PRELIMINARY STATEMENTS
PUBLIC PURPOSE PROGRAM ADJUSTMENT MECHANISIM

K. PUBLIC PURPOSE PROGRAM ADJUSTMENT MECHANISIM (T)

Bear Valley Electric Service, Inc. ("BVES") shall maintain the Public Purpose Program Adjustment Mechanism ("PPPAM") as follows.

1. Purpose: The purpose of the PPPAM is to specify the budgets and revenue requirement levels for each public purpose program identified below ("Public Purpose Programs"); to establish the Public Purpose Program Surcharge ("PPP Surcharge") levels; and to specify the allocation factor for each Public Purpose Program to be used to allocate the monthly funds produced by the PPP Surcharges (net of Franchise Fees and Uncollectibles) to each Public Purpose Program as authorized by the Commission.

2. Applicability: The PPPAM is not a rate; it identifies the rate levels and percentages for determining the amount of total unbundled revenue to be allocated to each Public Purpose Program's balancing account. The PPP Surcharge shall apply to each utility rate schedule, except as otherwise provided in the Preliminary Statements.

3. Definitions:
   a. Effective Date: The PPPAM shall be effective on April 1, 2009.
   b. FF&U: The applicable Franchise Fee and Uncollectible ("FF&U") percentages will be those specified in the Commission's decision in BVES' most recent General Rate Case or applicable proceeding.
   c. Public Purpose Programs: The Public Purpose Programs covered by the PPPAM include:
      1) CARE: California Alternative Rates for Energy.
      2) LIEE: Low Income Energy Efficiency.
      3) CEC-RD&D: Program: CEC's Research, Development & Demonstration
      4) CEC-Renewables: Program, CEC's Based Renewables.

   (D)

   d. Revenue Requirement: The revenue requirement associated with a specific Public Purpose Program includes the sum of all budgeted expenses adopted by the Commission associated with the Public Purpose Program, including discounts to the otherwise applicable tariff. Budgeted expenses can include mandated contributions to an agency; an allocation of BVES administrative & general expenses; and direct labor costs incurred by BVES in executing the Public Purpose Program consistent with guidelines authorized by the Commission. Such direct Program costs may consist of discounts, incentives, grants, or loans to customers as authorized by the Commission. In addition, the revenue requirement may include an amount equal to an over-collection or under-collection of the balancing account associated with a specific Public Purpose Program.

   e. Total PPP Revenue Requirement: The authorized Total PPP Revenue Requirement shall be the sum of Revenue Requirements associated with each of the Public Purpose Programs, including both Public Goods Programs (legislatively mandated), under- or over-collection amounts in the balancing accounts of the Public Purpose Programs from a previous period, applicable FF&U costs and all other Commission-authorized Public Purpose Programs costs. The Commission may change the Total PPP Revenue Requirement without changing the associated PPP Surcharges or the PPP Allocation Factors (see definitions below).

(Continued)

PRELIMINARY STATEMENTS

K. PUBLIC PURPOSE PROGRAM ADJUSTMENT MECHANISM (continued) (N)

f. Public Purpose Program Surcharge (PPP Surcharge): The PPP Surcharge, expressed on a $/kWh basis, is used to recover the Total PPP Revenue Requirement. The PPP Surcharge will be divided into two separate surcharges and applied to two groups of customers as follows:

1) The PPP Surcharge applicable to low income customers (CARE) will be the PPC-LI Surcharge.

2) The PPP Surcharge applicable to other than low income customers will be the PPC-OLI Surcharge.

The PPC-LI Surcharge and the PPC-OLI Surcharge will be computed by taking the sum of the Revenue Requirements applicable to each of the two groups of customers above and dividing each such sum by the corresponding sales forecast adopted by the Commission for each of the two groups of customers. However, the Commission may choose to increase or decrease the Total PPP Revenue Requirement without changing the PPC-LI Surcharge or the PPC-OLI Surcharge. (N)

g. Net PPPAM Revenue: The Net PPPAM Revenue is the revenue produced by the PPC-LI Surcharge and the PPC-OLI Surcharge, net of FF&U (as designated in the appropriate section of this Preliminary Statement), the allocation of which becomes the funds that are credited to the balancing account for each Public Purpose Program.

h. Public Purpose Program (PPP) Allocation Factor: The Public Purpose Program Allocation Factor is the percentage of Net PPPAM Revenue that is attributed to each Public Purpose Program. The sum of all such PPP Allocation Factors for each of the PPC-LI Surcharge revenues and the PPC-OLI Surcharge revenues must add to 100%. The Public Purpose Program Allocation Factors may be changed at the time of BVES' annual review and may or may not be accompanied by a change in the PPC-LI Surcharge or the PPC-OLI Surcharge.

4. Annual PPPAM Review: Each year by April 1, BVES shall review all Public Purpose Programs, and if deemed necessary, BVES may make appropriate changes to Public Purpose Program budgets, Public Purpose Program Allocation Factors, the PPC-LI Surcharge and the PPC-OLI Surcharge associated with the PPPAM using the procedure outlined in section 6 below. BVES may also provide:

a. A proposal for an update of the Total PPP Revenue Requirement and PPP Surcharges if there is a need to achieve a closer balance between Net PPPAM Revenues and Total PPP Revenue Requirement.

b. An update of the Public Purpose Program Allocation Factors at any time it is deemed necessary.

5. PPPAM Program Budgets, Revenue Requirement and Allocation Factors: The following are the current adopted budgets, total revenue requirement levels and allocation factors applicable to each Public Purpose Program authorized by the Commission, including the last authorized FF&U factors: (N)

(Continued)

PRELIMINARY STATEMENTS
PUBLIC PURPOSE PROGRAM ADJUSTMENT MECHANISIM

K. **PUBLIC PURPOSE PROGRAM ADJUSTMENT MECHANISM (continued)**

PPPAM Table of Total PPP Revenue Requirements and Allocation Factors (C)

Element or Component	TOTAL PPP RevReq	CARE	ESA**	CEC-R&D	CEC-Renew***
Authorized Budget or Discount	$560,705.00	$354,195.00	$123,350.00	$56,000.00	$27,160.00
Balancing Account Amortization	($135,177.69)	$27,167.07	($185,977.59)	$14,212.30	$9,420.53
FF&U	$3,958.68	$4,736.52	($777.83)	N/A	N/A
Total Revenue Requirement	$429,485.99	$386,098.59	($63,405.42)	$70,212.30	$36,580.53
PPC-LI Surchage ($/kWh)	$0.00032	N/A	($0.00047)	$0.00052	$0.00027
PPC-LI Surchage Allocation factor %	100.0000%	N/A	-146.8750%	162.5000%	84.3750%
PPC-OLI Surchage ($/kWh)	$0.00333	$0.00301	($0.00047)	$0.00052	$0.00027
PPC-OLI Surchage Allocation factor %	100.0000%	90.3904%	-14.1141%	15.6156%	8.1081%

(C)

* Authorized in last general rate case
** D.21-10-023
*** E-4160
N/A Indicates "not applicable"

Other public purpose program surcharge: none

6. Accounting Procedure: BVES shall maintain the table above to specify the latest authorized Total PPP Revenue Requirement levels and Allocation Factors for each Public Purpose Program. The Allocation Factors in the table shall be used to allocate the Net PPPAM Revenue with respect to the applicable PPP Surcharge to each Public Purpose Program's balancing account. The accounting procedure used each month as follows:

a. Each month the Net PPPAM Revenue resulting from the application of the PPC-LI Surcharge shall be allocated to the Public Purpose Programs based upon the PPC-LI Surcharge Allocation Factors above and that amount will become the funds to be credited to the appropriate Public Purpose Program balancing account associated with the PPC-LI Surcharge.

b. Each month the Net PPPAM Revenue resulting from the application of the PPC-OLI Surcharge shall be allocated to the Public Purpose Programs based upon the PPC-OLI Surcharge Allocation Factors above and that amount will become the funds to be credited to the appropriate Public Purpose Program balancing account associated with the PPC-OLI Surcharge.

c. BVES may submit by advice letter updates, changes and modifications to the Public Purpose Program budgets, Public Purpose Program Allocation Factors, the PPC-LI Surcharge and the PPC-OLI Surcharge.

d. If BVES proposes no updates, changes or modifications to the Public Purpose Program budgets, Public Purpose Program Allocation Factors, the PPC-LI Surcharge or the PPC-OLI Surcharge, BVES will take no action.