

B-Engrossed House Bill 2567

Ordered by the Senate April 23
Including House Amendments dated March 7 and Senate Amendments
dated April 23

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of Governor Tina Kotek for State Department of Energy)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Directs the use of best practices to keep personal data under the heat pump program secure and private. (Flesch Readability Score: 61.6).

Requires an eligible entity that receives a grant under the Heat Pump Deployment Program to agree to use best practices to maintain the security and confidentiality of personal information of individuals who apply for or receive financial assistance under the program from the eligible entity. **Allows the State Department of Energy to award additional grant moneys to an eligible entity utilizing an existing performance agreement if additional funds become available.**

Allows the State Department of Energy to provide an additional incentive amount under the rental home heat pump program for contractors who install heat pumps in rural or frontier communities. Extends the sunset of the rental home heat pump program from January 2, 2026, to January 2, 2032. Requires the department to provide a report each even-numbered year to the Legislative Assembly on the grants and rebates under the program.

A BILL FOR AN ACT

Relating to heat pump programs; creating new provisions; and amending ORS 469B.460 and sections 19, 20, 21 and 23, chapter 86, Oregon Laws 2022.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 469B.460 is amended to read:

469B.460. (1) As used in this section:

(a) "Bulk fuel" means liquid petroleum, propane, coal, wood, wood-based products or other fuel delivered and stored until used on-site by the final consumer to produce energy.

(b) "Climate zone" means a heating or cooling climate zone assigned to a county by the Bonneville Power Administration.

(c) "Disadvantaged community" means a community that has a socioeconomic burden and an environmental, climate or other burden.

[(c)] (d) "Electric resistance heat" means heat produced by passing an electric current through a material that has high resistance, such as used in an electric baseboard, wall or space heater.

[(d)] (e) "Electric utility" has the meaning given that term in ORS 757.600.

[(e)] (f) "Eligible entity" means a:

(A) Local government as defined in ORS 174.116;

(B) Local housing authority;

(C) Nonprofit organization;

(D) Federally recognized Indian tribe in Oregon;

(E) Coordinated care organization as defined in ORS 414.025;

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

(F) Community action agency as described in ORS 458.505;

(G) Manufactured dwelling park nonprofit cooperative as defined in ORS 62.803; or

(H) An electric utility.

[(f)] (g) “Energy burden” means the percentage of gross household income spent on energy costs.

[(g) “Environmental justice communities” has the meaning given that term in ORS 469A.400.]

(h) “Heat pump” means an air-source or ground-source heat pump with an energy efficiency rating set by the State Department of Energy under subsection (5) of this section or a higher efficiency rating.

(i) “Region” means an economic development district in Oregon, designated by the Economic Development Administration of the United States Department of Commerce, for which a regional solutions center has been established under ORS 284.754.

(2) The Heat Pump Deployment Program is established within the State Department of Energy. The purpose of the program is to award grants to one eligible entity for each region and federally recognized Indian tribe in Oregon to provide financial assistance, including loans, grants, rebates or incentives, for the purchase and installation of heat pumps and related upgrades to individuals who reside within that region or who are members of that tribe.

(3)(a) To be eligible to receive a grant from the Heat Pump Deployment Program, an eligible entity must establish that it:

(A) Serves or represents:

(i) [An environmental justice] **A disadvantaged** community or communities within a region; or

(ii) Members of a federally recognized Indian tribe in Oregon; and

(B) Has the capacity to administer grant funds received under this section.

(b) An eligible entity applying for a grant may partner with other eligible entities, but the entity that is awarded the grant shall take a lead role in administering grant funds and providing financial assistance.

(c) An eligible entity that serves or represents a community that is located within more than one region may apply for a grant only for the region within which the greatest percentage of the individuals of that community reside.

(d) An eligible entity that serves a specific geographical area may propose, in consultation with any electric utility that serves the area, that the department use alternative boundaries to define a region. The department may approve the use of alternative boundaries to define a region provided that a minimum percentage, as determined by the department, of the eligible entity’s specific geographical area is within the alternative boundaries of the region.

(e) If an electric utility is awarded a grant from the Heat Pump Deployment Program:

(A) The electric utility may provide financial assistance from grant funds only to individuals who reside within the electric utility’s service area and within the region for which the electric utility is awarded a grant.

(B) The electric utility shall partner with one or more other eligible entities to provide financial assistance from grant funds to individuals who reside outside the electric utility’s service area and within the region for which the electric utility is awarded a grant.

(4) An eligible entity that is awarded a grant from the Heat Pump Deployment Program shall:

(a) Use the grant funds to cover up to:

(A) One hundred percent of the purchase and installation costs of a heat pump.

(B) A percentage, as determined by the department, of the costs for related upgrades that support or enable the use of a heat pump, including:

(i) A new electrical panel or other upgrades to the electrical system of a home or building.

(ii) Weatherization or other structural repairs to reduce home or building heat and cooling loss.

(iii) Upgrades to improve the airflow of a home or building.

(b) Prioritize the provision of financial assistance to:

(A) [*Environmental justice*] **Disadvantaged** communities.

(B) Individuals who rely on bulk fuels or electric resistance heating.

(C) Individuals who reside in a home or structure that does not have a functioning heating or cooling system.

(c) Enter into a performance agreement with the department as described in subsection [(8)] **(9)** of this section.

(5) The department shall:

(a) Award grants using available funds in the Heat Pump Deployment Fund established under ORS 469B.466.

(b) In awarding grants, give preference to eligible entities with:

(A) Experience in administering state grant programs or programs similar to the Heat Pump Deployment Program.

(B) Experience with community program development within a region or with members of a tribe.

(C) Connections to communities within a region or with members of a tribe.

(c) Develop criteria for allocating the amount of each grant based on the energy burden of residences within the region or of members of the tribe and the climate zones that make up the counties of that region or of tribal lands.

(d) Permit a review of awarded grant funds by members of communities who may benefit from the Heat Pump Deployment Program.

(e) In consultation with electric utilities, the Bonneville Power Administration and the nongovernmental entity that administers public purpose charge moneys collected under ORS 757.612 (3)(d), set the minimum energy efficiency rating that a heat pump must have to be eligible for grant funds. The minimum energy efficiency rating for a heat pump set by the department must be equal to or greater than federal energy efficiency rating standards for heat pumps.

(6) If the department awards a grant to an eligible entity and additional funds become available in the Heat Pump Deployment Fund established under ORS 469B.466, the department may award additional grant moneys from the fund to the eligible entity utilizing the existing performance agreement entered into between the eligible entity and the department under subsection (4)(c) of this section.

[(6)] **(7)** The department may not use moneys collected through the energy resource supplier assessment required under ORS 469.421 (8) to fund grants awarded under the Heat Pump Deployment Program.

[(7)] **(8)** The department may:

(a) Establish a maximum amount of grant funds payable toward the purchase and installation of a heat pump and related upgrades.

(b) Permit the use of loans, grants, rebates or incentives offered by an electric utility or other programs toward any costs of the purchase and installation of a heat pump and related upgrades not covered by the Heat Pump Deployment Program.

(c) Provide information to individuals receiving financial assistance from the Heat Pump Deployment Program about other loans, grants, rebates or incentives that may be offered by an electric

utility or other programs.

(d) Develop criteria for how specific loans, grants, rebates or incentives offered by an electric utility or other programs may be used toward the costs of the purchase or installation of a heat pump and related upgrades.

(e) Establish incentives to encourage the purchase and installation of heat pumps and related upgrades that have higher efficiency ratings.

(f) Establish incentives for the purchase and installation of a heating or cooling device that has an efficiency rating similar to or higher than that of a heat pump and that provides additional benefits such as improving indoor air quality or lowering an individual's energy burden.

(g) Develop program procedures and practices that align with the reporting and other requirements of loans, grants, rebates or incentives offered by an electric utility or other programs.

(h) Require, by rule, that eligible entities notify electric utilities of a heat pump installation and whether grant funds may be used for necessary electric distribution system upgrades associated with the installation of the heat pump.

[(8)] (9) Before receiving a grant under this section, an eligible entity shall enter into a performance agreement with the department that:

(a) Indicates the purposes for which the grant funds may be used;

(b) Prohibits the eligible entity from using more than [15 percent] **the percentage** of awarded grant funds **allowed by the department by rule** for administrative expenses and marketing costs;

(c) Includes the repayment provisions set forth in subsection [(9)] (10) of this section;

(d) Permits the department to conduct audits and investigations of the eligible entity regarding the use of grant funds; [and]

(e) Requires the eligible entity to use best practices to maintain, as required by state or federal laws, rules or regulations, the security and confidentiality of personal information of individuals who apply for or receive financial assistance from the eligible entity under the program; and

[(e)] (f) Requires the eligible entity to provide reports as required by subsection [(10)] (11) of this section.

[(9)] (10) An eligible entity must repay to the department, in whole or in part, grant funds received under this section to the extent that:

(a) The eligible entity does not use the grant funds in accordance with the provisions of the performance agreement executed between the department and the eligible entity under subsection [(8)] (9) of this section; or

(b) The Director of the State Department of Energy determines that the eligible entity must repay all or part of the grant funds on grounds of misappropriation, fraud or similar reasons after auditing or investigating the eligible entity's operations and conducting a contested case hearing under ORS 183.413 to 183.470.

[(10)] (11) Each eligible entity that receives a grant under this section shall report to the department each year concerning the status and use of grant funds for the period of July 1 to June 30. The report must be submitted on a schedule determined by the department. *[The report may not disclose the personal information of the recipients of financial assistance under the program.]* The report must include:

(a) A detailed description of the eligible entity's use of grant funds;

(b) A list of each loan, grant or other financial assistance that the eligible entity has provided and, where applicable, a full accounting of the repayment status of the loans;

(c) The nature and amounts of the administrative expenses and marketing costs the eligible entity has incurred in providing loans, grants and other financial assistance under the program; and

(d) Any other information required by the department.

[(11)] (12) The department shall adopt rules to carry out the provisions of this section. The rules shall be developed in consultation with:

(a) The Bureau of Labor and Industries on issues related to the workforce.

(b) The Building Codes Division of the Department of Consumer and Business Services on issues related to building codes and commissioning.

(c) The Housing and Community Services Department to ensure the Heat Pump Deployment Program complements any existing programs or services.

(d) The Department of Environmental Quality on issues of air quality related to bulk fuels and to ensure the Heat Pump Deployment Program complements any existing programs or services.

(e) The Oregon Health Authority on any health impacts and health impact data related to the Heat Pump Deployment Program and to ensure the program complements any existing programs or services.

(f) Electric utilities and utility program administrators on any impacts the Heat Pump Deployment Program may have on utility systems or services and to ensure the program complements any existing programs, incentives or services.

(g) Nonprofit organizations, housing providers, heat pump technicians and other stakeholders as appropriate.

SECTION 2. Section 19, chapter 86, Oregon Laws 2022, is amended to read:

Sec. 19. (1) The State Department of Energy shall provide rebates for the purchase and installation of air-source or ground-source heat pumps to owners of a dwelling unit used as a residential tenancy and to owners of a manufactured dwelling or recreational vehicle who rent a space in a manufactured dwelling or recreational vehicle park.

(2)(a) Rebates available under this section may only be claimed by a contractor that installs a heat pump for the owner of a residential dwelling unit in Oregon. A contractor that claims a rebate under this section must use the full amount of the rebate to reduce the net cost to the customer of the purchase of the heat pump for which the rebate is issued.

(b) The amount that may be claimed as a rebate under this section may not exceed:

(A) For the owner of a dwelling unit used as a residential tenancy, 60 percent of the purchase price of the heat pump.

(B) For the owner of a manufactured dwelling or recreation vehicle, a percentage of the purchase price of the heat pump as established by the department.

(c) To be eligible to claim a rebate on behalf of a customer under this section, a contractor that installs a heat pump must, at the time of the installation:

(A) Hold any license, bond, insurance or permit required to sell and install the heat pump;

(B) Demonstrate a history of compliance with the rules and other requirements of the Construction Contractors Board, the Bureau of Labor and Industries and the Workers' Compensation Division and the Occupational Safety and Health Division of the Department of Consumer and Business Services; and

(C) Meet any other certification requirements set forth in rules adopted by the State Department of Energy.

(3)(a) The department may provide an incentive amount that is in addition to the amount of a rebate made under this section as an incentive for contractors to install air-source or

ground-source heat pumps in rural or frontier communities.

(b) The department shall establish the incentive amount, not to exceed \$1,000, and may establish different incentive amounts for rural communities and frontier communities.

(c) An incentive may be claimed by a contractor that installs a heat pump for the owner of a residential dwelling unit that is located in a rural or frontier community under rules adopted by the department and meets all other requirements to claim a rebate under this section. A contractor may reserve or claim an incentive as part of reserving or claiming a rebate. A contractor may claim one incentive for each installation that the contractor claims a rebate.

~~[(3)]~~ **(4)** To claim a rebate under this section, a contractor must:

(a) Before installing a heat pump, apply to the department to reserve a rebate on behalf of the customer for whom the heat pump will be installed.

(b) After installing the heat pump, verify the purchase and installation of the heat pump on a form provided by the department that must contain:

(A) The location of the heat pump;

(B) A description of the heat pump;

(C) Evidence that the contractor is eligible to claim a rebate under subsection (2)(c) of this section;

(D) A statement signed by both the contractor and the customer for whom the heat pump is installed that the customer has received the full value of the rebate as a reduction in the net cost of the purchase and installation of the heat pump and that the rebate was clearly reflected on an invoice provided to the customer;

(E) The projected energy savings from the installation of the heat pump; and

(F) Any other information that the department determines is necessary.

~~[(4)]~~ **(5)** Rebates, **including incentives**, made under this section must be made from moneys in the Residential Heat Pump Fund established under section 21, **chapter 86, Oregon Laws 2022** [*of this 2022 Act*]. A rebate may be made only if there are moneys available in the fund to make the rebate.

~~[(5)]~~ **(6)** Pursuant to the procedures for a contested case under ORS chapter 183, the department may:

(a) Deny or revoke a contractor's eligibility to claim a rebate on behalf of a customer under this section if the department finds that:

(A) The contractor's eligibility was obtained by fraud or misrepresentation by the contractor;

(B) The contractor's performance for installation of heat pumps does not meet industry standards; or

(C) The contractor has misrepresented to customers either the program established under this section or the nature or quality of the heat pumps for which rebates are available.

(b) Revoke a rebate or a portion of a rebate made under this section if the department finds that:

(A) The rebate was obtained by fraud or misrepresentation; or

(B) The rebate was obtained by mistake or miscalculation.

~~[(6)(a)]~~ **(7)(a)** The department may adopt rules to administer the rebate program.

(b) In adopting rules under this section, the department may coordinate or consult with:

(A) The Housing and Community Services Department, the Building Codes Division of the Department of Consumer and Business Services and any other relevant state agencies;

(B) Nonprofit organizations and utilities; and

(C) Other incentive providers.

(c) Rules adopted under this section may include:

(A) Preferences for providing rebates that benefit low and moderate income residential tenants;

(B) Preferences for providing rebates to support heat pumps with superior energy efficiency;

(C) Provisions for determining eligibility and verification of heat pumps; and

(D) Policies and procedures for the administration and enforcement of this section and section 21, **chapter 86, Oregon Laws 2022** [of this 2022 Act], which may include policies and procedures for audits and inspections.

SECTION 3. Section 20, chapter 86, Oregon Laws 2022, is amended to read:

Sec. 20. (1) The State Department of Energy shall provide grants for upgrades, including electrical and mechanical upgrades, to facilitate the installation of heat pumps for owners of a dwelling unit or a manufactured dwelling for whom a rebate has been reserved under section 19 [(3)(a)] **(4)(a)**, **chapter 86, Oregon Laws 2022** [of this 2022 Act].

(2) Grants made under this section must be made from moneys in the Residential Heat Pump Fund established under section 21, **chapter 86, Oregon Laws 2022** [of this 2022 Act]. A grant may be made only if there are moneys available in the fund to make the grant.

(3)(a) The department shall adopt rules to administer the grant program.

(b) In adopting rules under this section, the department may coordinate or consult with:

(A) The Housing and Community Services Department, the Building Codes Division of the Department of Consumer and Business Services, the United States Department of Energy and any other relevant agencies;

(B) Nonprofit organizations and utilities; and

(C) Other incentive providers.

(c) Rules adopted under this section must include:

(A) Preferences for providing grants that benefit low and moderate income residential tenants;

(B) Provisions for determining eligibility and verification of the upgrades; and

(C) Policies and procedures for the administration and enforcement of this section.

SECTION 4. Section 21, chapter 86, Oregon Laws 2022, as amended by section 75, chapter 442, Oregon Laws 2023, is amended to read:

Sec. 21. (1) The Residential Heat Pump Fund is established in the State Treasury, separate and distinct from the General Fund. Moneys in the Residential Heat Pump Fund consist of:

(a) Amounts donated to the fund;

(b) Amounts appropriated or otherwise transferred to the fund by the Legislative Assembly; and

(c) Other amounts deposited into the fund from any public or private source.

(2) Moneys in the fund are continuously appropriated to the State Department of Energy to be used to provide grants and rebates under sections 19 and 20, chapter 86, Oregon Laws 2022, and to pay the costs and expenses of the department related to the administration and implementation of sections 19 and 20, chapter 86, Oregon Laws 2022.

(3) In each calendar year, of the moneys available for issuing grants and rebate from the fund:

(a) 25 percent must be reserved for affordable housing providers; [and]

(b) 25 percent must be reserved for owners of units occupied by low or moderate income households; **and**

(c) No more than five percent may be reserved or used to provide incentives under section 19 (3), chapter 86, Oregon Laws 2022.

SECTION 5. Section 23, chapter 86, Oregon Laws 2022, as amended by section 76, chapter 442,

Oregon Laws 2023, is amended to read:

Sec. 23. (1) Sections 19 to 21, chapter 86, Oregon Laws 2022, are repealed on January 2, [2026]
2032.

(2) Section 6 of this 2025 Act is repealed on January 2, 2032.

[(2)] **(3)** On the date of the repeal of sections 19 to 21, chapter 86, Oregon Laws 2022, under subsection (1) of this section, any moneys in the Residential Heat Pump Fund that are unexpended, unobligated and not subject to any conditions or reservations under section 19 [(3)(a)] **(4)(a)**, chapter 86, Oregon Laws 2022, are transferred to the General Fund.

SECTION 6. Not later than November 30 of each even-numbered year, the State Department of Energy shall provide a report to the Legislative Assembly, in the manner provided in ORS 192.245, on the heat pump grants and rebates under sections 19 and 20, chapter 86, Oregon Laws 2022.
