



GAS PRELIMINARY STATEMENT PART EU
IN-LINE INSPECTION MEMORANDUM ACCOUNT (ILIMA)

Sheet 1

EU. In-line Inspection Memorandum Account (ILIMA)

1. **PURPOSE:** The purpose of the In-Line Inspection Memorandum Account (ILIMA) is to track the revenue requirement associated with the actual capital expenditures for Traditional In-Line Inspection (ILI) upgrade projects above the total authorized 48 projects (12-project per year pace), and actual expenses incurred for the associated initial Traditional ILI runs and Direct Examination and Repair (DE&R) resulting from the initial runs. In addition, the ILIMA will track expenses associated with all reassessments. The account is subject to a reasonableness review in PG&E's next Gas Transmission and Storage (GT&S) Rate Case.

This account is comprised of a main account, which records backbone transmission and/or storage costs for future recovery from all customers and a Local Transmission Subaccount, which records local transmission costs for future recovery from all customers except Backbone Service-Level end-use customers who do not fund local transmission activities.

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(N)

2. **APPLICABILITY:** The ILIMA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the balance in this account will be through an application or as otherwise directed by the Commission.
4. **RATES:** The ILIMA does not have a separate rate component.
5. **ACCOUNTING PROCEDURE:**

MAIN ACCOUNT:

(T)

The following entries will be made to the account each month or as applicable:

- a. A debit entry equal to actual ILI expenses incurred for initial Traditional ILI runs and DE&R resulting from the initial runs related to Traditional ILI Upgrade projects above the total authorized 48 projects, including applicable benefit burdens;
- b. A debit entry equal to actual ILI expenses incurred for reassessments, including applicable benefit burdens;
- c. A debit or credit entry equal to the capital revenue requirements based on incurred capital expenditures related to projects that exceed the quantity of projects adopted by the Commission in base rates, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense. Capital-related revenue requirements include depreciation expense, return on rate base at the authorized cost of capital, federal and state income taxes and property taxes, associated with the capital asset additions;
- d. An entry to transfer amounts to or from another account as authorized by the Commission; and
- e. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entries, 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.

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Sheet 2

EU. In-line Inspection Memorandum Account (ILIMA) (Cont'd)

6. LOCAL TRANSMISSION SUBACCOUNT:

(N)

The purpose of the Local Transmission Subaccount is to separately track costs related to PG&E's local transmission system that are associated with the ILIMA.

The following entries will be made each month, or as applicable, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense.

- a. A debit entry equal to actual ILI expenses incurred for initial Traditional ILI runs and DE&R resulting from the initial runs related to Traditional ILI Upgrade projects above the total authorized 48 projects, including applicable benefit burdens;
- b. A debit entry equal to actual ILI expenses incurred for reassessments, including applicable benefit burdens;
- c. A debit or credit entry equal to the capital revenue requirements based on incurred capital expenditures related to projects that exceed the quantity of projects adopted by the Commission in base rates, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense. Capital-related revenue requirements include depreciation expense, return on rate base at the authorized cost of capital, federal and state income taxes and property taxes, associated with the capital asset additions;
- d. An entry to transfer amounts to or from another account as authorized by the Commission; and
- e. An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this 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.

(N)