



**PRELIMINARY STATEMENT**

Sheet 1

**IV. BALANCING ACCOUNTS**  
**ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA)**

1. Purpose

The purpose of the AMIBA is to record the costs and corresponding revenue requirement associated with the AMI project, as outlined in Commission Decision (D.) 07-04-043 dated April 12, 2007 and as modified by D.11-03-042 dated March 24, 2011. SDG&E will deploy an AMI system by replacing about 1.4 million electric meters with smart meters, retrofitting about 900,000 natural gas meters and installing a supporting communication network. These advanced metering and communication capabilities will allow SDG&E to enhance services, improve reliability, and lower costs to customers. Where possible, all costs will be assigned directly to either electric or gas accounts. Other costs that are not directly assignable to electric or gas accounts will be allocated to electric or gas accounts with the current methodology used in the normal course of business operations. The AMIBA shall remain in effect until such time as SDG&E completes the deployment of its Advanced Metering Infrastructure system and the final costs and benefits of the Advanced Metering Infrastructure system can be reported in an SDG&E general rate case (per modified decision D.11-03-042).

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The total authorized electric and gas program cost for SDG&E is \$572 million with additional costs authorized as described in Section 5 below. The \$572 million includes approximately \$8 million for electric transmission costs due to the allocation of common electric expenses, which will be recovered through Federal Energy Regulatory Commission (FERC) transmission rates.

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2. Applicability

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

3. Rates

The AMI authorized revenue requirement will be included in gas transportation rates annually.

4. Accounting Procedure

The Utility shall maintain the AMIBA by making entries at the end of each month as follows:

- a. A debit entry equal to the AMI operating and maintenance costs incurred by the Utility, including the costs of development, accounting, evaluation and administration.
- b. An entry equal to the AMI capital related costs incurred by the Utility for depreciation, property taxes, income taxes and return on investment.
- c. A credit entry equal to the monthly AMI authorized revenue requirement recovered through rates.
- d. A credit entry equal to one-twelfth of the annual program benefits (included in the authorized revenue requirement in 4.c.).

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IV. BALANCING ACCOUNTS

ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUN (AMIBA)

4. Accounting Procedure (continued)

- e. An entry to amortize the AMIBA balance in rates as authorized by the Commission.
- f. An entry to record the interest on the average balance at the beginning of the month and the balance after the entries 4.a. through 4.e. 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.

5. Program Funding Limit

The total authorized electric and gas program cost for SDGE is \$572 million pursuant to D.07-04-043 and as modified by D.11-03-42. Any unused funding can be carried over from one year to the next up to the maximum limit of \$572 million for the five-year period.

Pursuant to D.07-04-043 and as modified by D.11-03-42, Appendix A, Section II.5, risk contingency and sharing mechanisms are described as follows:

- a. Expenditures up to the total project cost of \$572 million are deemed reasonable and will be recovered in rates without any after-the-fact reasonableness review.
- b. To the extent actual project costs exceed the total cost of \$572 million by up to \$50 million, then 90% of the costs that exceed \$572 million will be recovered in rates without any after-the-fact reasonableness review.
- c. To the extent actual project costs exceed the total cost of \$572 million by up to \$50 million, then 10% of the costs that exceed \$572 million will be borne by SDGE shareholders and will not be recovered in rates.
- d. To the extent actual project costs are below the total cost of \$572 million, then 10% of the difference between the \$572 million and the actual project costs will be awarded to SDGE shareholders. This sharing mechanism will be applied to no more than the first \$50 million of expenditures that fall below the total cost of \$572 million.
- e. Any ratepayer portion of costs that exceed \$572 million will be recorded in and recovered through the AMIBA.
- f. Any shareholder rewards or costs will be recorded and recovered through SDGE's Rewards and Penalties Balancing Account (RPBA).
- g. Any project costs that exceed \$622 million may be recoverable in rates to the extent approved by the Commission following a reasonableness review of the additional costs.
- h. Total project costs of \$572 million may be adjusted downward as a result of the provisions described in Appendix A, Section II.4 of D.07-04-043 and as modified by D.11-03-42. If total project costs are reduced, then the risk sharing mechanism would apply to the revised total project cost.

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Sheet 3

IV. BALANCING ACCOUNTS

ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUN (AMIBA)

5. Program Funding Limit (Continued)

All AMI project costs described in Section 5 above will be recorded to the AMIBA. Any shareholder rewards or costs will be recorded to the RPBA as described in Section 5.f.

D.07-04-043, Appendix A, Section II.10 and as modified by D.11-03-42, describes *force majeure* provisions that provide for SDG&E to recover in rates costs that exceed \$572 million without shareholder penalty due to events beyond SDG&E's control. These costs will be recorded to a separate memorandum account to be established upon identification of any *force majeure* events.

6. Disposition

Pursuant to D.07-04-043 and as modified by D.11-03-042, SDG&E will include in rates the authorized revenue requirement for the AMI project over the project period. The AMIBA shall remain in effect until such time as SDG&E completes the deployment of its Advanced Metering Infrastructure system and the final costs and benefits of the Advanced Metering Infrastructure system can be reported in an SDG&E general rate case (per modified decision D.11-03-042).

Any project costs that exceed \$622 million will be included in rates after approved by the Commission following a reasonableness review.

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