

City of Palo Alto Utilities Commercial Heat Pump HVAC Program

The Good News:

Our standard incentive is \$650/ton with a \$100,000 cap.

The BETTER News:

Our limited-time boosted incentive is **\$3,500/ton** with a **\$120,000 cap!**

The City of Palo Alto Utilities is offering increased incentives for businesses in Palo Alto interested in switching their natural gas space heating with an electric heat pump HVAC system. The boosted incentives are available to the first 10 applicants to complete their project within eight months.

How the Program Works:

1

How customers enter the program

Through existing CPAU programs—The Business Electrification Technical Assistance Program or the Commercial and Industrial Energy Efficiency Program

OR

Applying on their own through the City's Business Customer Rebate Program

2

Applications are approved when customers...

Submit gas like-for-like and heat pump HVAC quotes,

AND

Provide photos or information on the existing gas units,

AND

Provide specification sheets for the new equipment, and

AND

Receive their permit from the City's Building Department

3

Milestone payment issued

CPAU provides 20% of the total rebate to customers once their equipment has been purchased

4

Installation timeline requirement

Customers install heat pump HVAC system within 8 months of permit issuance

5

Customers receive the remainder of their rebate once documentation is provide

Customers must receive final sign off on their permit

AND

Customers must provide CPAU with a detailed outline of costs, installation photos, and any other details regarding their experience



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What data CPAU is collecting:

Cost comparison between gas like-for-like exchange and a gas to heat pump system

Permit process and cost

Project timeline from start to finish

Percentage of project cost covered by CPAU rebates

Overall customer experience and satisfaction

CPAU will use this data to design a long-term commercial electrification program. This data will help us determine a reasonable rebate amount that is cost effective for CPAU and enough for the customer to pursue electrification over a gas like-for-like exchange. Through gathering information on the customer experience and project timeline we will determine what level of technical support is needed to guide commercial customers to full electrification.

Customer Projects



Customer 1— Office Building

Customer 2— Early Education and Daycare

Project Highlights	
Building Size	6,063 sq ft
Year Built	1963
Equipment Installed	Two 5-ton and two 2-ton heat pumps
Equipment Replaced	Three 5-ton gas fired furnaces
Project Timeline	August-October 2024
CPAU Rebate	\$49,000
Estimated Annual Energy Savings	13,605.85 kWh

Project Highlights	
Building Size	8,009 sq ft
Year Built	2001
Equipment Installed	three 5-ton, two 3.5-ton, two 3-ton, and one 2-ton heat pumps
Equipment Replaced	One 5.5-ton, five 3-ton, and four 2-ton gas fired furnace
Project Timeline	November 2024-Present
CPAU Rebate	\$103,250
Estimated Annual Energy Savings	21,600 kWh

Cost Differential	
Gas Like-for-like Quote	\$45,200
Heat Pump Quote	\$60,000
Cost Differential	\$14,800
Final Total Project Cost	\$51,036.01*
Rebate Amount	\$49,000
Out of Pocket Cost	\$2,036.01

Cost Differential	
Gas Like-for-like Quote	\$522,600
Heat Pump Quote	\$541,000
Cost Differential	\$18,400
Final Total Project Cost	\$542,268.90*
Rebate Amount	\$103,250
Out of Pocket Cost	\$439,018.90

* This customer's total project cost is less than the quote because they negotiated the price down with their contractor since they were doing multiple projects at once.

* This customer's total project cost is significantly higher than what we usually see for a project like this. This is because this customer redid their ducting and piping, which also resulted in added carpentry and painting costs. They also had additional electrical work done.

Project Pipeline

Projects in progress include: 1 school • 6 office buildings • 6 places of worship

Reasons customers did not participate

One customer did not qualify because their equipment did not meet the efficiency requirements. This was an emergency replacement at a preschool, and they did not have time to order other equipment.

