



GAS PRELIMINARY STATEMENT PART FA
IN-LINE INSPECTION BALANCING ACCOUNT (ILIBA)

Sheet 1

FA. In-Line Inspection Balancing Account (ILIBA)

- 1. **PURPOSE:** The purpose of the In-Line Inspection Balancing Account (ILIBA) is to track the difference between the capital revenue requirement based on adopted capital expenditures for the Traditional In-Line Inspection (ILI) Upgrade program and the revenue requirement associated with actual capital expenditures for the authorized 16 Traditional ILI projects (4-project per year pace) on an aggregate basis over the 2023 General Rate Case (GRC) rate case cycle (2023-2026). The ILIBA is a one-way balancing account. (T)

This account is comprised of a Main Account, which tracks amounts related to backbone transmission and/or storage activity that is recovered from all customers and a Local Transmission (LT) Subaccount, which tracks amounts related to local transmission activity that is recovered from all customers except Backbone Service-Level end-use customers who do not fund local transmission activities.

- 2. **APPLICABILITY:** The ILIBA will apply to all customer classes, except for those specifically excluded by the Commission.
- 3. **REVISION DATE:** If the actual capital expenditures (Main Account plus LT Subaccount) incurred are less than the aggregated adopted capital expenditures at the end of the rate case cycle, PG&E will refund the revenue requirements associated with the unspent capital expenditures to customers. The balances in the Main Account and LT Subaccount will be tried up in rates. If the total actual capital expenditures incurred are equal to or greater than the aggregated adopted capital expenditures at the end of the rate case cycle, the adopted revenue requirements recovered from customers will be reallocated between the Main Account and LT subaccount based on the ratio of actual capital expenditures related to the Main Account and the LT Subaccount to total actual capital expenditures. Disposition of the balances in this account will be tried up at the end of the GRC rate case cycle. Funding returned to, or subsequently recovered from core customers will be through the Core Cost Subaccount of the Core Fixed Cost Account. Funding returned to, or subsequently recovered from noncore customers will be through the LT Subaccount of the Noncore Customer Class Charge Account (if associated with the LT Subaccount) or through the Noncore Subaccount of the NCA (if associated with the main account). (T)

- 4. **RATES:** The ILIBA does not have a separate rate component.

5. **ACCOUNTING PROCEDURE:**

PG&E will maintain a sub ledger to track the capital expenditures incurred as recorded in its accounting system of record for the authorized 16 Traditional ILI projects (4-project per year pace). If the aggregated capital expenditures incurred at the end of the GRC rate case cycle are less than the adopted amount, entries a. and b. will be recorded in the Main Account and LT Subaccount. If the aggregated capital expenditures incurred at the end of the GRC rate case cycle are greater than the adopted amount but either the Main Account or LT Subaccount are underspent, then entries a. and c. will be recorded. (T)

MAIN ACCOUNT:

- a. A credit or debit entry equal to the revenue requirement associated with the aggregated adopted capital expenditures, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense; (T)

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Sheet 2

FA. In-Line Inspection Balancing Account (ILIBA) (Cont'd):

5. ACCOUNTING PROCEDURE (Cont'd):

MAIN ACCOUNT (Cont'd):

- b. A debit or credit entry equal to the capital-related revenue requirement related to the actual capital expenditures incurred for the authorized 16 Traditional ILI projects (4-project per year pace), excluding RF&U. Capital-related revenue requirements include depreciation expense, the return on rate base at the authorized cost of capital, federal and state income taxes and property taxes, associated with the capital asset additions;
- c. A debit or credit entry equal to the reallocated adopted revenue requirement between the Main Account and the LT Subaccount based on the ratio of actual capital expenditures in the Main Account and the LT Subaccount compared to actual total capital expenditures;
- 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. Effective January 1, 2026, the monthly interest rate equals the sum of 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, plus one-twelfth of the yield spread adjustment to the Commercial Paper Rate as authorized by the Commission, as defined in Electric Preliminary Statement Part H for electric accounts or Gas Preliminary Statement Part S for gas accounts.

(N)
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(N)

6. LOCAL TRANSMISSION SUBACCOUNT:

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 ILI Upgrade Program to ensure that these amounts are not recovered from/returned to backbone customers.

- a. A credit or debit entry equal to the revenue requirement associated with the aggregated adopted capital expenditures, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense;
- b. A debit or credit entry equal to the capital-related revenue requirement related to the actual capital expenditures incurred for the authorized 16 Traditional ILI projects (4-project per year pace), excluding RF&U. Capital-related revenue requirements include depreciation expense, the return on rate base at the authorized cost of capital, federal and state income taxes and property taxes, associated with the capital asset additions;
- c. A debit or credit entry equal to the reallocated adopted revenue requirement between the Main Account and the LT Subaccount based on the ratio of actual capital expenditures in the Main Account and the LT Subaccount compared to actual total capital expenditures;

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Sheet 3

FA. In-Line Inspection Balancing Account (ILIBA) (Cont'd):

6. LOCAL TRANSMISSION SUBACCOUNT (Cont'd.):

- 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. Effective January 1, 2026, the monthly interest rate equals the sum of 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, plus one-twelfth of the yield spread adjustment to the Commercial Paper Rate as authorized by the Commission, as defined in Electric Preliminary Statement Part H for electric accounts or Gas Preliminary Statement Part S for gas accounts.

(L)

(L)
(N)

(N)