



**ELECTRIC PRELIMINARY STATEMENT PART FD
SMART GRID MEMORANDUM ACCOUNT**

Sheet 1

- 1. **PURPOSE:** The purpose of the Smart Grid Memorandum Account (SGMA) is to record and recover the incremental Operations and Maintenance (O&M) and Administrative and General (A&G) expenditures and capital-related revenue requirements associated with PG&E's incurred costs for Smart Grid Projects as authorized by the Commission in Ordering Paragraph 2 of Decision (D.) 09-09-029 from the effective date of that decision.
- 2. **APPLICABILITY:** The SGMA applies to all customer classes, except for those specifically excluded by the Commission.
- 3. **REVISION DATE:** Once a project is approved by the Commission and by the Department of Energy (DOE), the balance in the subaccount for that project is transferred to the Distribution Revenue Adjustment Mechanism (DRAM) Account at the end of each year for recovery through the Annual Electric True-up Advice Letter until the PG&E portion of the total expenditure amount adopted for that project is reached. Revenue requirements associated with expenditures in excess of the adopted amounts shall continue to accrue in the subaccount, but are not transferred to DRAM for recovery unless and until authorized by the Commission.
- 4. **RATES:** The SGMA does not have a separate rate component.
- 5. **ACCOUNTING PROCEDURES:** PG&E shall maintain a separate subaccount for each project for which PG&E has requested DOE funding. The balance in the SGMA shall be the sum of the subaccount balances. As of September 10, 2009, PG&E shall make entries to each subaccount at the end of each month as follows:
 - a. A debit entry equal to PG&E's incremental O&M and A&G expenses and capital-related revenue requirements incurred for each individual project within the Smart Grid Project.¹ Capital-related revenue requirements include depreciation expense, the return on investment, federal and state income taxes, and property taxes associated with the cost of installed equipment. This entry is net of any costs funded by DOE or other third party and facilities or services provided by vendors.
 - b. An entry 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.

¹ Since it is PG&E's ratemaking practice to apply Revenue Fees and Uncollectible (RF&U) accounts expense for the SGMA only when costs become part of the balance to set rates, PG&E will gross-up the SGMA to the DRAM transfer amount for ratemaking purposes as part of PG&E's next Annual Electric True-Up advice letter.

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