



Phased-In Default Time-of-Use Rates for Residential Customers

Presentation to CPUC and Parties

R.12-06-016

March 7, 2017

Agenda

- Today's Objectives
- Rate Reform Implementation Background
- SCE's Commitment to Default TOU for Residential Customers
- Background on Customer Service Re-Platform Project
- Proposal for Rolling TOU Implementation Plan
- Adjustments to ME&O Plan
- TOU Implementation Filing

Today's Objective

Provide the CPUC and Parties with SCE's proposed approach for implementing a phase-in of default time-of-use ("TOU") for residential customers, and obtain feedback on our proposal.

- Successful implementation of residential default TOU is a priority.
- SCE must align TOU implementation with proposed Customer Service Re-platform Project ("CSRP").
- CSRP is pending in SCE's General Rate Case ("GRC") Phase 1 (A.16-09-001) and requires a proposed "system freeze" in 2019.

Rate Reform Implementation Background

- D.15-07-001 ordered the large Investor-Owned Utilities (“IOUs”) to prepare to default most residential customers to TOU.
- IOUs required to provide large-scale implementation plans in January 2018 Rate Design Window filings.
- TOU Working Group agreed to a 12-month rolling default transition period beginning in March 2019.

SCE is Committed to Successful Implementation of Residential TOU

- In 2014, the CPUC approved updated optional residential TOU rate schedules for SCE.
 - Moved the on-peak period to later in the day (2pm – 8pm)
 - Designed options to best meet customers' needs
- Launched online bill comparison tool in June 2016.
- In January, SCE implemented 2017 glidepath requirements for two tiers and the High Usage Charge ("HUC").
 - HUC communications temporarily paused to address negative customer feedback
- We continue to actively engage with Working Groups and share research with CPUC and Working Groups.
- SCE is leading RFPs in this proceeding and providing transparent, expedient processes to onboard resources.



Background on CSRP

Lorene Miller

Director, IT Business Integration & Delivery

SCE Must Also Prioritize Implementation of our Customer Service Re-platform Project

- CSRP pending in SCE's GRC Phase 1 (A.16-09-001)
- Proposal addresses technology obsolescence and risk
 - Aging technology
 - High operating costs
 - Limited agility for future
- Improve core Customer Service functions
 - Customer Care
 - Billing and Payment
 - Credits and Collection



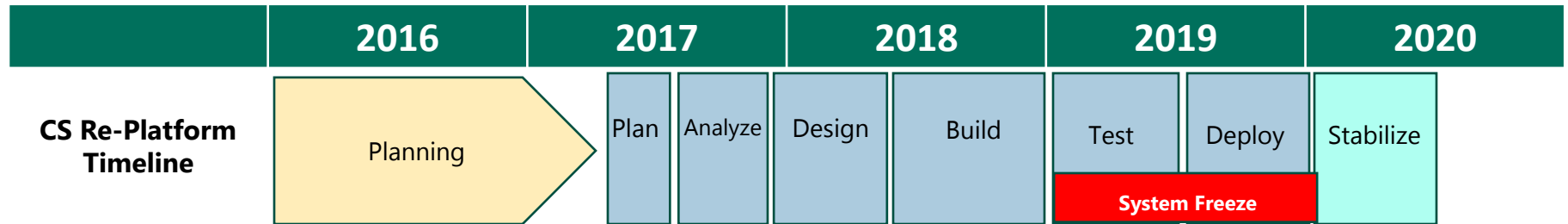
Replace Mainframe and Related Systems



Upgrade Customer Relationship and Billing Systems

SCE cannot delay implementing CSRP; obsolescence is impacting our business now and will only get worse

CSRP Involves a “System Freeze” in 2019 Before Going Live in 2020



- Implementing TOU Transition during the CSRP system freeze introduces **significant risk** to successful implementation of both initiatives.
- SCE carefully considered TOU and CSRP project schedules and associated risks, including alternative implementation options.
 - Alternate TOU transition timeframes
 - CSRP schedule changes
- Our objective is to **reduce risks of potential billing system issues** and help **ensure a timely and successful launch of default TOU.**



Proposal for Rolling TOU Implementation Plan

Brandi Anderson

Principal Manager, Product Management

SCE's Residential TOU Implementation Proposal

- Increase default pilot size from 200k to 400k customers (starting March '18)
 - Pilot addresses all segments of the population across the service territory.
 - Stress test process and operations.
 - Develop insights on transition messaging, communication channels and rates in early 2018.
- Two waves of implementation
 - **Wave 1 (Q4 2018 -Q1 2019):** TOU transition for non-CARE residential customer segments in cool/moderate climate zones (~1.6M "non-Section 745" customers).
 - **Wave 2 (Q3/Q4 2020):** TOU transition of all customer groups (as to-be-defined by the Commission following Section 745 analysis).

Key Enablers to Successfully Implement Modified TOU Plans

Efforts are in-flight to plan for and execute a successful TOU roll-out.

Marketing, Education and Outreach

Technology

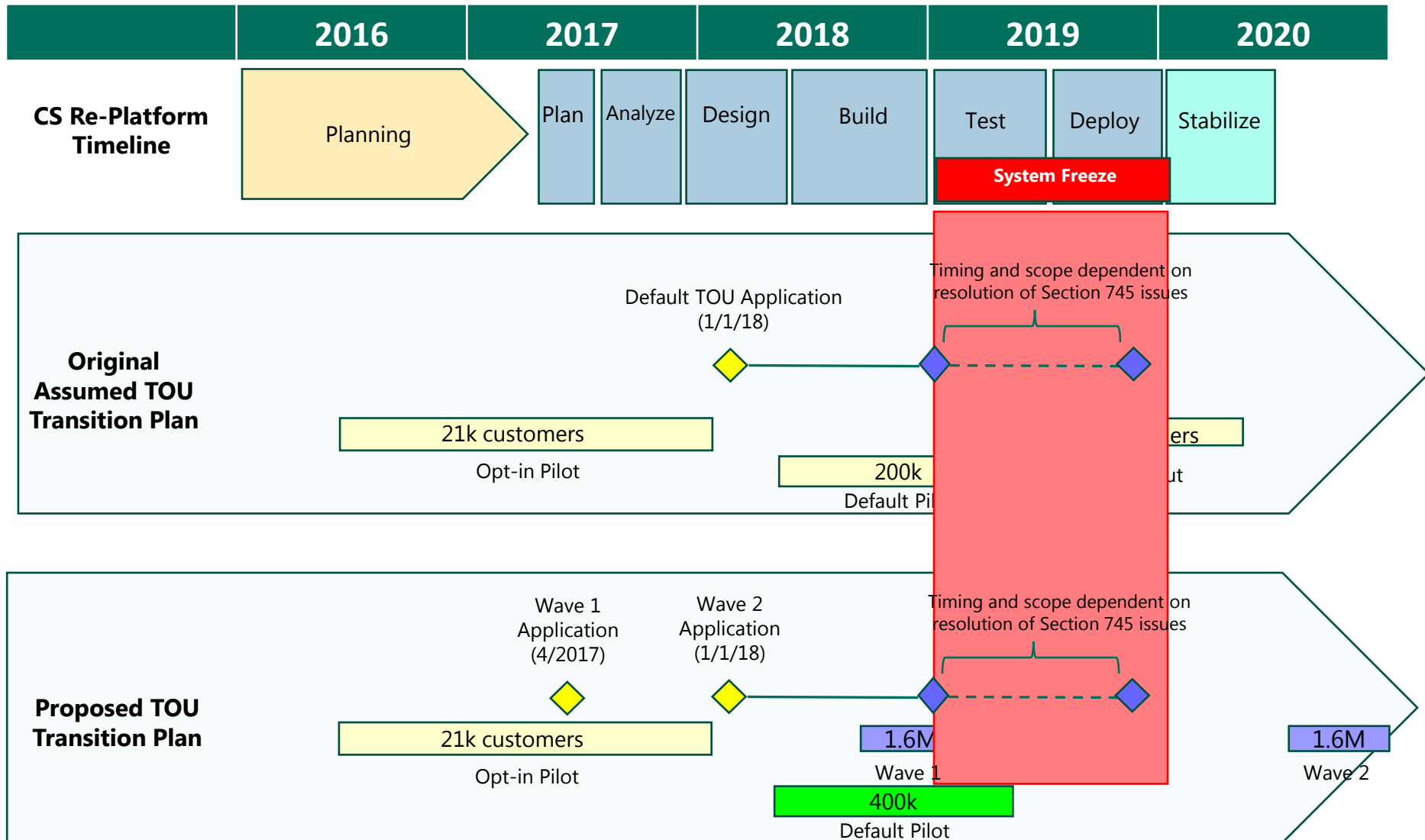
Operational Readiness and Support

TOU Rate Design

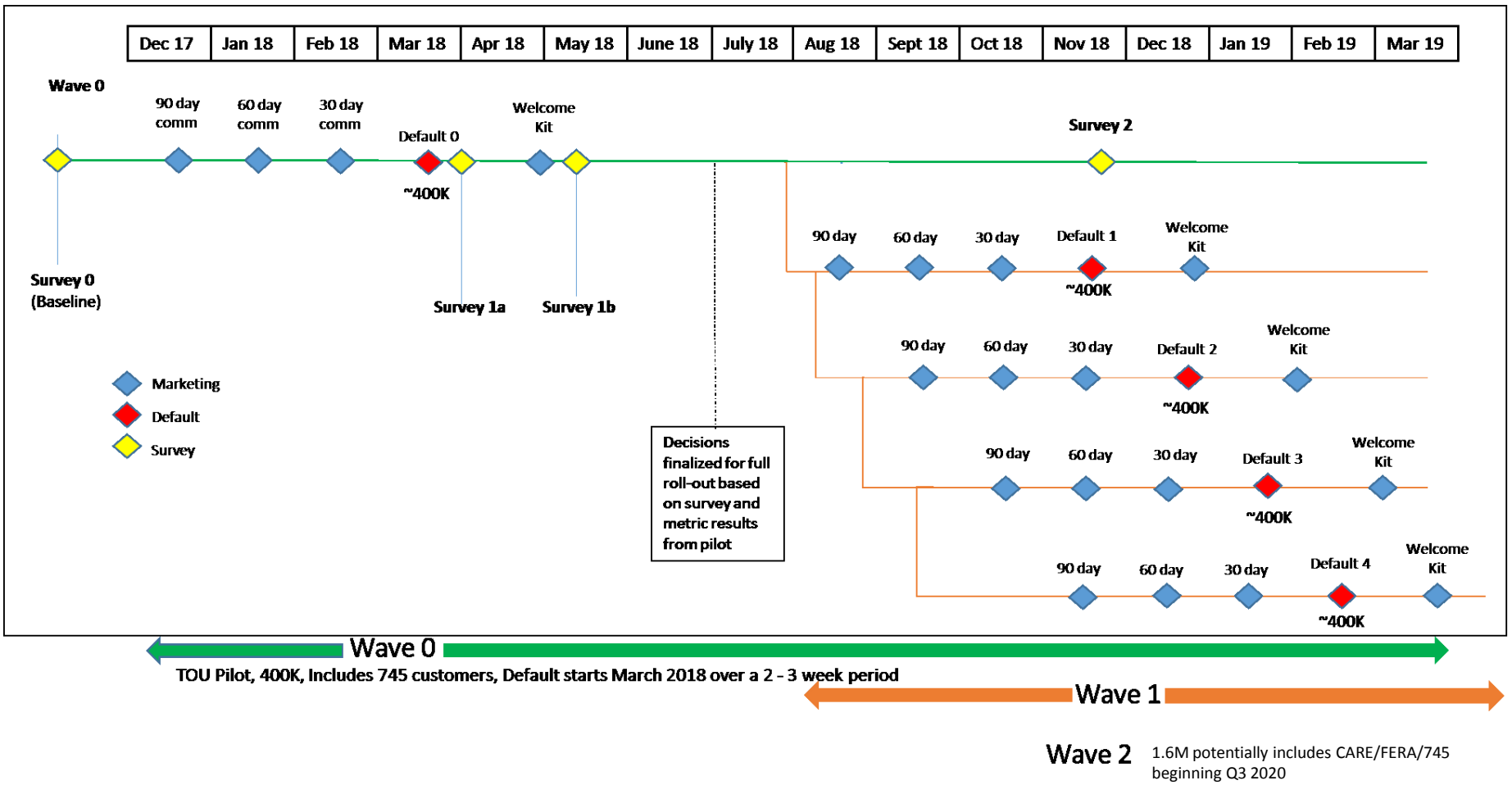
Metrics will be used to monitor effectiveness

Robust risk-mitigation plans will be prepared

Modified TOU Transition Timeline Aligns with CSRP Timeline and Mitigates Risks



TOU Transition - Detailed Timeline for Pilot and Wave 1



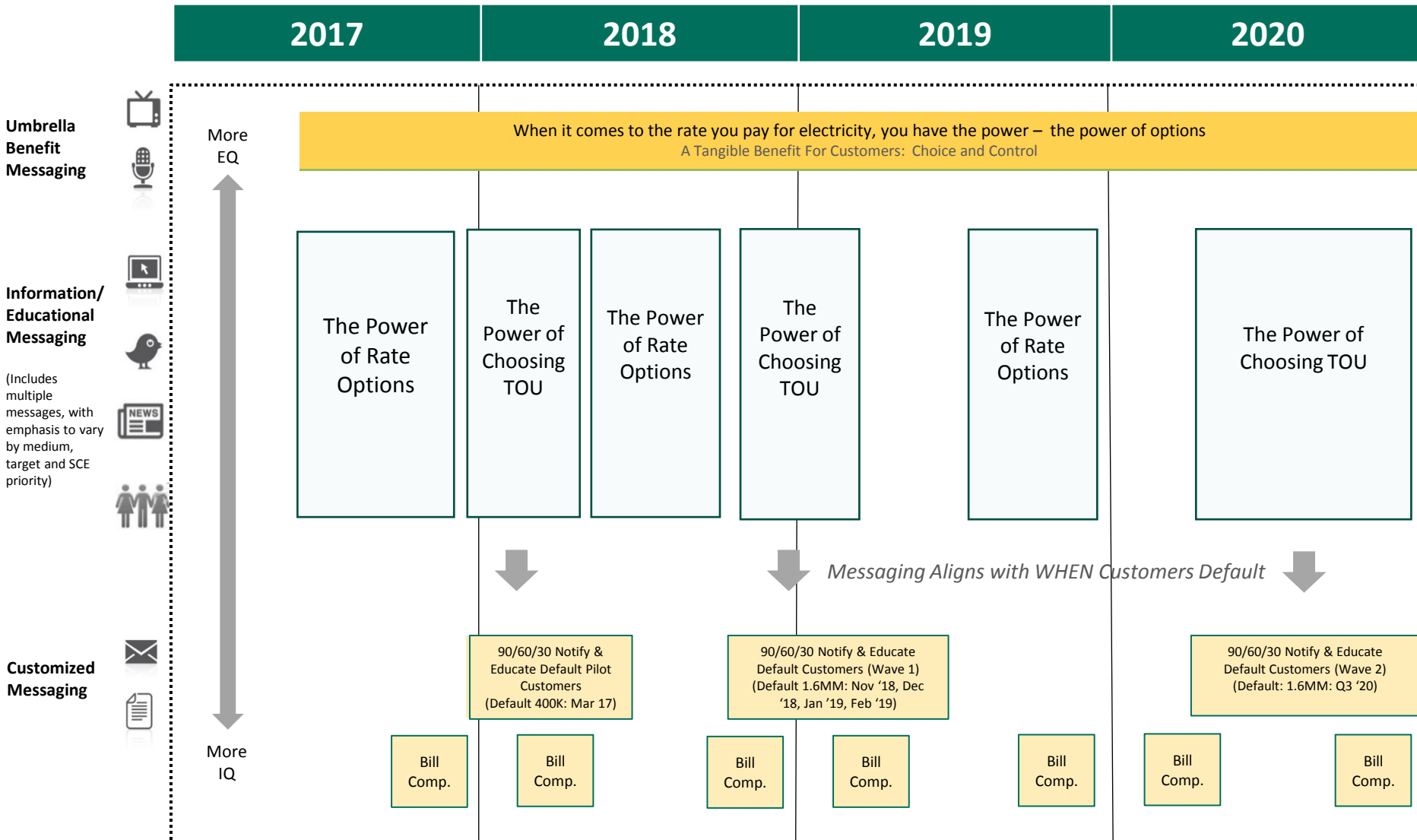


Adjustments to ME&O Plan

Brian Kopec

Senior Project Manager, Residential Marketing

Snapshot of Marketing, Education & Outreach



Note: Messaging, communications channels and timing may change based on add'l research and budget.



TOU Implementation Filing

Andre Ramirez

Principal Advisor, Regulatory Affairs

Application for Wave 1 Customers

- In April, seek CPUC approval of Wave 1 transition by Q1 2018.
- Will seek approval of two TOU rate structures, with the understanding that one will prevail (upon learnings from pilot).
 - Actual default rate will be proposed in a Tier 1 compliance filing after resolution of application and findings of default pilot (~ Summer 2018).
- Continue to use January 2018 RDW application to propose migration plan for Section 745 customers.

Proposed Wave 1 Application

Application Will Include

- Process for determining default TOU rate and messaging based on March Default Pilot
- Rate impacts under both default rates.
- Proposal for bill protection.
- Potential proposal for existing optional TOU rates
- CS support mechanisms (e.g., call center, sce.com, etc.)
- Proposal for Tier 1 AL in mid-2018 to confirm default rate and marketing details based on March Default Pilot
- Cost recovery proposal

Application Won't Include

- Final default rate for selected customers to be defaulted
- Marketing methods and messaging based on March Default Pilot results
- Opt-in Pilot final results (will not be available)