

PPL ELECTRIC UTILITIES CORPORATION



**REPORT ON THE STATEMENTS OF
UNIVERSAL SERVICE RIDER
FOR THE 12-MONTH PERIODS ENDED
NOVEMBER 30, 2018 AND NOVEMBER 30, 2017**

**Pennsylvania Public Utility Commission
Bureau of Audits
June 29, 2020**

Docket No. D-2019-3007667

PPL ELECTRIC UTILITIES CORPORATION

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PPL ELECTRIC UTILITIES CORPORATION

Background

PPL Electric Utilities Corporation (PPL or company) is a wholly-owned subsidiary of PPL Corporation that furnishes electric distribution, transmission, and default supply service to approximately 1.4 million customers throughout 33 counties in eastern and central Pennsylvania. According to PPL's annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission), for the years of 2018 and 2017, PPL's total electric distribution revenues from residential, commercial, and industrial customers was \$1,837,390,909 and \$1,778,813,653, respectively.

By Order entered on October 19, 2007, at Docket No. R-00072155, the Commission approved PPL's request to establish a USR rate to become effective for service rendered on and after January 1, 2008. The USR permits PPL to recover the costs, excluding internal administrative costs, associated with the universal service programs provided to residential customers. These programs include OnTrack and Winter Relief Assistance Program (WRAP).

PPL implemented WRAP in 1984 to help reduce electric bills and improve home comfort for low income customers. WRAP's objectives are to reduce energy usage and the resulting bill amounts of low-income customers and to increase their ability to pay their electric bills. Contractors install various weatherization measures, such as insulation and efficient appliances, and provide energy education services.

In July 1992, the Commission adopted a Policy Statement that established guidelines for customer assistance programs (CAP). The Commission encouraged all electric and gas utilities to implement CAP pilots. After receiving approval from the Commission for its pilot proposal, PPL Electric implemented its OnTrack program in December 1993. OnTrack is PPL Electric Utilities Corporation's Customer Assistance Program (CAP). It is available to low-income households at or below 150% of the federal poverty level. The primary features of OnTrack are a reduced payment arrangement and arrearage forgiveness over a specified period of time.



PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

Independent Auditor's Report to the Pennsylvania Public Utility Commission

Report on the Financial Statements

We have audited PPL Electric Utilities Corporation's Statements of Universal Service Rider Over/Under Collections for the 12-month periods ended November 30, 2018 and November 30, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether these statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of these statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of these statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of these statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Universal Service Rider Statements, referred to above, present fairly, in all material respects, the Universal Service Rider revenue and expenses of PPL Electric Utilities Corporation as of November 30, 2018 and November 30, 2017, in conformity with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Report on Other Legal and Regulatory Requirements

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of PPL Electric Utilities Corporation's revenue and expenses.

Kelly Monaghan

Kelly A. Monaghan, CPA, CGFM, CFE, CISA
Director
Bureau of Audits
Harrisburg, PA
June 29, 2020

PPL ELECTRIC UTILITIES CORPORATION

**Universal Service Rider (USR)¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended November 30, 2018²**

	<u>USR Revenue</u>	<u>USR Expenses</u>	<u>Over/(Under) Collections</u>
	(1)	(2)	(3) = (1) - (2)
December 2017	\$ 10,080,603	\$ 8,195,718	\$ 1,884,885
January 2018	14,560,654	10,632,868	3,927,786
February	10,881,436	9,639,261	1,242,175
March	9,918,897	8,867,349	1,051,548
April	9,474,387	9,491,132	(16,745)
May	6,848,973	6,523,884	325,089
June	6,792,169	5,589,074	1,203,095
July	8,328,955	6,212,593	2,116,362
August	8,755,049	6,579,832	2,175,217
September	9,078,726	6,162,996	2,915,730
October	6,800,003	5,528,352	1,271,651
November	<u>7,355,838</u>	<u>6,216,313</u>	<u>1,139,525</u>
Total	<u>\$ 108,875,690</u>	<u>\$ 89,639,372</u>	<u>\$ 19,236,318</u>

¹ As reported to the Commission at Docket No. M-2018-3006661.

² Notes to the Financial Statements are an integral part of this report.

PPL ELECTRIC UTILITIES CORPORATION

**Universal Service Rider (USR)³
Over/(Under) Collections (Section 1307(e))
for the 12 months ended November 30, 2017⁴**

	<u>USR Revenue</u> (1)	<u>USR Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
December 2016	\$ 8,896,976	\$ 8,586,640	\$ 310,336
January 2017	12,163,646	10,322,685	1,840,961
February	10,264,429	9,640,815	623,614
March	10,174,966	9,389,455	785,511
April	8,852,126	8,586,133	265,993
May	6,585,945	5,743,755	842,190
June	7,034,529	5,418,242	1,616,287
July	8,731,944	6,472,156	2,259,788
August	8,724,946	6,560,316	2,164,630
September	7,851,561	5,656,107	2,195,454
October	6,936,385	5,499,354	1,437,031
November	<u>7,069,074</u>	<u>6,208,825</u>	<u>860,249</u>
Totals	<u>\$ 103,286,527</u>	<u>\$ 88,084,483</u>	<u>\$ 15,202,044</u>

³ As reported to the Commission at Docket No. M-2017-2639267.

⁴ Notes to the Financial Statements are an integral part of this report.

PPL ELECTRIC UTILITIES CORPORATION

Notes to the Financial Statements

1 - Statements

The Universal Service Rider (USR) Over/(Under) Collections presented in this report are condensed from the officially filed statements. The audit was conducted on PPL's officially filed 1307(e) statements submitted to the PUC in accordance with Section 1307(e)(1) of the Public Utility Code on December 19, 2018 and December 20, 2017. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2018-3006661 and M-2017-2639267.

2 - USR Revenue

USR Revenue is derived by multiplying the USR rate, excluding E-Factor, to each kilowatt-hour (kWh) of energy supplied to residential customers who take distribution service.

3 - USR Expenses

USR Expenses are the applicable charges incurred by PPL for the recovery of the costs associated with the universal service programs provided by PPL to residential customers. These programs include OnTrack and WRAP.

4 - Over/(Under) Collections

The Over/(Under) Collection is the difference between the USR Revenue and the USR Expenses. The resulting amount represents the portion of USR Revenue refundable to or USR Expenses recoverable from customers through subsequent USR rates. Differences arise for two primary reasons:

- Variations between the actual volumes billed to customers and the estimates used to determine the USR rates; and,
- Variations between the actual USR Expenses and the estimates used to determine the USR rates.

Acknowledgement

We wish to express our appreciation to the officers and staff of PPL Electric Utilities Corporation for their cooperation and assistance. The audit was conducted by Anthony Sciabarassi.