



PRELIMINARY STATEMENTS

Sheet 1

III. MEMORANDUM ACCOUNTS

MARKET REDESIGN TECHNOLOGY UPGRADE MEMORANDUM ACCOUNT (MRTUMA)

1. Purpose

The purpose of the Market Redesign and Technology Upgrade Memorandum Account (MRTUMA) is to record the incremental operation and maintenance (O&M) and capital-related costs associated with implementing the California Independent System Operator's (CAISO) MRTU initiative. Pursuant to Commission D.11-10-029, years 2007, 2008 and 2009 are subject to refund upon completion and review of an audit performed by an independent auditor due no later than 10/24/12.

2. Applicability

The MRTUMA shall be applied to the Utility's bundled service customers.

3. Rates

The MRTUMA does not have a rate component. The balance will be recovered through electric commodity rates once approved by the Commission as described in Section 5 below.

4. Accounting Procedure

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

- a. A debit entry to record the Utility's MRTU capital-related costs (i.e., book depreciation, applicable taxes, and an authorized return on rate base) including but not limited to the following:
 - Software licensing and implementation costs;
 - Computing hardware and networking equipment costs; and
 - Direct labor and non-labor costs
- b. A debit entry to record the Utility's MRTU O&M costs.
- c. 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 4.a and 4.b. 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

5. Disposition

Recovery of the MRTUMA shall be addressed in the annual ERRA Reasonableness proceeding, or other proceeding determined by the Commission. The balance in the MRTUMA shall be transferred to the Non-fuel Generation Balancing Account (NGBA) upon Commission approval.

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