



PRELIMINARY STATEMENT

Sheet 1

III. MEMORANDUM ACCOUNTS
SELF-GENERATION PROGRAM MEMORANDUM ACCOUNT (SGPMA)

1. Purpose

The purpose of the SGPMA is to record the incremental costs associated with the Utility's Self-Generation Incentive Program (SGIP) as outlined in Decision (D.) 04-12-045, dated December 16, 2004, Commission Resolution E-3860, dated December 18, 2003, D.02-02-026, dated February 7, 2002, D.01-09-012, dated September 6, 2001, D.01-07-028, dated July 12, 2001, and D.01-03-073, dated March 27, 2001. Self-generation, as defined in D. 01-03-073, refers to distributed generation technologies, such as microturbines, small gas turbines, wind turbines, photovoltaics, fuel cells, internal combustion engines, and combined heat and power (or cogeneration). Self-generation units, with a 5 MW maximum system size limit, are installed on the customer's side of the utility meter and provide electricity for all or a portion of that customer's electric load. Commission D.05-12-044 and D.06-01-024, dated December 15, 2005 and January 12, 2006, respectively, adopt incremental costs associated with the California Solar Initiative (CSI) beginning in 2006. Effective January 1, 2006, the self-generation program budget shall be allocated between electric and gas customers, with 93 percent and 7 percent respectively.

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2. Applicability

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

3. Rates

Amounts in the SGPMA will be included in electric distribution rates annually.

4. Accounting Procedure

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

- a. A debit entry equal to the program costs including amounts remitted to the San Diego Regional Energy Office (SDREO) associated with this program in conformance with the contract between the Utility and SDREO. Costs may include marketing, contract administration, regulatory reporting, program evaluation, customers' incentives, incremental capital costs and expenses associated with the CSI program.
- b. A credit entry related to one-twelfth of the CSI revenue requirement authorized for recovery in rates (for 2006 only).
- c. A credit entry related to one-twelfth of the authorized SGIP revenue requirement.
- d. An entry equal to the amortization as authorized by the Commission.
- e. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the entries 4a-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.

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A separate accounting of costs and benefits, by customer class, will be accomplished.

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Sheet 2

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5. Program Funding Limit

The total authorized program cost for SDG&E is \$15.5 million annually over a four-year period. Any unused funding can be carried over from one year to the next up to a maximum limit of \$62 million for the four-year period. Pursuant to D.06-12-033, the authorized program funding budget for 2007 is \$11 million. The program administrator, SDREO, may request approval to borrow against the annual budget of a subsequent year if program participation is larger than anticipated in the current year. For 2006, an additional \$39 million is authorized for the CSI program.

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6. Disposition

SDG&E will request the amortization change and current year's revenue requirement in the annual Regulatory Electric Update filing in October of each year with rates effective the following January 1st. Recovery of the undepreciated portion of the capital costs shall be determined in the Utility's next cost of service proceeding. Pursuant to D.05-12-044, SDG&E may recover its share of the amount authorized for the SGIP in the utility's next rate change following the effective date of D.05-12-044, subject to review of program costs at any time.

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