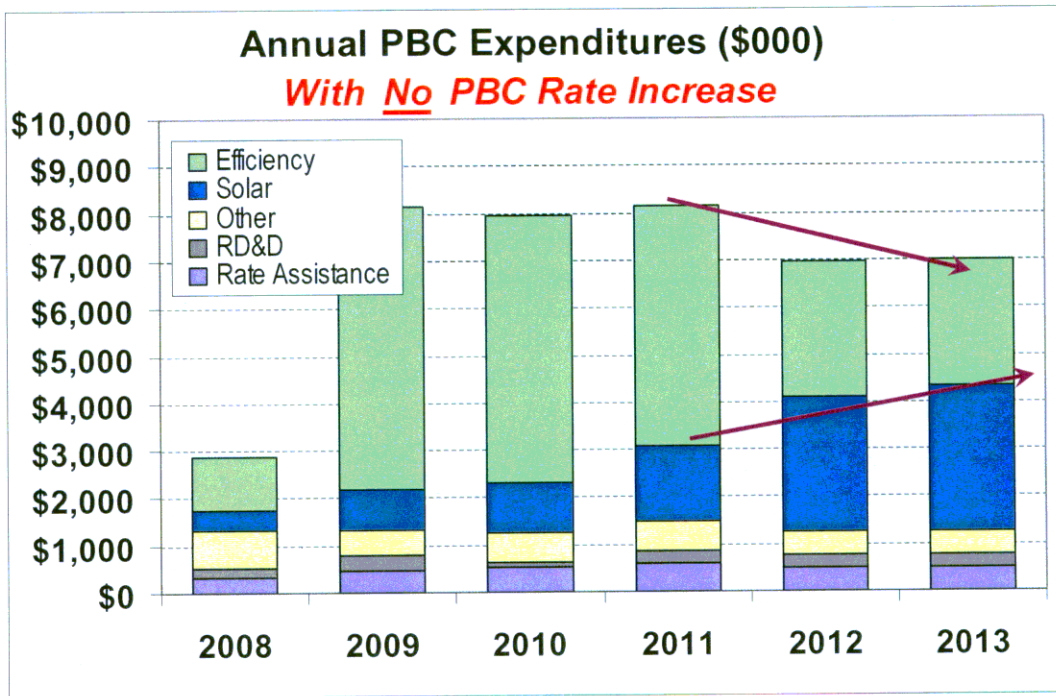


purposes as authorized under Public Utilities Code 385(a). At the end of each fiscal year, any remaining unspent revenues are carried forward to the next fiscal year. The PBC revenues are the sole source of funding for PWP's energy efficiency and solar energy incentive programs. The current PBC rate of 0.573¢/kWh generates approximately \$7 million in revenues per year and costs the average residential customer using 500 kWh of electricity \$2.87 per month.

Currently, approximately \$6 million of PBC funds are available for energy efficiency due to relatively low expenditures for the solar photovoltaic program and residual unspent PBC Fund balance from prior years. As show in the figure below, however, the amount of PBC funds available for energy efficiency will start to decline in FY012 as a result of increasing solar program expenses and exhausting the PBC Fund balance from prior years.



PWP can achieve the proposed energy efficiency goals for FY2011 without increasing PBC revenues. However, due to increased energy efficiency and solar photovoltaic program costs, a PBC rate increase of 0.1-0.2¢/kWh (neglecting any unforeseen increases in solar, low income, or research and development program expenditures) would be required by July 1, 2011 to provide sufficient funding to meet anticipated PBC program goals and commitments for fiscal years 2012 and 2013. An additional PBC rate increase of 0.1-0.2¢/kWh would likely be required in FY2014 to fund the increased goals for fiscal years 2014 to 2020. Staff will review the program in one year and make recommendations to Council regarding the PBC budget and rate needed to achieve FY2012 efficiency goals.