating ≥ 51 gallons: Cool Climate Efficiency CCE ≥ 2.6 If First Hour Rating < 51 gallons: Cool Climate Efficiency CCE ≥ 2.4	
Sound Level	dBA < 55	
Warranty	10 year parts. 1 year labor.	
Demand Response Connectivity	Optional – CTA-2045, or equivalent, and complying with the proposed California 2019 Title 24 requirements, JA-13, for electric water heater demand management. To be revisited on next specification revision.	
Documentation	Installation manual shall contain necessary references to NEC, UPC, and describe a list of approved installation locations and electrical connection scenarios. It is strongly recommended that manufacturers create technical bulletins, or similar, to assist with installations in various installation locations and housing stock.	

We know. You didn't expect a water heater to make headlines.

New electric heaters. 75% less energy. No unhealthy emissions.



Switchison.org

THE SWITCH IS ON

Put your gas water heater out of our misery.

New electric water heaters. Half the annual cost. Zero nasty emissions.

Thank you! panama@buildingdecarb.org



buildingdecarb.org