



SCE Residential Business Plan – Stage-2

Multifamily Housing Segment

(Property Owners/Managers)

April 18, 2016

SCE's Approach

- Market Based Planning approach
- Recognizing and Understanding Market Drivers and Barriers,
- Program Interventions Designed to meet Goals and Overcome Barriers



Residential Retrofit Program Targets



Retrofit Homeowners

Lighting
EUC-HU Program
Home Advisor Program (HEA)
Behavior Program
Res. HVAC



Renters

Lighting
Plug Load & Appliance Program
HEA Program
Home Energy Efficiency Survey
(Behavior)



MF Property Owners/Mgrs

Lighting
Multifamily EE Rebate Program
EUC-MF Program
Energy Saving Assistance Program
Mobile Home Program

Delivery Mechanisms:

1. **Upstream:** Incentive paid to manufacturers often in the form of buy-down. (Primary Lighting)
2. **Mid-stream:** Incentive paid to retailers or mid-channel market actors often based on volume of product sold in qualified territory.
3. **Down-stream:** Incentive paid to participating end-users (homeowners, renters, property owners/mgrs.)

Multifamily Discussion Points

- Goals & Requirements
 - California Long Term EE Strategy Plan (CALTSP)
 - California Legislations
- Market Characterization
- Problem Statements
 - Observations
 - Strategies
 - Key Partners
 - Preliminary Metrics

CALTSP Goals & Legislations

California Energy Efficiency Long-Term Strategic Plan (CALTSP)

- By 2020: 100% of existing Multifamily homes have a 40% decrease in purchased energy from 2008 levels .

AB802 – Benchmarking and Disclosure

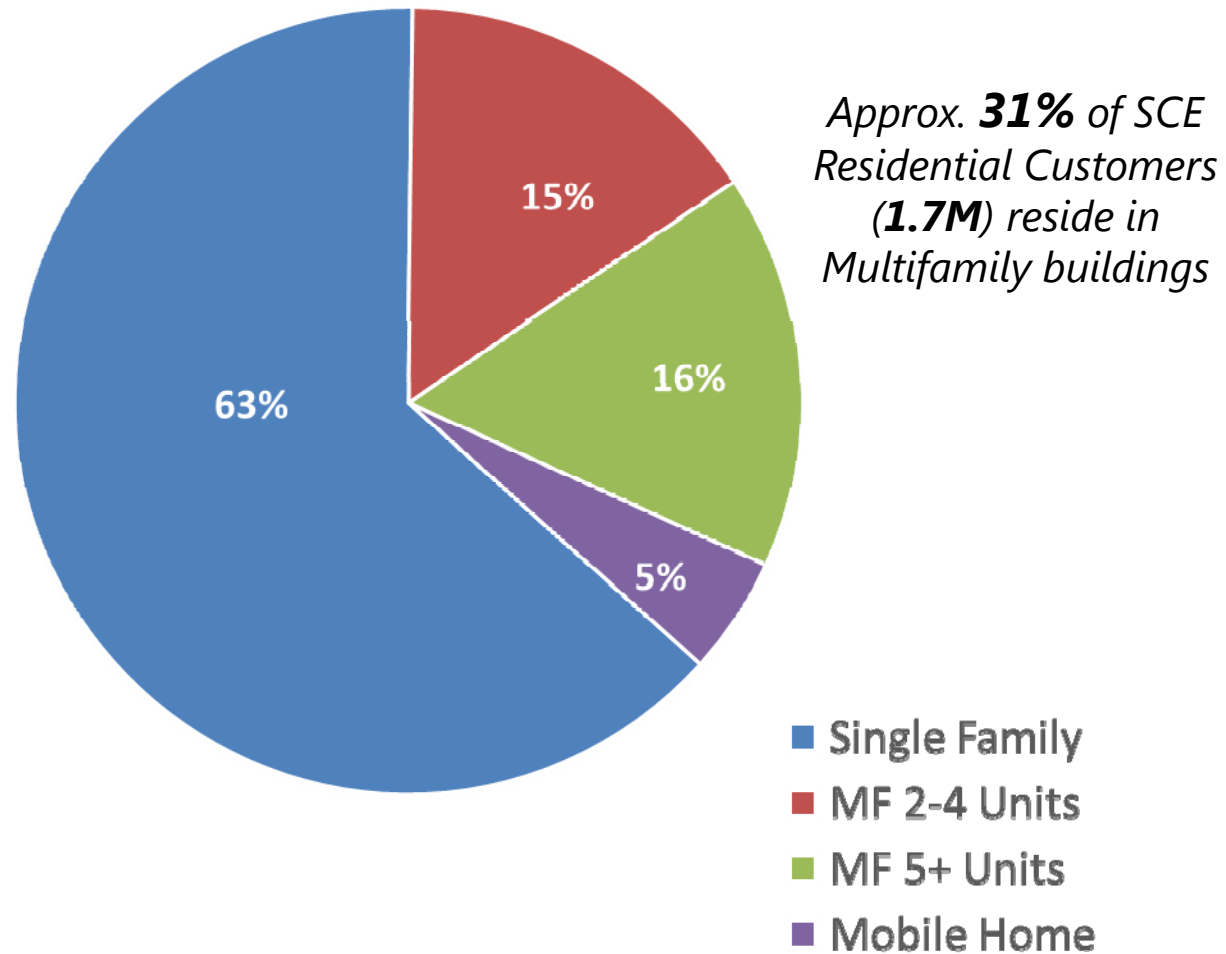
- Utilities are required provide aggregated energy usage data for a building (including MF) with five or more active utility accounts to the property owner, owner's agent, building operator, or to the owner's account in the ENERGY STAR Portfolio Manager.

AB758 – Defines EE program scope

- Utilities are required to implement select program strategies to provide ongoing and evolving transformation of markets to deliver the substantial energy savings and GHG emissions.

Multifamily Market Characterization

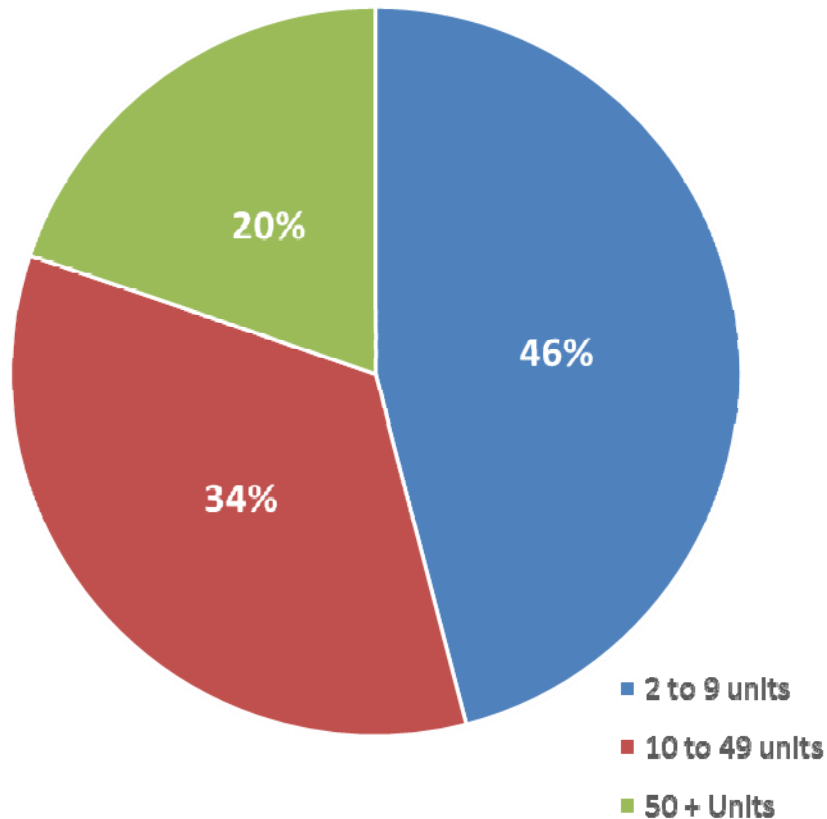
SCE – Residential Households by BT



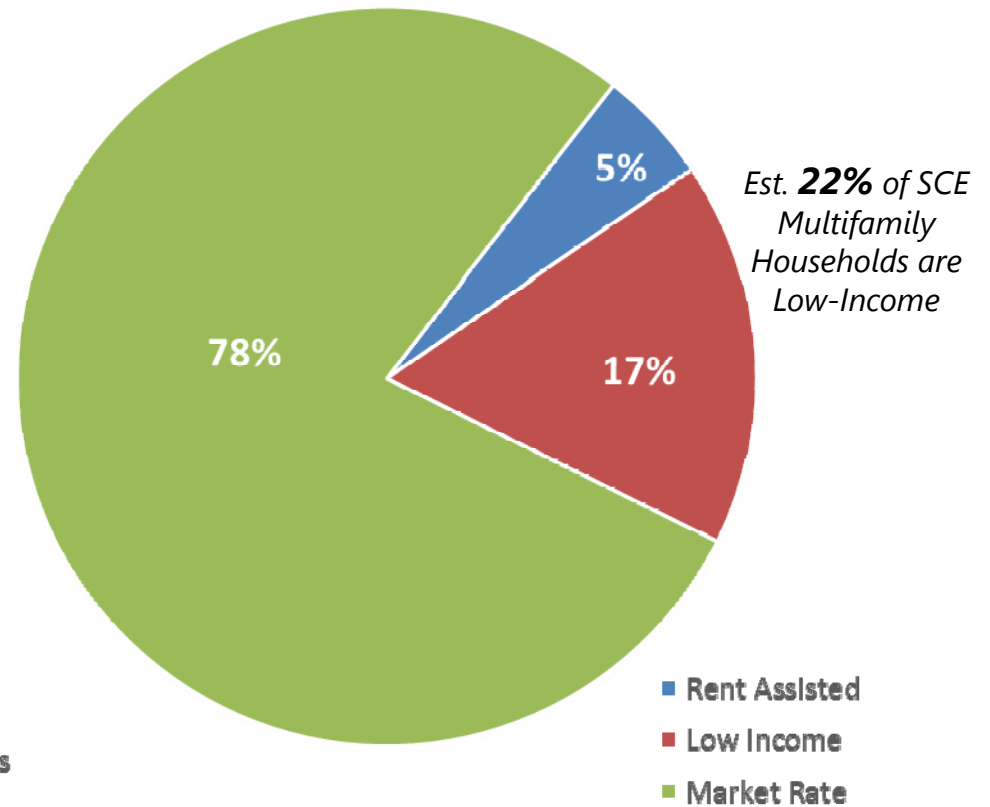
Source: 2009 RASS for of SCE households

Multifamily Market Characterization (cont.)

**MF Properties by Building Size
SCE Service Territory ¹**

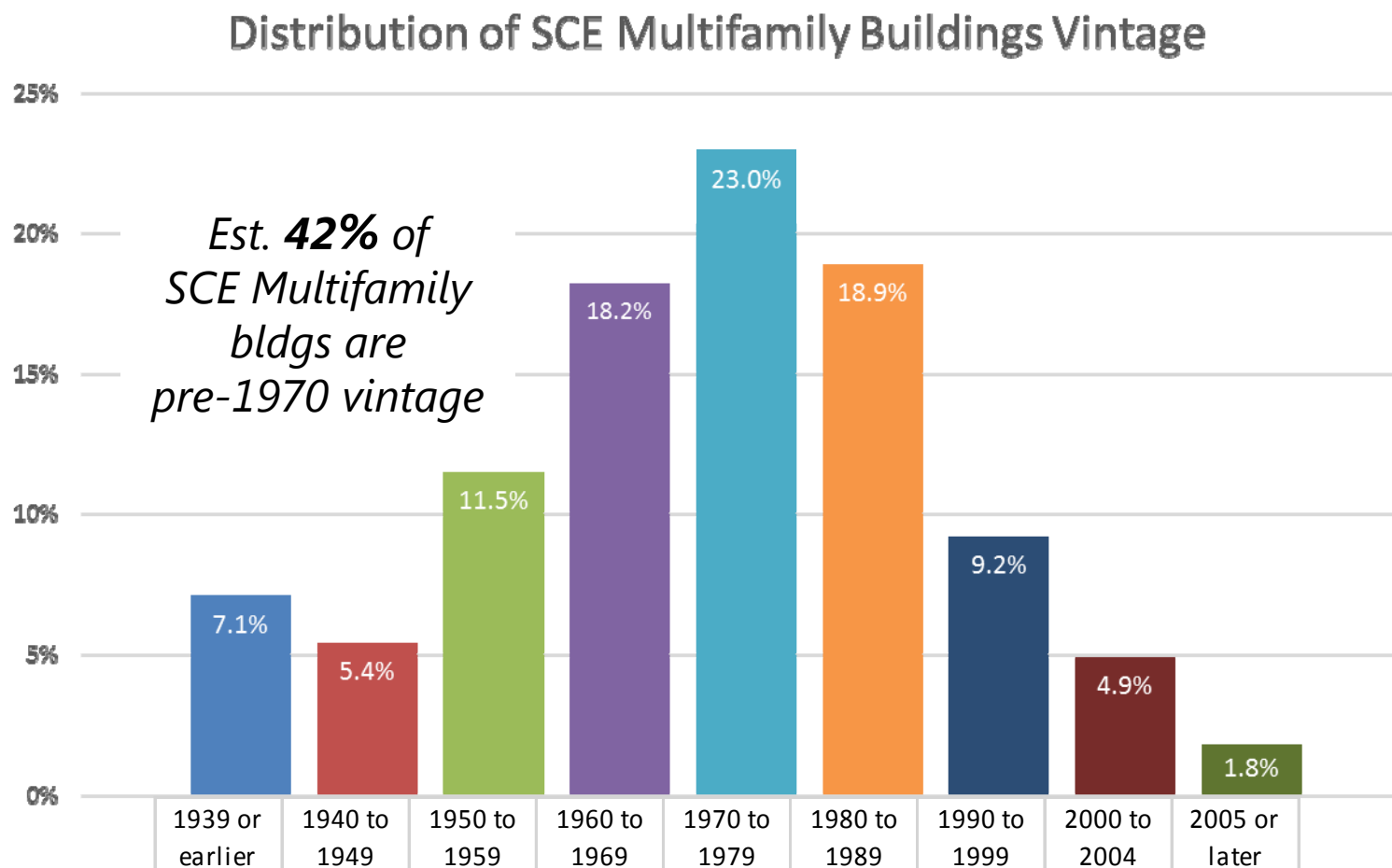


**Est. Number of SCE MF Households
by sub-segments ²**



1. 2010-2012 PG&E and SCE Multifamily Energy Efficiency Rebate Program (MFEER) Process Evaluation and Market Characterization Study, prepared by The Cadmus Group, April 15, 2013
2. ESA Program Multifamily Segmentation Study Report, prepared by RIA/Cadmus Group, December 2013, Volume 1

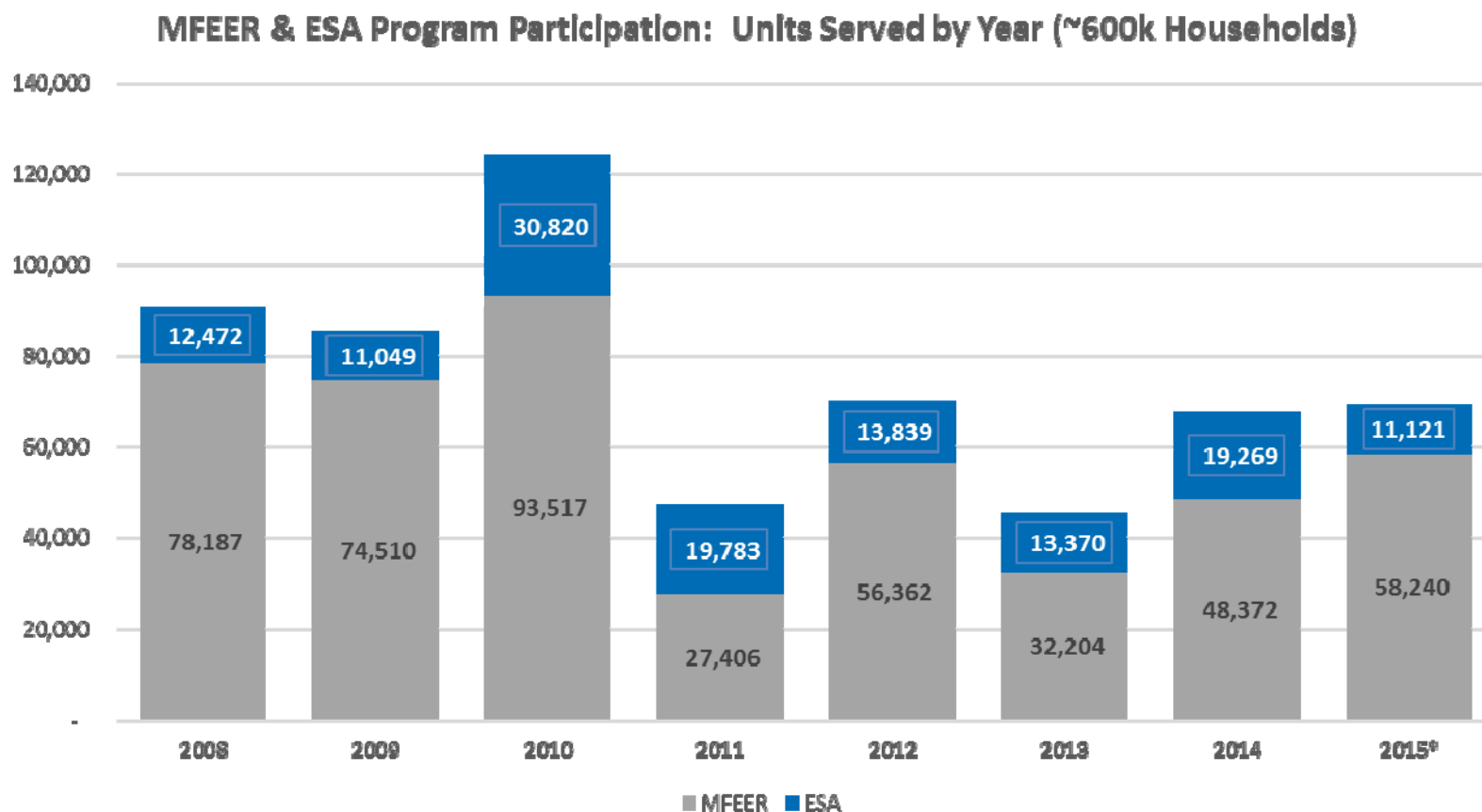
Multifamily Market Characterization (cont.)



Source: 2010-2012 PG&E and SCE Multifamily Energy Efficiency Rebate Program (MFEER) Process Evaluation and Market Characterization Study, prepared by The Cadmus Group, April 15, 2013

Program Activity

Multifamily units serviced from 2008 to 2016



- Note:
1. MFEER Program defines a multifamily complex as those with five (2) or more units.
 2. ESA Program defines a multifamily complex as those with five (5) or more dwellings. Duplexes, triplexes, and fourplexes are categorized as single family homes
 3. 2015 participation numbers are estimated, final numbers are pending reconciliation.

Multifamily Sector Problem Statement

Problem#1: The MF market segment presents unique challenges because of the diversity and fragmentation of the building stock.

Difficulty achieving EE strategy plan goals for Multifamily buildings.

- MF properties are essentially commercial investments for property owners and operators. While, individual dwelling units function essentially as SF homes.
- MF buildings are regulated under both commercial and residential building codes depending on the property size.
- Multiple MF subsectors include:
 - Condominium/Cooperative (owned) Housing,
 - Market-Rate Housing,
 - Low-Income Housing
 - Public Housing, and
 - Affordable Rental Housing.

Multifamily Sector Problem Statement (cont.)

Problem#2: The Multifamily Sector is “Hard to Reach.”

Multifamily Property Owners Characteristics and Behaviors.

- Lack incentive to upgrade inefficient equipment and appliances because tenants pay utility bills; **Split Incentive** issue.
- Reluctant to disrupt income opportunities; rented units equals income
- Less interested in doing tenant unit upgrades unless it can improve property value
- Use of equipment until failure is standard business practice to conserve business cash flow; repair indefinitely leads to stranded savings

Observations

Energy efficiency is a relatively low priority for multifamily property owners, like all businesses, they have many demands on their resources.

- To be successful, owners must see energy efficiency as a better use of resources than general building maintenance and other ongoing activities.
- Owners need to be aware of the long-term savings potential of energy efficiency upgrades.
- Proposed energy efficiency investments must rise above these day-to-day operational needs to get proper attention.

Recognized MF Market Barriers

- Lack of knowledge and low priority of EE
- EE benefits may be difficult to observe
- Economics of split incentives
- Access to capital and low ROI
- Hassle of dealing with multiple contractors and site visits
- Time burden for tenants/owners
- Impact on rental income
- Replacement at burn-out versus strategic investment

SCE's Multifamily Strategies & Solutions

Strategy-1: Leverage benchmarking by using Multifamily ENERGY STAR® Portfolio Manager

Strategy-2: Simplified customer engagement process

Strategy-3: Support seamless implementation

Strategy-4: Support single enrollment for low-income properties in coordination with the Energy Savings Assistance Program

Strategy-1: Leverage Benchmarking by Using Multifamily ENERGY STAR® Portfolio Manager

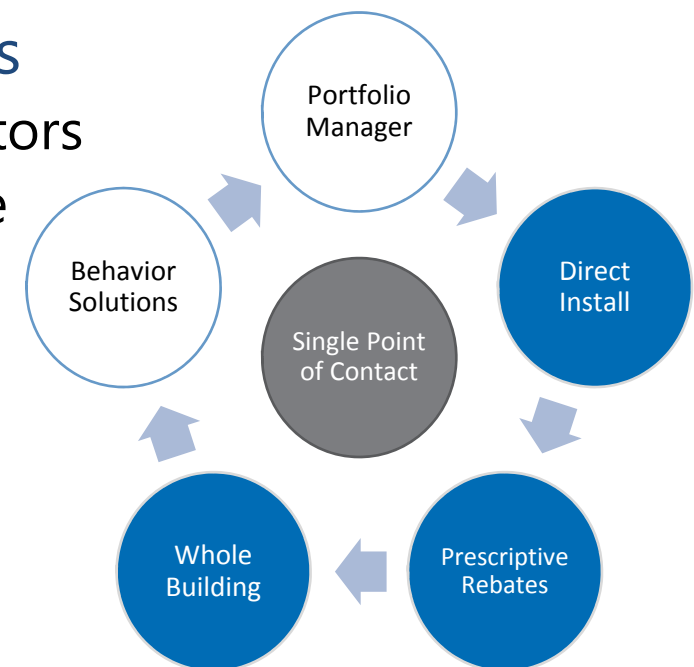
(Mapped to Problem-1 & -2, CALSTP-2, AB802, AB758)

- Utilize Energy Usage Intensity (EUI) & Building Scores
 - Compare a property's relative energy performance in comparison to the energy intensity of other similar buildings
 - Compare properties within a portfolio
 - Identify under-performing facilities and prioritize EE opportunities
 - Assist in planning: Set goals, target timelines
 - View and Track a building's energy usage and energy use intensity over time



Strategy-2: Simplified Customer Engagement Process (Mapped to Problem-1 & -2, CALSTP-2, AB758)

- **Focused Strategic Engagement & Outreach**
 - Large Portfolio Multifamily Property Owners/Managers
 - Small to Medium Portfolio Multifamily Property Owners/Managers
 - Low-Income Multifamily Property Owners/Managers
- **One-stop Shop for program services**
 - Utilize SPOC and authorized Contractors to guide customers through available EE offerings as appropriate.
- **Layered Services Approach**
 - Support committed EE investments over time.



Strategy-3: Support Seamless Implementation

(Mapped to Problem-1 & -2, CALSTP-2, AB758)

- **Single Set of Direct Install Program Contractors**
 - Single set of authorized multifamily contractors for EE and Low-Income direct install efforts
 - Expanded service provider skill sets
 - More comprehensive energy assessments
- **Contractor SPOC for Customer Engagement**
 - Authorized contractors may also fulfill the SPOC role for small to medium MF properties/portfolios
 - Reduces number of site visits and tenant disruptions
- **Single Program Application**
 - Single Program Application for Property Owners Authorization and Project sign-off

Strategy-4: Support single enrollment for low-income properties in coordination with ESA Program*

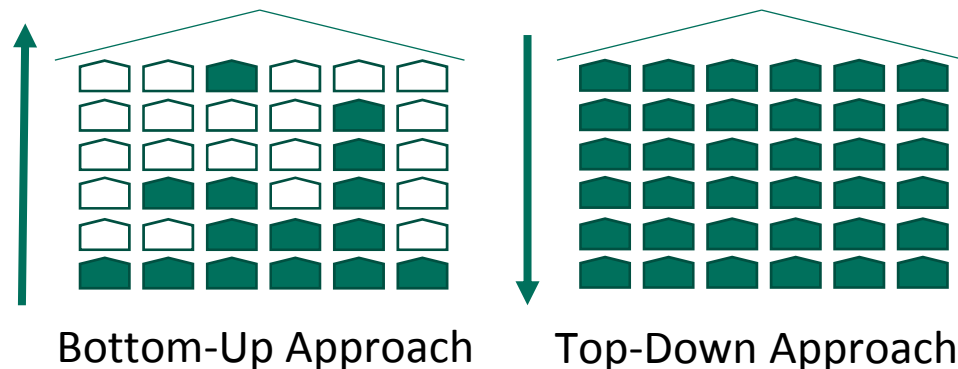
(Mapped to Problem-1 & -2, CALSTP-2, AB758)

- **Geographic Qualification**

- MF properties in neighborhoods with at least 80% of households at or below 200% FPG will not require income verification of tenants in order to receive ESA measures,
- Opt-in approach will be utilized to offer tenants additional products and services.

- **Affordable Housing**

- May also qualify for expedited enrollment with HUD, TCAC or other federal housing documentation
- SCE is also open to approach that utilizes, property owner affidavit, to certify eligibility.



* Strategy submitted as part of 2015-2017 Energy Savings Assistance (ESA) Program Plan Proposal

Multifamily Partners/Stakeholders

- Multifamily Property Owners and Operators
- Multifamily Property/Facility managers
- Multifamily Renters
- Multifamily Architects and Engineers
- Multifamily Housing Industry Associations
- Multifamily Commercial Real Estate Industry
- Financial Institutions, Lenders, and Brokers
- SW IOUs and Program Administrators
- Energy Division

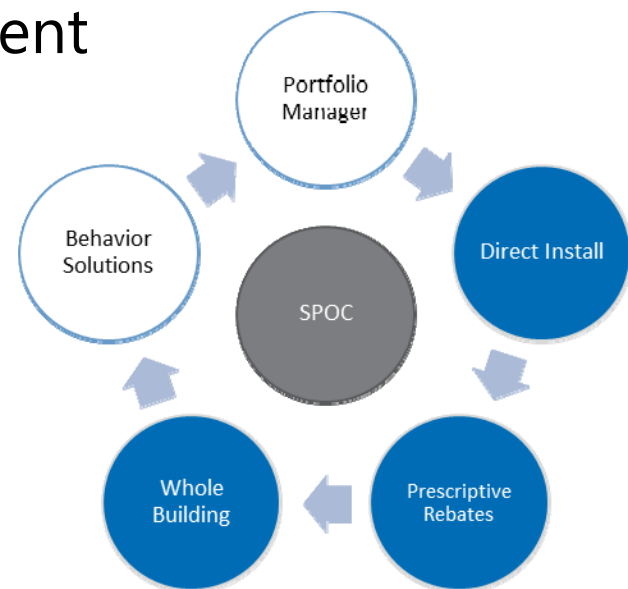
Metrics

- Program Activity Baseline
 - # of properties of actively participating in Multifamily programs in the last five years,
 - # of new customers vs. # of repeat customers
- Strategic Plan Energy Consumption Baseline
 - Determine 2008 MF baseline consumption level,
 - Determine 2016 year aggregate energy consumption level in comparison to 2008 baseline (i.e., increase energy consumption, no change, -5% reduction, -10% reduction, etc.)
- AB802 Benchmarking Participation
 - # of Multifamily properties participating in ENERGY STAR® Portfolio Manager Benchmarking

Summary: Multifamily Housing Segment

Need a new approach—

- Leverage Benchmarking
- Simplify Customer Engagement Approach
- Utilize an Integrated Seamless Implementation Approach
- Single Point of Contract Engagement
- Streamline Income Verification to better serve Low-Income Customers.
- Layered program services





End: Multifamily Stage-2 Presentation

Questions?