



DATE: April 22, 2025

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt a Resolution Authorizing the City Manager to Negotiate and Execute an Agreement with Larratt Brothers Plumbing in an Amount Not-to-Exceed \$328,000 for the Heat Pump Water Heater Direct Installation Program

RECOMMENDATION

That City Council adopts a resolution (Attachment II) authorizing the City Manager to negotiate and execute an agreement with Larratt Brothers Plumbing in an amount not-to-exceed \$328,000 for the Heat Pump Water Heater Direct Installation Program (Program).

SUMMARY

In September 2023, City Council approved a \$1.25 million expenditure plan from the Calpine Clean Energy Fund which allocated \$328,000 to install electric heat pump water heaters (HPWH) to low-income households located in census tracts close to the Russell City Energy Center (RCEC). Staff released a Request for Proposal (RFP) in January 2025 to solicit a consultant to be the program manager and contractor for the Program. Staff received and reviewed three proposals and recommends awarding a contract to Larratt Brothers Plumbing (LBP) in an amount not-to-exceed \$328,000.

BACKGROUND

The RCEC is a 600-megawatt natural gas 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 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 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, the City Council approved a \$1.25 million expenditure plan from 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 HPWH to low-income households located in census tracts close to RCEC. City Council members and the public expressed interest in requiring local labor and labor standards in the program's RFP. City Council member 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

On November 18, 2024², staff presented to the Council Sustainability Committee a set of required and preferred labor standards to be included in the program's Request for Proposal. The required labor standard is to pay prevailing wages. The preferred labor standards include the use of local labor, contracting with Hayward-based plumbing and electrical companies, providing benefits, including entry-level or apprentices in installations, and demonstration of supportive hiring practices. Committee member comments included:

- Expressed support for seeking a Hayward-based contractor for the program.
- Whether there would be a cost share with the homeowner, or if the water heaters could be replaced without a co-pay by homeowners to increase interest in the program.
 - Staff responded that the initial intention was to include some cost share with the homeowner so that more water heaters could be installed and help add credibility to the program, but details were still to be determined.

DISCUSSION

Staff released a Request for Proposals (RFP) on January 15, 2025, and received three proposals by the February 27 deadline. The RFP's scope of work includes program administration of the Heat Pump Water Heater Direct Installation program and completing water heater installations. The RFP requires the selected firm to assist the City in developing an application system that prioritizes high-need households and older water heaters that will soon need to be replaced. LBP's proposal includes in-person assessments and the use of their existing text-based app that makes it somewhat easier for potential customers to apply, provide photos of their existing water heater, sign forms and schedule work. The app will allow City staff to monitor customer interactions to help ensure a high level of customer satisfaction.

The program RFP asked the selected firm to recommend two to three co-pay options that integrate available incentives, optimize the number of HPWH installed, and ensure sufficient

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

² <https://hayward.legistar.com/LegislationDetail.aspx?ID=7025110&GUID=37E8107C-8E61-4D60-AE3F-2BF7129807A5&Options=&Search=>

demand. However, following the concerns CSC members expressed at the Committee meeting and recent conversations with other entities offering similar programs, staff is considering designing the program to not require a co-pay from the customer. Due to the Program targeting lower income households and given that customers will be asked to replace functioning water heaters, it may be difficult to secure a sufficient number of participants if a copay is required.

Staff reviewed the three proposals according to criteria specified in the RFP:

- approach/proposed solution (20%)
- qualifications and experience with related projects (20%)
- appropriateness of cost (20%)
- preferred labor standards – local labor (10%)
- preferred labor standards – local businesses (10%)
- preferred labor standards – other (10%)
- timely performance (10%)

All three firms were interviewed and staff talked with the references listed in the three proposals. LBP's proposal came out on top in terms of cost and for their use of local labor. LBP is a plumbing company with over 30 years of providing plumbing services to the Greater Bay Area. They have installed over 500 heat pump water heaters including in low-income households through Peninsula Clean Energy's low-income electrification direct installation service. Their proposal offered to install up to 40 water heaters at a fixed price with no co-pay to the residents. (Depending on available incentives, more water heaters may be installed.) While LBP is a San Francisco-based company, they are a signatory contractor with Local Union 342, which covers Alameda County, and they have committed to having at least 25% of their workforce be Hayward residents or Hayward high school graduates. Their program design is considerate to non-English speakers and non-tech savvy individuals. They also received high customer satisfaction scores as well as high praise from former project collaborators.

ECONOMIC IMPACT

The Heat Pump Water Heater Direct Installation program would benefit low-income 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. Installing a heat pump water heater is more expensive than a gas water heater. According to the Bay Area Air District, the average upfront incremental cost ranges from \$1,840 to \$3,496 prior to incentives.³ The cost per heat pump water heater, without incentives, ranged from approximately \$6,000 to \$8,000 in the three proposals. In the long-term, the households switching from gas to heat pump water heaters can save on their utility bills.⁴

³ Staff report from Bay Area Air Quality Management District regarding Regulation 9, Rule 6: https://www.baaqmd.gov/~/_media/files/board-of-directors/2024/hod_agenda_120424_rv_op-pdf.pdf?rev=23dd57aa8d2649f99f77222b0b1773db&sc_lang=en

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)

In addition, the RFP had a list of preferred labor standards that applicants were asked to provide, if possible. LBP agreed to pay the required prevailing wages and offers unlimited vacation days to their permanent employees. Furthermore, LBP is a signatory contractor with Local Union 342 and is committed to having at least 25% of the workforce involved in this program be residents from Hayward or Hayward high school graduates.

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*. This item does not relate to a specific project but does address the overall goal to *Reduce Greenhouse Gases and Dependency on Fossil Fuels*.

SUSTAINABILITY FEATURES

Replacement of natural gas water heaters with electric heat pump water heaters would reduce GHG emissions. Hayward's 2023 community wide GHG inventory shows that approximately 15% of emissions are from natural gas combustion in homes.⁵ 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 by 55% below 2005 levels by 2030.

PUBLIC CONTACT

The RFP was available to the public from January 15, 2025 through February 27, 2025. Once the program's application process is defined, staff will work with the consultant to conduct appropriate marketing and outreach to eligible households.

⁵ <https://hayward.legistar.com/LegislationDetail.aspx?ID=7261918&GUID=B7976ABF-3582-437F-813C-C8859B65C51A&Options=&Search=>

NEXT STEPS

If City Council approves this item, the City Manager will negotiate and execute a consulting contract with LBP to manage the Heat Pump Water Heater Direct Installation program. City staff will then work with LBP to design and launch the program with the intention of starting installations later this year and completing 40 water heater installations within 12 months.

Prepared by: Mireille Vargas, Sustainability Specialist
Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read "Dr. Alvarez", written over a horizontal line.

Dr. Ana M. Alvarez, City Manager