



PRELIMINARY STATEMENT

Sheet 1

II. BALANCING ACCOUNTS

RESEARCH, DEVELOPMENT AND DEMONSTRATION EXPENSE ACCOUNT (RDDEA)

1. Purpose

The purpose of this account is to record the difference between authorized costs in rates, and actual costs associated with non-public purpose research, development, and demonstration programs. This is an interest bearing one-way account where over-expenditures are not recovered as authorized in Decision 08-07-046, in the Utility's General Rate Case (GRC) Application 06-12-009.

2. Applicability

The RDDEA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Accounting Treatment

The Utility shall maintain the RDDEA by making entries to this account as follows:

- a. A debit entry equal to actual research, development and demonstration expenses
- b. A credit entry equal to one-twelfth of the authorized RD&D expenses in rates.
- c. An entry shall be made to reflect the amount returned to ratepayers due to the amortization of the prior year ending balance where actual expenses were below authorized levels.
- d. Any royalties or gains on sale as a result of electric RD&D programs are to be credited to ratepayers.
- e. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 3.a through 3.d above, at a rate equal to one-twelfth of 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 publication.

At the end of the general rate case period, SDG&E will reconcile this account and adjust rates as needed. If there is a balance due to ratepayers, pursuant to Commission Decision 08-07-046, SDG&E will return the balance plus interest to ratepayers or will carry the balance forward to offset expenses in future proceedings.

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