

SCE Commercial Sector Business Plan

High-level Direction and Strategy, 2017-2021

This document is intended to serve as supplementary material to SCE's Stage 2 Commercial Business Plan presentation, providing some additional background to stakeholders on how we categorized our solution paths within that presentation.

Our Vision

- Help ensure that California reaches its clean energy goals
- Maximize energy efficiency while reaching the most customers effectively and efficiently

Our Understanding of State Objectives

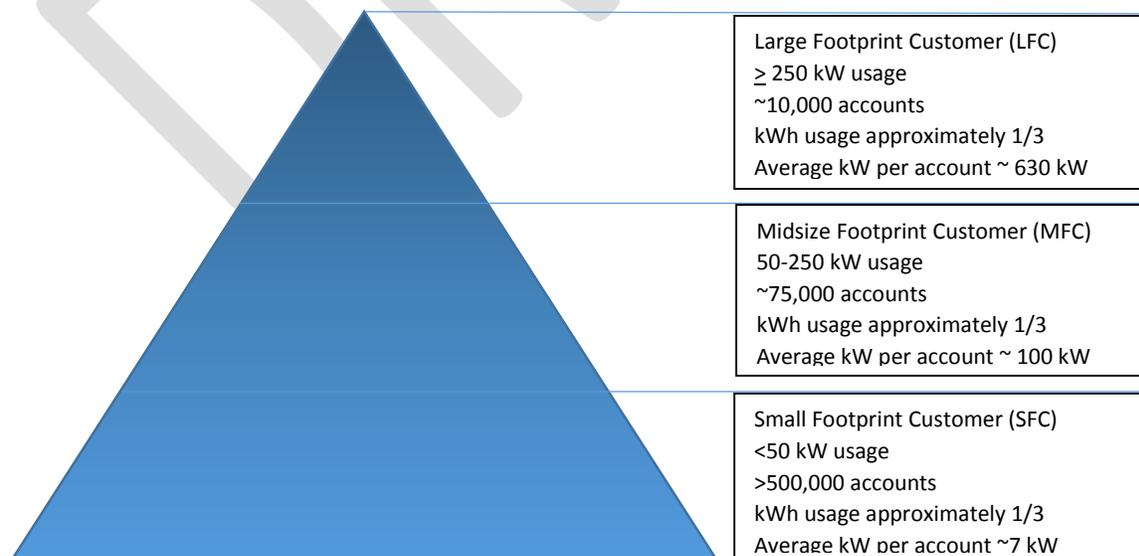
- Doubling of energy efficiency
- Pursuing deep energy retrofits in support of GHG reduction targets while ensuring that energy efficiency benefits are greater than the cost
- Maintaining a cost-effective portfolio

Our Future Direction

- Rebalance the Business Portfolio to increase the use of distributor delivery channel, which is cost-effective and far-reaching in terms of customers
- Reduce the direct-to-customer programs, transitioning direct-to-customer programs from individual equipment savings to deep energy retrofits and meter-based savings

Proposed Customer Segmentation Approach

Segment Commercial customers by decision-making, level of energy expertise and practices, energy footprint, and/or customer savings potential*:



*= Note these are select characteristics—but not all—that would be part of a segmented approach

LFC

Direct-to-Customer Program

The large footprint customers provide the opportunity for deep energy retrofits. Customers include national and large chain accounts. They are energy sophisticated. However, the cost for deep retrofit project development is expected to be high. Engineering and lab services would provide data and decision-making information. Incentives may include services, persistency payments, and/or stepped down over time. Projects may be cost-effective, but overall project implementation costs are capital intensive, resulting in a limited number of projects. This program may be delivered through internal SCE resources or specialized Third Party implementers.

MFC

Direct-to-Customer Program

The Midsize Comprehensive program targets high potential mid-size customers. The customer is energy aware, but may lack the technical expertise to develop the business case for energy efficiency. Using mid-size specific Custom and Deemed programs, for example, there is potential for a better net-to-gross and applies Industry Standard Practice only as appropriate. It leverages On-Bill-Financing for a simplified Custom process, matching the level of rigor to the risk. The customer may benefit more from 0% financing (as the incentive) vs. a paid incentive capped at incremental cost. Savings would need to be attributable to financing.

Distributor Delivery Channel

The majority of midsize customers will be reached by distributor delivery channels. The customers envisioned are likely harder-to-reach. They represent a good opportunity by number of accounts and potential, but comprehensiveness would likely be less appropriate given energy awareness, competing priorities, and potential. Technology based programs such as Midstream Lighting and Upstream HVAC would address the majority of their potential. This offer may include OBF opportunities. Developing deemed measures is critical to ensuring effective and efficient customer reach. A key to success is creating deemed measures, specific to mid-size customer needs, such as simple-to-operate controls.

SFC

Distributor Delivery Channel

Small customers account for a large portion of accounts and as a whole represent a good opportunity. However, direct-to-customer contact in this segment is cost prohibitive given the minimal potential per account. The distributor model for the mid-size majority is envisioned to reach small customers as well. The small customer opportunity relies on education and outreach about energy best practices, and leveraging the distributor delivery channel.