



DATE: November 18, 2024

TO: Council Sustainability Committee

FROM: Director of Public Works

SUBJECT: Request for Proposals (RFP) for Heat Pump Water Heater Direct Installation Program – Discussion and Direction to Staff

RECOMMENDATION

That the Council Sustainability Committee (CSC) review and comment on this report and provide direction to staff regarding the Request for Proposal (RFP).

SUMMARY

Staff is preparing to release a Request for Proposals (RFP) to select a consultant to help manage the Heat Pump Water Heater Direct Installation Program. Council approved staff's recommended program to use the Calpine Clean Energy Fund for offering discounted electric heat pump water heaters to lower income households living in census tracts nearest the Russell City Energy Center (RCEC). Staff is seeking CSC comments on key components of the Heat Pump Water Heater Direct Installation RFP.

BACKGROUND

The Russell City Energy Center (RCEC) is a 600-megawatt powerplant located in Hayward's industrial area and is owned and operated by the Calpine Corporation. On May 27, 2021, RCEC's steam turbine generator experienced a mechanical failure that resulted in an explosion and fire. The steam turbine generator experienced extensive damage, and debris from the explosion flew from the site to surrounding areas, including the City's Water Resource Recovery Facility (formerly known as the Water Pollution Control Facility) and the City's Homeless Navigation Center.

The incident led to the City and Calpine entering into a Coordination, Resiliency, and Action Agreement. The Agreement created a mechanism for donations to the Fire Department to purchase a hazardous materials response vehicle, to the Russell City Reparative Justice Project (RCRJP), and to fund clean energy efficiency projects in the City, hereafter referred to as the Calpine Clean Energy Fund.

On September 12, 2023¹, Council approved a \$1.25 million expenditure plan for the Calpine Clean Energy Fund which allocated \$922,000 to cover the cost of the installation of solar and battery at Fire Station 6 and Regional Fire Training Center. The remaining \$328,000 was approved to offer electric heat pump water heaters (HPWH) to households located in census tracts close to RCEC and that are enrolled in the CARE or FERA low-income discount programs. Council comments included:

- Local plumbers and electricians should be hired for the HPWH installations
- Utilize labor standards similar to those included in the City of Berkeley's Just Transition Request for Proposals
- Prioritize older water heaters for replacements

DISCUSSION

Staff is seeking CSC direction on key elements of the RFP that will be released to initiate the Heat Pump Water Heater Direct Installation Program. The RFP will require the selected firm to work with City staff to design the program. The selected firm will recommend two to three co-pay options that integrate available incentives, optimize the number of HPWH installed, and ensure sufficient demand. Staff will work with the selected firm to select the co-pay that will maximize participation as well as maximize the number of households served. Additionally, the selected firm will assist the City in developing an application system that prioritizes high-need households and older water heaters that will soon need to be replaced.

Once the application process is live, the selected firm will assist City staff with marketing and outreach. Methods of community outreach will be done such as contacting eligible households through mail. The selected firm will then take eligible households through a streamlined process that provides site visits to determine the appropriate size and voltage of the HPWH, installation and permit coordination, and high-quality customer service.

At the September 12, 2023, Council meeting, Council members expressed interest in requiring local labor and labor standards similar to those in the City of Berkeley's Just Transition RFP. After meeting with the City of Berkeley, staff recommends incorporating preferred labor standards modeled after the *Recommended Residential Building Decarbonization Labor Standards*², a guide for equitable labor standards developed by the *Bay Area High Road Training Partnership (H RTP)*. The H RTP standards are a more refined set of standards that reflect diverse stakeholder input. Staff from the City of Berkeley was involved in creating the new standards and plans to leverage them for future decarbonization programs. City of Hayward staff is considering using the H RTP standards, however, these labor standards could increase operational costs and may limit the number of local firms that respond to the RFP. Staff recommends modifying the labor standards, as follows, to minimize these concerns.

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=6343377&GUID=02373BAB-4C20-4402-951D-A5A7F75C6D07&Options=&Search=>

² The Bay Area H RTP is composed of more than 20 partners including cities, government agencies, labor unions, employers, and advisors. More information is available at <https://risingsunopp.org/policy/>

Prevailing Wages Required

The selected firm will be required to pay prevailing wages. The State of California Department of Industrial Relations requires prevailing wages for public works projects that exceed \$25,000 for construction, alteration, demolition, installation, or repair work. The HPWH program would fall under this requirement. After speaking with Department of Industrial Relations personnel, staff does not expect this labor standard to pose an issue to union and non-union contractors.

Preferred Labor Standards

Staff recommends that the RFP include the labor standards listed below and that firms be scored based on their responses to each. Staff suggests weighing local labor higher than the other preferred labor standards. *Local Labor* would account for 10% of the possible points awarded and *Other Preferred Labor Standards* detailed below would collectively account for 10%. In an effort to not discourage small, underrepresented firms, the draft RFP requests that if respondents cannot meet certain preferred labor standards, proposals should include explanations. Firms could still receive points depending upon their explanation. The rest of the 80% of possible points would be scored based on: proposed solution (20%); qualifications and experience with related projects (20%); appropriateness of cost (20%); timely performance (10%); and regulatory compliance (10%).

Use of Local Labor

The City currently has local hiring requirements for certain projects. The City's standard Community Workforce Agreement for public works projects worth over \$1 million requires contractors to have at least 30% of their workforce made up of Hayward residents or graduates of Hayward high schools, however this requirement has been difficult for firms to meet. Staff recommends scoring proposals based on the percentage of a firm's workforce that is from Hayward (permanently resides in Hayward or graduated from a Hayward high school), while maintaining some flexibility. Staff recommends the following scoring thresholds:

- 30% or more of the workforce from Hayward. (10 points awarded)
- 25-30% of the workforce from Hayward. (8 points awarded)
- 20-25% of the workforce from Hayward. (6 points awarded)
- 10-20% of the workforce from Hayward. (4 points awarded)

Other Preferred Labor Standards – Staff recommends including the following preferred labor standards:

- Contracting with Hayward-based plumbing and electrician companies
- Providing paid family and sick leave and paid vacation days.
- Including apprentices, multi-craft core curriculum (MC3) pre-apprenticeship graduates, or entry-level workers (with less than 3 years of relevant work experience) on the HPWH installations, if practical.

- Providing health care for full time employees, including paying a percentage of the premium for family and dependents, if applicable.
- Providing vision and dental coverage for full-time employees and dependents, if applicable.
- Demonstrating supportive hiring practices for priority populations such as:
 - Transgender people, two-spirit people, gender non-conforming people, other groups of people who experience gender or sex-based discrimination
 - People who experience disabilities
 - People with a household income of less than 50% of the Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development
 - Having a criminal record or a history of involvement with the criminal justice system
 - Experiencing protracted unemployment: has been continuously unemployed for at least 6 months
 - Current recipient of government cash or food assistance benefits such as SNAP, TANF, WIC, Medi-Cal, LIHEAP, CARE, FERA, CAPI, Head Start, etc.
 - Homeless or has been homeless within the last year
 - Custodial single parents
 - Former foster youth
 - Veterans and current members of the National Guard and Reservists, or eligible spouses of a veteran or current member of the United States Armed Forces
 - Affordable housing resident
 - Lacking a GED or high school diploma
 - Members of a tribal community
 - English language learners
 - Displaced fossil fuel industry workers
 - Entry-level professional (less than 3 years of relevant experience) from a state-approved apprenticeship program, trade school, community college building/construction program, MC3 pre-apprentice program, or non-profit workforce development agency

The aforementioned labor standards are recommended as “preferred” so as not to limit the number of proposals in response to the RFP. According to the High Road Training Partnership’s “Bay Area Residential Decarbonization Industry and Workforce Overview” paper³, the majority of low-rise residential decarbonization projects are handled by small, non-union construction companies that are more likely to lack the ability to meet these

³ The “Bay Area Residential Decarbonization Industry and Workforce Overview” paper provide insight of the landscape of public investment, workers, and firms in the Bay Area working on residential decarbonization projects. Residential decarbonization projects include the conversion of gas appliances and HVAC systems to all-electric and weatherization improvements such as insulation, weather sealing, windows, and doors. The paper finds that the median hourly wage of Bay Area residential decarbonization workers is \$32.87 per hour, lower than what prevailing wages are. Interviews for this study with contractors (mostly non-union) describe difficulties in recruitment and retention for skilled workers. The paper suggests that increasing wage compensation and benefits will reduce labor turnover and encourage workers to gain more skills. <https://risingsunopp.org/wp-content/uploads/Residential-Decarb-Industry-Analysis-Paper-FINAL-Aug-6-2024.pdf>

standards. Secondly, abiding to these labor standards can increase operational costs, which could limit the total number of water heaters installed. Staff is seeking input from the CSC regarding the recommended labor standards.

ECONOMIC IMPACT

The Clean Energy Fund would benefit residents who live in the surrounding area of RCEC by providing them with an affordable option for a more climate-friendly means of water heating. Furthermore, the households switching from a gas to a heat pump water heater can save on their utility bills.⁴ In addition, the request for proposals would require responding firms to employ local plumbers and electricians and pay them prevailing wages.

FISCAL IMPACT

There will be no impact to the City's General Fund. The program will be fully funded by the Calpine Clean Energy Fund.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of *Champion Climate Resilience & Environmental Justice*. Specifically, this item relates to the implementation of the following projects:

Project CP1: Implement Year 1 Programs from the adopted GHG Roadmap (Climate Action Plan)

Project CP9: Implement Year 1 Programs from the adopted General Plan Environmental Justice Element, with a focus on mitigating the impact on frontline communities.

SUSTAINABILITY FEATURES

Replacement of natural gas water heaters with electric heat pump water heaters would reduce GHG emissions. Hayward's 2022 community wide GHG inventory shows that approximately 15% of emissions are from natural gas combustion in homes. Water heaters and furnaces typically account for 91% of residential natural gas use. Reducing natural gas consumption will help the City reach its goal of reducing emissions 55% below 2005 levels by 2030.

PUBLIC CONTACT

Staff intends to conduct appropriate marketing and outreach to target eligible customers to ensure the heat pump water heater program is well received. Once the program is ready to

⁴ A 2022 PG&E study found that residents that switched from a gas-powered water heater to an electric one saved on average \$100 per year in energy bills. [499779180.PDF \(ca.gov\)](#)

launch, staff will contact eligible households directly by mail and other methods determined by staff and selected consultants.

NEXT STEPS

Upon direction from the CSC, staff will release the RFP. Staff will then seek Council authorization to negotiate and execute an agreement with the selected firm.

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Recommended by: Alex Ameri, Director of Public Works

Approved by:



Dustin Claussen, Interim City Manager