

**Southern California Edison
Tariff On-Bill Pilot Design and Delivery Details**

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I. Executive Summary

SCE's¹ Tariff On-Bill (TOB) Pilot, if approved by the Commission, subject to certain conditions,² will test a new model in California to advance residential decarbonization measures supporting energy, cost, and health and safety benefits. SCE's TOB Pilot is timely in that it will explore an untapped, innovative approach in alignment with the State's goals of six million heat pump installations by 2030, three million climate-ready and climate-friendly homes by 2030, and seven million climate-ready and climate-friendly homes by 2035.

While SCE has developed this proposal with the Joint Filers in compliance with Decision (D.)23-08-026, SCE is concerned about the potential scalability of the TOB Pilot in California, especially for electrification measures. For purposes of the SCE TOB Pilot, as discussed in more detail below, SCE proposes using ratepayer funds recovered through the Public Purpose Programs Charge. SCE is requesting \$7,190,000 for the TOB Pilot, which is expected to serve up to 200 pilot participants. At this time, the TOB model is not cost effective; however, compared to the alternative of doing nothing at a time when it is imperative to explore new ways to accelerate decarbonization, SCE sees merit in evaluating the TOB model's viability on a smaller scale. The SCE TOB Pilot, therefore, will serve as a proof of concept before exploring significantly scaling the TOB model in California. A smaller pilot is expected to provide the necessary learning while minimizing financial risks to ratepayers when compared to a scaled program.³

If the TOB Pilot is successful, consistent with any Commission decision on this proposal, SCE intends to explore scaling to a more robust program utilizing the best practices from all the Program Sponsor's Pilot learnings, including SVCE/TECH's field tests, to a broader TOB program application for energy efficiency (EE) and efficient electrification offerings. The insights gained from the TOB Pilot will not only aid in understanding the requirements for wider market acceptance of a TOB financing strategy but may also appeal to third-party financiers. This is crucial to offset the continuous investments from ratepayers.

SCE's TOB Pilot incorporates the Joint Filers' TOB Proposal (Joint TOB Proposal), and this attachment describes SCE's proposed TOB Pilot design and delivery, particularly focusing on SCE-specific details, objectives, and/or other attributes that differ from the Joint TOB Proposal.

II. Pilot Objectives

Consistent with the elements specifically adopted by SCE from the Joint TOB framework, SCE's key TOB Pilot objectives are as follows:

1. Provide greater customer access to affordable clean energy technologies;
2. Gather important learnings to assess cost-effectiveness and feasibility of TOB models for EE and efficient electrification measures;
3. Assess potential scalability of the TOB Pilot, both in terms of program size and potential expansion of clean energy offerings;

¹ Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Joint TOB Proposal.

² As the Joint TOB Proposal discusses, at p. 16, the Commission's Energy Division Staff has committed to working with the Department of Financial Protection and Innovation (DFPI) to confirm that the investor-owned utilities (IOUs) are not subject to California lending laws if they implement TOB pilots. It is SCE's understanding that the Decarbonization Charge is not a loan, pursuant to Senate Bill (SB) 1112 and other factors, but the IOUs and Energy Division Staff have agreed that Staff will seek confirmation from the DFPI that it agrees with that conclusion to avoid unnecessary complications.

4. Evaluate the effectiveness of the TOB measurement and verification (M&V) methodology to predict relative cost savings while minimizing financial impact to participating customers;
5. Determine what level of upfront forecasted cost savings is sufficient to cover the risk to participants of unforeseen variations of expected energy savings;
6. Test the impact of on-bill recovery of decarbonization charges;
7. Determine the effectiveness of the TOB model for electrification measures that require fuel switching;
8. Identify any unique challenges related to data collection for a single fuel utility related to accurate energy modeling;
9. Test SCE's proposed M&V model for measuring both estimated and actual savings; and
10. Evaluate the effectiveness of targeted outreach to high usage customers in SCE's service territory that are likely to demonstrate the greatest ability to impact energy savings in a cost-efficient manner.

SCE's intent for implementing a TOB Pilot with a gradual and focused approach is to encourage more residential customers to install clean energy technologies and support the state's goals of reducing carbon emissions. SCE's TOB Pilot will support on-bill repayment of clean energy technologies by adding a tariff service charge ("Decarbonization Charge") to the SCE electric meter for the site. Under this model, the financial responsibility will be linked to the meter, rather than to a specific customer, and would be transferred to any future customer as part of their electric bill until the investment is fully paid off.

III. Pilot Economics

A. Budget Request and Rationale

For the two-year TOB Pilot phase, SCE proposes a budget of \$7,190,000 to fund up to 200 TOB projects. In its proposal filed on June 15, 2022, SCE proposed a TOB pilot with a budget of \$27,000,000 with an estimate of up to 2,000 pilot participants over a three-year initial pilot phase. Since then, further investigation by SCE, the TOB Working Group, and the Equity Committee surfaced several issues resulting in SCE revising its initial assumptions about project economics and overall cost-effectiveness. Additionally, in SCE's June 15 proposal, SCE raised a number of unresolved issues that were discussed by the Working Group, and several of these issues remain unresolved or only partially resolved. SCE's view of the correct scope of a TOB Pilot has changed based on these issues, including, but not limited to, newly supported data for EE and efficient electrification measures, the cost of implementing customer protections and M&V protocols, the start-up costs for the billing system changes, and concerns about rolling out an untested Pilot to low-income customers.

Based on the factors described above, SCE does not expect there will be as many financially viable projects at this time that do not require significant co-pays. Additionally, in the Decision, SCE's proposed TOB Pilot length was reduced from three years to two years, with most marketing, education and outreach (ME&O) occurring in the first year. As such, SCE has substantially reduced its budget request to \$7,190,000 to reflect a smaller scale pilot than originally envisioned. Despite these challenges,⁴ the results of the smaller pilot are still expected to provide valuable insight and learning lessons that will support subsequent policy decisions about the scalability of the TOB model to more customers and more clean energy technologies, which is important to any new market transformation approach.

Table 1 below is a breakdown of SCE's proposed TOB Pilot budget. Unlike demand side programs that are focused on spending the vast majority of costs on measure rebates with limited administrative budgets, the TOB Pilot requires higher administrative costs, particularly up-front, as a percentage of the total budget because of the administrative investment needed to implement the TOB model over a small number of pilot participants. In particular, the Pilot will require upfront development of billing functionalities, conducting solicitations, reporting, and Program Sponsor oversight of Program Implementers. At this time, the TOB model is not comparable to large scale, long running rebate

⁴ See Key Challenges, Section 3.3 in the Joint TOB Proposal.

programs and therefore, a larger administrative investment is necessary. SCE’s view is that it would not propose to scale the Pilot to a larger Program if the long-term economics do not improve.

Table 1: TOB Budget

TOB BUDGET BY CATEGORY	BUDGET	PERCENT
Net Project Costs to be Funded by TOB Pilot ⁵	\$1,160,000	16.1%
Estimated Tariff Charge-Offs & Performance Reserves	\$140,000	1.9%
Administration	\$1,350,000	18.8%
Marketing, Education, and Outreach	\$200,000	2.8%
IT/Systems	\$1,070,000	14.9%
Project M&V	\$1,120,000	15.6%
Program Implementation	\$2,150,000	29.9%
Total Program Budget	\$7,190,000	100%

The following describes each category in the Table 1 TOB Program Budget:

1. **Net Project Costs to be Funded by TOB Pilot:** This is the amount of Decarbonization Charges issued for TOB projects. It represents the forecasted net project costs after incentive, rebates, landlord contributions and copays, if applicable. This budget amount is expected to be recovered from Participating Customers and returned to ratepayers, subject to any amounts that are written off.
2. **Estimated Tariff Charge-Offs & Performance Reserves:** Uncollectable Decarbonization Charges due to equipment failure and other factors and Decarbonization Charge adjustments at one-year verification true up.
3. **Administration:** Represents SCE’s labor cost for providing Program sponsorship support until all TOB projects are fully recovered. This assumes an annual administrative cost of \$150,000 over the first three years and an annual cost of \$100,000 over a nine-year period.
4. **Marketing, Education, and Outreach:** This includes any marketing campaigns designed to promote the TOB program. It also includes the development and maintenance of a TOB web page on sce.com, welcome packages for new participating customers, annual notifications, and any other customer facing program information documents such as fact sheets, etc.
5. **IT/Systems Cost:** The cost of developing an on-bill functionality either manually or within SCE’s billing system for the billing and recovery of Decarbonization Charges and other related systems related to project tracking and reporting.
6. **Project M&V:** This is the cost to evaluate projects for pilot eligibility, including credit worthiness and cost savings modeling, and the cost to verify projects savings and compare them to projected savings at the one-year anniversary of installation.
7. **Program Implementation:** Represents program costs associated with the third-party Program Implementer. This includes compensation for customer outreach, education, project development, project installation, inspections, and project support until all TOB projects are fully recovered.

SCE has made its best effort to forecast costs, understanding that its TOB proposal is novel and untested. Like any untested pilot, there is a degree of uncertainty about actual costs when the Pilot is implemented.

⁵ Net project costs in this context means the portion of the project cost that will be funded by TOB funds. Other project costs will be funded by incentives, rebates, and co-payments or cost shares, which are not included in this budget line item.

Instead of SCE building a contingency budget that might increase the overall Pilot budget, SCE instead proposes to maintain fund-shifting flexibility between cost-categories to adjust if needed to maintain the integrity of the Pilot results. SCE’s forecasted budget is based on its current TOB Pilot assumptions and should any modifications to the proposal occur as a result of the regulatory proceeding that either increases or decreases costs, SCE would request an opportunity to refine its final budget to accommodate those changes.

SCEs forecast of TOB funding amounts are based in average project cost assumptions for a target of 150 projects that combine energy efficiency with /heat pump space heating measures, and 50 projects that combine energy efficiency with heat pump space heating (HPSH) and heat pump water heating (HPWH) measures where 90% of the projects are in owner occupied units and 10% in rental units. Table 2 provides a breakdown of project cost assumptions per units and for the overall Pilot for owner occupied projects, while Table 3 provides a breakdown of project costs per units and for the overall Pilot for renter occupied projects. Because rebates and incentives change based on numerous factors (i.e., customers served by Rural Energy Networks (RENs) may be eligible for higher water heating incentives and different IOU programs might offer different incentives when the Pilot is available to customers than they do now), SCE has included rebates, incentives, and Customer/Property Owner cost shares and co-pays as one category for the purpose of budgeting. As noted in the Key Challenges section of the Joint TOB Proposal, on p. 19, the Decarbonization Charge covers an average of approximately 15% of the overall project cost.

Table 2: Project Cost Assumptions for TOB Projects in Owner Occupied Units

COST ASSUMPTIONS FOR PROJECTS IN OWNER OCCUPIED UNITS (90% OF ALL FORECASTED PROJECTS)						
Project Funding Inflows	EE/HPSH (150 Projects)		EE/HPSH/HPWH (50 Projects)		Pilot Totals	Percentage of Project Cost
	Per Unit	EE/HPSH Totals	Per Unit	EE/HPSH/ SPWH Totals		
TOB Tariff Funding	\$5,807	\$784,005	\$5,693	\$256,181	\$1,040,186	25%
Rebates, Incentives, and Customer Copay	\$15,563	\$2,100,972	\$23,727	\$1,067,728	\$3,168,700	75%
Total Estimated Project Cost	\$21,370	\$2,884,977	\$29,420	\$1,323,909	\$4,208,886	100%

Table 3: Project Cost Assumptions for TOB Projects in Renter Occupied Units

COST ASSUMPTIONS FOR PROJECTS IN RENTER OCCUPIED UNITS (10% OF ALL FORECASTED PROJECTS)						
Funding Inflows	EE/HPSH (150 Projects)		EE/HPSH/HPWH (50 Projects)		Pilot Totals	Percentage of Project Cost
	Per Unit	EE/HPSH Totals	Per Unit	EE/HPSH/ SPWH Totals		
TOB Tariff Funding	\$5,807	\$87,112	\$5,693	\$28,465	\$115,576	25%
Landlord Contribution	\$3,502	\$52,534	\$6,976	\$34,880	\$87,414	19%
Rebates, Incentives, and Landlord Copay	\$12,061	\$180,908	\$16,751	\$83,756	\$264,664	57%
Total Estimated Project Cost	\$21,370	\$320,553	\$29,420	\$147,101	\$467,654	100%

B. Requested Funding Source and Rationale

SCE proposes to fund the entire TOB Pilot with ratepayer funds collected through the Public Purpose Programs Charge, including all TOB project costs and Pilot administration and management costs. SCE requests Commission authorization to establish a new two-way balancing account to record, track and recover TOB Pilot costs with transfers to and from the Public Purpose Programs Adjustment Mechanism.

While utilizing ratepayer funds is not optimal for a scalable solution because of affordability impacts, SCE has determined that it is the optimal approach for the limited initial TOB Pilot phase. First, at this time, none of the IOUs has identified available third-party capital financing or other sources of available state/federal pilot specific funding that could support the specifics of SCE’s TOB Pilot.⁶ The Joint Filers have explained their collective efforts, along with the California Energy Commission (CEC), to seek third-party capital for the Pilots, as well as the reasons those efforts were not successful for the pilots.⁷ The primary issues relate to both timing of availability of those funds and the risk of borrowing significant funds, subject to ratepayer backstop, without proof of concept. The TOB Pilot therefore will serve as a proof-of-concept for the residential market that may enable longer-term and scalable third-party financial models, especially for newer commercially available measures that enable fuel switching and efficient electrification.

If SCE’s TOB Pilot is proven to be a valuable tool to support California’s clean energy goals at the end of the Pilot period, SCE proposes to consider alternative funding approaches (e.g., third-party or public financing) to potentially scale the program in the future as ratepayers may not be able to provide a more significant investment without impacting rate affordability.

C. Rate and Bill Impacts for Customers

SCE proposes to fund this TOB Pilot through incremental rates, recovered as operation and maintenance (O&M) expenses and collected from all customers, while using existing incentive programs to minimize the need for incremental funding wherever appropriate. Accordingly, this Pilot would result in a small rate increase, of about 0.03 percent, for all customers. If the entire \$7,190,000 budget were approved through

⁶ The exception is SCE will leverage existing program opportunities that will offset Pilot measure costs to the extent practical. However, these sources of program funding generally are not available for the SCE Pilot start-up costs that will need to be covered by ratepayers during the Pilot phase.

⁷ See Joint TOB Proposal, Section 4.6.

the Public Purpose Programs Charge, the total average bundled customer rate increase is 0.01 cents per kWh.⁸

Bundled Average Rates (¢/kWh)					
Customer Group	Current Rates	Proposed Change	Proposed Rates	% Change	
Residential	33.77	0.01	33.78	0.0%	
Lighting - Small and Medium Power	30.05	0.01	30.06	0.0%	
Large Power	20.51	0.01	20.52	0.0%	
Agricultural and Pumping	23.99	0.01	23.99	0.0%	
Street and Area Lighting	36.46	0.01	36.47	0.0%	
Standby	17.00	0.01	17.01	0.0%	
Total	28.47	0.01	28.48	0.03%	

Residential Bill Impact (\$/Month)					
Description	Current	Proposed Change	Proposed	% Change	
Non-CARE Residential Bill	\$ 180.40	\$ 0.06	\$ 180.46	0.03%	
CARE Residential Bill	\$ 122.12	\$ 0.04	\$ 122.16	0.03%	

D. Forecasted Benefits

Table 4 below is intended to illustrate the anticipated benefits that take into account a variety of influential factors, including the type and age of buildings and the climate zones they are located in. It is important to note that TOB has traditionally been applied to EE only, and not to broader clean energy technologies that include electrification. With no historical examples of a TOB model being applied to fuel substitution, the process of predicting customer engagement and the consequent energy savings is still in a nascent stage and make these forecasts largely aspirational at this point. The Joint Filers have described these challenges in the Joint TOB Proposal, Section 3.3. SCE highlights these challenges may be even more significant for an electric-only utility, such as SCE.

In addition, it is important to note that TOB offers a range of benefits beyond energy savings. TOB Pilot projects contribute to a more sustainable and inclusive energy system, although quantifying these broader impacts can indeed be challenging.

Table 4: Project Cost Savings by Project Scope

PROJECTED COST SAVINGS BY PROJECT SCOPE			
	EE + HPSH	EE + HPSH + HPWH	TOTAL
Lifecycle Bill Savings	\$967,907	\$316,273	\$1,284,180
Net Lifecycle Bill Savings	\$96,790.70	\$31,627.31	\$128,418.01
Lifecycle Portfolio GHG Reductions (Metric Tons CO2)	2,043	1,131	3,173
Lifecycle MWh	1,610	24	1,635
Lifecycle MTherms	362	213	575

IV. Program Implementation Details

⁸ These rate increases would only last for the duration of the cost collection. This analysis assumes costs are collected over 12 months. Annual rate impacts will decrease if the expenses are incurred over multiple years. While this table only shows rate impacts for bundled customers, Direct Access and Community Choice Aggregation customers would also see a rate impact because SCE proposes to recover these costs through its Public Purpose Programs Charge rate component.

In addition to generally following the operating model set forth in the Joint TOB Proposal, with a few differences that will be worked out during contracting with the Program Implementer, SCE proposes the following design elements for SCE's proposed TOB Pilot for residential customers:

A. Customer Eligibility and Targeting

The following is a list of customer eligibility requirements for the TOB Pilot:

- Unbundled and bundled residential customers who reside in single family and multifamily residences and are in good standing with SCE.
- While the Pilot is open to residential electric customers, only those customers that demonstrate a positive bill savings analysis will be allowed to participate to ensure that Pilot participants are unlikely to be worse off than if they did not participate in the Pilot.
- Primarily geared toward high energy users that have the greatest opportunity for bill savings from more efficient EE and building electrification measures. Consistent with the Joint TOB Proposal, California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), Disadvantaged Communities Green Tariffs (DAC-GT and DAC-CSGT), and Medical Baseline (MBL) customers will not be eligible for the Pilot. However, if a customer who is not CARE, FERA, DAC-GT, DAC-CSGT or MBL at the time of Pilot participation but later enrolls or a subsequent tenant is already enrolled or later enrolls, they will be allowed to remain in the Pilot.
- Participants must be in a unit individually metered by SCE.

The terms for participation will be established in the SCE tariff (see Section V below and Attachment 1.) that will be available to eligible residential customers until the Pilot is fully subscribed or the end of the TOB Pilot offering, whichever occurs first. Pilot participants will receive a customized bill impact calculation to understand how consumption changes and behaviors will affect their overall household energy expense. To accurately capture all cost savings, Pilot participants must agree to provide both 12-month historical bill usage data (both gas and electric). Pilot participants or property owners (if different from the customer that pays the utility bills) likely will be required to make a co-payment to participate in the Pilot. These customers will be provided all necessary co-pay information prior to project approval, and customers or property owners, as applicable, may withdraw their participation until the Customer Participation Agreement is signed by the Participating Customer (customer of record) and the Property Owner Agreement is signed by the property owner, in the case that the customer of record is not the property owner.

B. Project Eligibility

The TOB Pilot will be available for the purchase and installation of approved EE and/or electrification measures that support decarbonization of regulated fuel sources and are determined to be economically viable for the customer. Projects will be analyzed by the Program Implementer using an energy and bill savings calculation to ensure the project is expected to result in cash positive outcomes for the Participating Customer. Participating Customers will be required to provide historical energy usage data for natural gas to accurately determine project economic viability. The Program Implementer will be responsible for gathering natural gas usage data.

The maximum TOB amount will be limited to 90% of the projected overall energy bill cost savings (i.e., both natural gas and electric bill). The maximum tariff recovery period will be up to 10 years or the estimated useful life (EUL) of the installed measure, whichever is less.

SCE's TOB Pilot will focus on decarbonization measures, especially building electrification combined with EE. This Pilot will initially offer five measures: heat pump water heating, heat pump space cooling/heating, duct sealing, attic insulation and smart connected thermostats. Depending on the TOB model's effectiveness during the pilot period, SCE will evaluate offering other clean energy measures.

C. Marketing and Outreach

The Pilot marketing and outreach will be performed through various channels, including the Program Implementer, participating installation contractors, SCE's website, and the CPUC website, and potentially community-based organizations. SCE will focus direct marketing to customers within the top 10 percent of highest residential energy users that may have the greatest ability to achieve higher cost savings and meet TOB project eligibility criteria, although participation will not be limited for other eligible residential customers.

D. Measurement and Verification (M&V)

SCE invites SVCE/TECH to explore as part of their field trial a combination calculated/normalized meter energy consumption (NMEC)-site specific approach to balance the accuracy versus cost of various M&V approaches. SCE proposes to work with SVCE/TECH and SCE's ultimate Program Implementer and M&V contractor to determine the final M&V protocols for the Pilot.

If SVCE does not test an NMEC-site specific approach in its field trial, SCE proposes piloting such an approach. This approach would include using a combination of CPUC-approved measure packages, CPUC's Fuel Substitution Impact Tool and customized engineering calculations to estimate the customer's annual savings for the measures installed. Subsequently, under this approach, SCE would use the first-year post-retrofit energy bills and NMEC data to verify the first-year energy savings and confirm if the first-year savings assurance was fully met.

Both the current SVCE field trial approach and the combination calculation/NMEC approach have challenges and benefits that can be fully evaluated by testing the approaches. The lessons learned by testing both approaches would help determine if a scalable TOB program could be successfully developed in California.

E. Pilot Implementation Timeline

SCE expects to make the TOB Pilot available for customers within 18 months from the date of a Commission decision authorizing SCE's TOB Pilot. The competitive solicitation process to contract with a Program Implementer typically takes between 9-12 months, and then the Program Implementer will need several months to make the Pilot available to customers. Additionally, SCE is still assessing the billing updates and IT needs for this Pilot, and any required system or billing changes must be fully implemented prior to TOB Pilot launch. Finally, SCE recommends waiting for the results of the SVCE field tests prior to launching, so that it can utilize the learnings from those field tests, particularly learnings related to M&V. SVCE expects to start field tests for proposed M&V approaches in the third quarter of 2024, with expected results in early 2026.

The learnings from the field tests are likely to be instructive for the TOB Pilot, and thus it may be prudent to wait for those results to materialize and be evaluated. As such, SCE requests that the Commission allow flexibility with regard to the TOB Pilot date to begin accepting customers. SCE proposes that the decision authorizing the TOB Pilot order SCE to submit through the advice letter process a tariff to implement the TOB Pilot at least 180 days before the TOB Pilot availability date.

V. SCE's Draft TOB Tariff

As required by D.23-08-026, SCE has included a proposed tariff to implement its TOB Pilot proposal in Attachment 1. The Tariff may require revisions based on the decision issued by the Commission. SCE proposes that it be directed to submit an advice letter and the TOB Pilot tariff which will include the tariff terms in Attachment 1 as well as any additional or different terms that may be mandated by the Commission in a final decision on the TOB Pilots.

VI. Reporting and Metrics

The Joint TOB Proposal includes the Joint Filers' proposals related to reporting and metrics for the TOB Pilots.⁹ SCE agrees with the metrics and key performance indicators (KPIs) that are included in the Joint TOB Proposal. In addition to those KPIs and metrics, SCE proposes to provide information on the number of TOB projects by building type (multifamily, single family).

VII. Difference Between SCE Proposed Pilot and Joint TOB Proposal

D.23-08-026 required the Joint Filers to explain differences among the Program Sponsors related to design choices and implementation between the Joint TOB Proposal and their proposed pilots.¹⁰ SCE is generally aligned with the operating model described in the Joint TOB Proposal. The Joint TOB Proposal envisions the Program Sponsor maintaining the equipment and providing extended warranties for the life of the equipment. Under SCE's proposal, the Property Owner would be responsible for regular maintenance and the cost of any optional extended warranty. SCE views this difference not as a disagreement, but as useful variation to allow the Joint Filers to test different aspects of the TOB model and compare the efficacy of each approach at the end of the Pilot period, particularly focused on the cost and benefits of the proposed approach.

As noted, SCE proposes the Property Owner will be responsible for the scheduled maintenance of the installed equipment. If an upgrade fails and the Property Owner is unable to provide records of completed scheduled maintenance for the time period they owned the Premises, the Property Owner will be accountable for the equipment failure and responsible for the remaining amount of the Decarbonization Charge at the time of the equipment failure. This responsibility will be clearly outlined in the Property Owner Agreement. If equipment installed under the TOB program stops working beyond repair, for reasons other than the customer's negligence or wrongdoing, or failure to maintain the equipment, SCE will no longer charge the Decarbonization Charge, which is the same as the Joint TOB Proposal.

SCE views its alternative design choice as ideal for two primary reasons: first, providing all regularly scheduled maintenance and extended warranties for a scaled program may be prohibitively expensive, and second, SCE does not believe that ratepayers should be responsible to pay for the maintenance of property that is owned by the Property Owner. SCE does recognize that relying on the Property Owner to perform regularly scheduled maintenance could present challenges, which is why SCE is proposing to test this feature in a small-scale pilot.

⁹ Joint TOB Proposal, Section 5.

¹⁰ D.23-08-026, p. 81.

VIII. CPUC Requested Action

In addition to the findings and orders requested in Section 7 of the Joint File Proposal, below are the conclusions and orders SCE requests in order to implement its TOB Pilot proposal.

Proposed Conclusions

- It is reasonable to approve SCE's Pilot for a two-year implementation period as proposed herein and begin offering TOB to customers within 18 months of this decision.
- It is reasonable to approve SCE's proposed \$7,190,000 budget for the TOB Pilot and to allow SCE to shift funds among budget categories to meet Pilot objectives.
- It is reasonable to authorize the recovery of SCE's TOB Pilot costs from the Public Purpose Programs Adjustment Mechanism.
- Grant other such relief as the Commission may deem necessary.

Proposed Orders

- SCE is authorized to establish the necessary balancing accounts to record, track and recover TOB Pilot costs with transfers to and from the Public Purpose Programs Adjustment Mechanism.
- SCE is authorized to establish a new TOB tariff, through an advice letter filed at least 180 days before Pilot availability, that is substantially similar to the tariff in SCE's TOB Pilot proposal.

Attachment 1: SCE Draft TOB Tariff

APPLICABILITY

The Tariff On-Bill (TOB) Pilot is an optional pilot program for eligible residential Customers receiving service under Schedules D or TOU-D who have had or will have Clean Energy Measures or equipment (CEMs) installed at the Premises pursuant to SCE's TOB Pilot. To be eligible, the Customer's account shall be current and not on an active installment payment plan. Customers enrolled in the CARE, FERA, Disadvantaged Communities Green Tariff, or Medical Baseline programs are not eligible for this Pilot.

TERRITORY

Within SCE's entire service territory.

RATES

The rates as applicable under the Customer's Otherwise Applicable Tariff shall apply, except the Customer's bill shall include a Decarbonization Charge¹¹ for each Billing Period.

SPECIAL CONDITIONS

- I. SCE will recover the costs for the CEM investments through a Decarbonization Charge each billing period on the bill at the Premises where Clean Energy Measures are installed. The Decarbonization Charge will be paid by the Customer of record receiving service at the Premises until the predetermined CEM Costs have been recovered. Once the CEM Costs are recovered, the Decarbonization Charge shall be removed from the Customer's bill. The expected duration of the Decarbonization Charge will be the lesser of 120 installments or the estimated useful life of the CEM, which may be modified in accordance with other provisions of this Tariff. The Decarbonization Charge will be included in the Customer's bill within one to two billing cycles after SCE confirms the CEMs are installed and operating.
- II. The following documents are required for enrollment in the TOB Pilot:
 - **Customer Participation Agreement:** Participating Customers must execute a Participation Agreement with SCE or its agent which specifies the terms and conditions of the TOB Pilot, including the participating Customer's authorization for SCE to place a Decarbonization Charge on the bill at the meter for SCE to recover the CEM investment.
 - **Estimate of Savings Form:** Participating Customers and property owners must sign confirmation of the estimated site-specific savings, estimated gas and electric bill impacts, and any co-payment or cost share.
 - **Bill Payment History:** Participating Customers must sign an "Authorization to Receive Customer Information or Act Upon a Customer's Behalf" form (Form 14-796) to provide SCE and its agents authorization to access customer billing information and any other relevant customer specific data required by the Program Sponsor.
 - **Customer Information Release:** Customers must sign a "TOB Program Authorization or Revocation of Authorization to Release Customer Information" form (Form 185-2000) to

¹¹ As stated in the Joint TOB Proposal, SCE reserves the right to modify the name of the charge in the final tariff and on marketing materials and the customers' bills. Joint TOB Proposal, at p. 12.

provide SCE and its agents authorization to access customer gas usage data which is necessary to implement this program. The gas usage data will be obtained from the Customer's gas utility.

- III. The Decarbonization Charge will be considered as part of the Domestic Service provided to the current Customer at the Premises. If there is no Customer taking Domestic Service at the Premises, the Decarbonization Charge will not be charged during any period in which Domestic Service at the Premises is not active. Any suspension of the Decarbonization Charge due to vacancy may cause the Decarbonization Charge to remain on the Customer bill for a commensurate additional period of time.
- IV. The Decarbonization Charge may be suspended by SCE during a period in which one or more CEMs are non-functional and require repair or replacement, pursuant to the terms and conditions of the Customer Participation Agreement.
- V. The Decarbonization Charge may not increase during the term, but SCE may decrease the Decarbonization Charge, based on the terms and conditions of the Customer Participation Agreement.
- VI. Accelerated Payment: Payment of the Decarbonization Charge can be paid monthly or in one lump sum, but otherwise accelerated payments will not be accepted.
- VII. All CEMs must be installed by fully licensed contractors that have been approved by SCE or its agent.
- VIII. For tenant-occupied Premises, the Property Owner will be required to pay a cost share for certain CEMs (i.e., heat pumps and heat pump water heaters) subject to calculation methods specified in the Property Owner Agreement.
- IX. A successor Customer on the Premises will be billed the Decarbonization Charge as part of its Domestic Service until the CEM Cost is recovered.
- X. The TOB Pilot program is subject to SCE's rules, regulations, and tariffs, as well as the applicable laws and regulations of the Commission and any other applicable state and federal authorities.
- XI. Additional Definitions.

Capitalized terms used herein that are not specifically defined have the meaning set forth in SCE's Rule 1.

Clean Energy Measures (CEMs): The clean energy technologies eligible for the TOB Pilot include but are not limited to, heat pump water heating, heat pump space cooling/heating, duct sealing, attic insulation and smart connected thermostats. SCE may modify the eligible CEMs at its discretion, consistent with Commission orders or direction, at any time.

CEM Cost: The pre-determined cost of the TOB investment amount that will be recovered through the Decarbonization Charge. The CEM Cost will be calculated as the net cost of the CEMs, after taking into account all incentives, rebates, and co-payments or cost shares.

Participating Customer: The person in whose name service is rendered, as further described in the definition of “Customer” in SCE’s Rule 1.

Customer Participation Agreement: The agreement between SCE or its agent with the Customer that receives and pays for SCE service that authorizes SCE to place the Decarbonization Charge placed on the Customer’s electric bill and agrees to all other terms and conditions of the TOB Pilot.

Property Owner Agreement: The agreement between SCE or its agent with the person or entity that owns the property at the Premises, and, if different from the Participating Customer, among other things, agree to: (1) pay any required cost shares and/or co-payments;¹² (2) certain renter protections (if applicable); (3) provide notice to any Successor Customer in advance of a lease or sale of the Premises; and (4) have the Decarbonization Charge attached to the meter at the Premises. The Property Owner Agreement may be part of the Customer Participation Agreement.

Successor Customer(s): A Customer(s) who takes electric service at the Premises at any time after the Participating Customer no longer receives electric service at the Premises and before the Decarbonization Charge is fully recovered.

¹² As used herein, a “cost share” is a Landlord’s payment of “like-for-like” replacement costs for upgrades that the Landlord is required to pay for as the Property Owner. A “co-payment” is the amount that needs to be paid upfront so that, after other rebates and incentives are accounted for, the project cost that will be recovered through the Decarbonization Charge is low enough to meet the cost requirements set out herein.