



PRELIMINARY STATEMENT

Sheet 1

III. MEMORANDUM ACCOUNTS

ADVANCED METERING AND DEMAND RESPONSE MEMORANDUM ACCOUNT (AMDRMA)

1. Purpose

The purpose of the Advanced Metering and Demand Response Memorandum Account (AMDRMA) is to record and recover the incremental, one-time set-up and on-going Operating and Maintenance (O&M) and Administrative and General (A&G) expenses incurred to develop and implement, or in reasonable anticipation of implementing, the demand response programs adopted in Phase I of the Advanced Metering, Demand Response, and Dynamic Pricing Proceeding, pursuant to Ordering Paragraph 8 of Decision (D.) 03-03-036. Furthermore, D.03-06-032, Ordering Paragraph 22, adopts the same cost recovery mechanism as defined in D.03-03-036 for large commercial and industrial customer demand response programs. Pursuant to D.04-01-012 and D.05-07-011, the AMDRMA will also record the Statewide Pricing Pilot (SPP) 2004 and 2005 activities, and the administrative costs associated with Phase 2 of Rulemaking (R.) 02-06-001. Pursuant to D.05-01-056, additional demand response programs are approved for implementation and authorized for recovery in the AMDRMA. D.05-04-053 addressed Critical Peak Pricing programs and authorized recovery of 20/20 programs for customers over 200 kW.

Pursuant to D.06-03-024, approved 2006-2008 demand response program expenses will be recorded to the AMDRMA, including residential demand response programs and electric resource contract costs formerly recorded to the Residential Demand Responsiveness Program Memorandum Account and the Interruptible Load and Rotating Outage Programs Memorandum Account. The AMDRMA also records the costs associated with the On-Bill Financing (OBF) Program adopted in Decision 05-09-043.

2. Applicability

The AMDRMA applies to all customer classes, except for those specifically excluded by the Commission.

3. Revisions

The revision dates applicable to the AMDRMA shall be upon approval of the annual advice letter referenced below or as otherwise ordered by the Commission.

4. Rates

The current AMDRMA does not have a rate component.

5. Accounting Procedure

The Utility shall maintain the AMDRMA by making entries to this account at the end of each month as follows:

- a. An entry equal to the UDC's incremental one-time "set up" and on-going O&M and A&G expenses, incurred to develop and implement, or incurred in reasonable anticipation of implementation. The expenses shall also include applicable capital-related costs, including depreciation, return on investment and related taxes. The AMDRMA shall include the following programs as directed in R. 02-06-001, D.03-06-032: (1) the SPP for small customers (residential and commercial, under 200 kW), and (2) demand response tariffs and programs for large customers (greater than or equal to 100 kW).

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PRELIMINARY STATEMENT

III. MEMORANDUM ACCOUNTS

ADVANCED METERING AND DEMAND RESPONSE MEMORANDUM ACCOUNT (AMDRMA)

5. Accounting Procedure (Continued)

b. An entry equal to the SPP program costs defined in D.03-03-036, D.04-01-012 and D.05-07-011 which include, but are not restricted to, the following:

- Market research prerequisite to SPP implementation;
- Development of rate, information, and technology treatments for various SPP cells;
- Sample design for various SPP cells;
- Miscellaneous pilot design refinement and implementation activities;
- Incremental activities in 2004 and 2005 as described in D.04-01-012, D.05-04-053, and D.05-07-011 which include (1) Automated Demand Response System Pilot and Enabling Technologies, (2) CPP-V Track A/Enhanced Website Information, (3) Additional Pilot Evaluation and Customer Research Activities and (4) Information Display Pilot (IDP).

c. An entry equal to expenditures for large customer (greater than or equal to 100 kW) demand response tariffs and programs, as described in Attachment B of D.03-06-032, D.04-01-012, Resolution E-3886 and D.05-01-056, including all program administration costs (O&M and A&G), enrollment and customer educational material, billing and customer information systems development costs, program measurement and evaluation costs, capital costs and transitional incentive costs. The AMDRMA shall include a specific entry for UDC's expenses incurred to develop, implement and evaluate, or incurred in a reasonable anticipation of implementation of the following large customer programs:

- California Power Authority's Call Option Demand Reserve Partnership
- California Power Authority's Non-spinning Reserve Ancillary Services Demand Reserve Partnership
- California Power Authority's Supplemental Energy Demand Reserve Partnership
- Critical Peak Pricing
- Demand Bidding Program
- Two-part Real Time Pricing
- Real Time Pricing
- Ongoing implementation issues
- Flex Your Power NOW

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Advice Ltr. No. 1820-E

Decision No. _____

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Aug 15, 2006

Effective Sep 14, 2006

Resolution No. _____

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PRELIMINARY STATEMENT

III. MEMORANDUM ACCOUNTS

ADVANCED METERING AND DEMAND RESPONSE MEMORANDUM ACCOUNT (AMDRMA)

5. Accounting Procedure (Continued)

d. An entry equal to UDC's incremental O&M and A&G expenses, including costs of consultants and internal staff, incurred in (1) developing an advanced metering infrastructure (AMI) business case analysis as contemplated by the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase 2) and the February 19, 2004 Joint Assigned Commissioner and Administrative Law Judge's Ruling issued in R.02-06-001, and subsequent workshops facilitated by CPUC and CEC staff, and (2) pre-planning evaluation and assessment activities carried out in reasonable anticipation of deployment of AMI systems under the time frame in the proposed schedule discussed by the CPUC & CEC staff in the workshops held in R.02-06-001 on March 29 and 30, 2004, including, without limitation:

- All incremental costs reasonably necessary for the development of an AMI business case analysis such as:
- Assessment of technical and functional requirements for AMI and demand response rates such as: metering, communication, integration with existing utility systems, customer service, rate support and deployment.
- Evaluation of AMI hardware and software technology options such as: RFI/RFP issuance and analysis, sample testing and evaluation, integration with existing utility hardware and software technology.
- Estimation of projected utility operational costs and benefits associated with deployment of AMI and demand response rates.
- Valuation of benefits associated with demand response rates.
- Participation in workshops associated with AMI analysis and deployment.

e. An entry equal to expenditures for demand response programs, as approved in D.05-01-056, D.05-04-053, and D.06-03-024, including all program O&M, M&E, and capacity incentive costs. An entry shall include capital costs incurred including depreciation, return on investment, and related taxes. The AMDRMA shall include UDC's expenses incurred to develop, implement and evaluate, or incurred in a reasonable anticipation of implementation of the following customer programs:

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PRELIMINARY STATEMENT

Sheet 4

III. MEMORANDUM ACCOUNTS

ADVANCED METERING AND DEMAND RESPONSE MEMORANDUM ACCOUNT (AMDRMA)

5. Accounting Procedure (Continued)

e. (Continued)

- 20/20 Program for C&I Customers between 20 and 300 kW including Direct Access Customer Incentives as provided for in D.05-01-056
- 20/20 Program for C&I Customers greater than 200 kW
- Base Interruptible Program
- Technical and Technology Assistance Programs
- Community Partnership Program
- Emerging Markets
- Circuit Saver Program
- Demand Bidding Program
- Demand Bidding-Emergency
- Rolling Blackout Reduction Program
- CPA Demand Reserve Partnership
- Customer Education, Awareness and Outreach
- Residential Smart Thermostat Pricing Program
- Emergency Critical Peak Pricing (CPP-E)
- Voluntary Critical Peak Pricing (CPP-V)
- Flex Your Power Now (FYPN)
- Statewide Pricing Pilot Program (SPP)
- Automated Demand Response System (ADRS)
- Capacity Bidding Program
- Participating Load Pilot
- Other programs and activities as outlined in D. 06-03-024, including On-Bill Financing, Competitive Bid, Cost Benefit Framework, Annual Report, Market Research, and IT

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Advice Ltr. No. 2076-E-A

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Jun 10, 2009

Effective Jun 16, 2009

Resolution No. _____



PRELIMINARY STATEMENT

Sheet 5

III. MEMORANDUM ACCOUNTS

ADVANCED METERING AND DEMAND RESPONSE MEMORANDUM ACCOUNT (AMDRMA)

5. Accounting Procedure (Continued)

- f. An entry equal to O&M and capital-related expenses incurred by the Utility for electric resource contracts costs, including applicable incentive payments as authorized in D.04-06-011 and D.06-03-024. This includes contracts with Comverge and Celerity as approved by D.04-06-011.
- g. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entries in a thru e at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.
- h. An entry equal to the cost of funds calculated at the utilities' weighted average cost of capital rate of 8.43% on the average monthly balance of net funds loaned for the On-Bill Finance (OBF) Program pursuant to D.05-09-043.
- i. An entry equal to the actual cost of defaults associated with the OBF program pursuant to D.05-09-043.

6. Disposition

At the end of each year, the balance in the AMDRMA shall be transferred to the Rewards and Penalties Balancing Account (RPBA), or another balancing account as may be directed by the Commission for future rate recovery. For the RPBA, the Utility will file an advice letter to make this change in October of each year, with rates effective the following January 1st. The October filing will also request rate recovery of the un-depreciated capital additions through an increase to SDG&E's revenue requirement.

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Advice Ltr. No. 1820-E

Decision No. _____

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Aug 15, 2006

Effective Sep 14, 2006

Resolution No. _____

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