



PRELIMINARY STATEMENT

Sheet 1

III. MEMORANDUM ACCOUNTS
SMART GRID MEMORANDUM ACCOUNT (SGMA)

1. Purpose

The purpose of the SGMA is to track costs related to Smart Grid projects for which San Diego Gas & Electric (SDG&E) seeks Department of Energy (DOE) funding. The Smart Grid funding provided by the Recovery Act creates an opportunity for California to expand and accelerate its activities to modernize the state's electric infrastructure at a significantly lower cost to ratepayers. Individual project costs will be tracked separately. SDG&E is authorized to track these costs pursuant to D.09-09-029.

2. Applicability

This account shall apply to all electric customers.

3. Rates

The SGMA does not have a rate component.

4. Accounting Procedures

SDG&E shall maintain the SGMA by recording entries at the end of each month as follows:

- a) A credit entry to record DOE Recovery Act funding received.
- b) A debit entry to record Smart Grid project operational and maintenance (O&M) related costs including but not limited to O&M costs necessary for electricity delivery and energy reliability activities to modernize the electric grid, to include demand response equipment, enhance security and reliability of the energy infrastructure, energy storage research, development, demonstration and deployment, and facilitate recovery from disruptions to the energy supply, and for implementation of programs authorized under title XIII of the Energy Independence and Security Act of 2007 (EISA).
- c) A debit entry to record Smart Grid project capital-related costs (i.e., book depreciation expense, authorized return, ad valorem tax expense, tax expense based on income, including all appropriate income tax adjustments, and deferred income tax expense) including but not limited to assets installed necessary for electricity delivery and energy reliability activities to modernize the electric grid, demand response equipment, enhance security and reliability of the energy infrastructure, energy storage research, development, demonstration and deployment, and facilitate recovery from disruptions to the energy supply, and for implementation of programs authorized under title XIII of the Energy Independence and Security Act of 2007 (EISA).
- d) An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, 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

Disposition of the balance in the SGMA will be reviewed in the Utility's next General Rate Case (GRC) or other applicable proceeding to determine future rate recovery.

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