

# **PPL ELECTRIC UTILITIES CORPORATION**



**REPORT ON THE STATEMENTS OF  
ACT 129 COMPLIANCE RIDER PHASE 3  
FOR THE 12-MONTH PERIODS ENDED  
MARCH 31, 2019, MARCH 31, 2018 AND MARCH 31, 2017**

**Pennsylvania Public Utility Commission  
Bureau of Audits  
June 30, 2020**

**Docket No. D-2019-3012668**

# PPL ELECTRIC UTILITIES CORPORATION

## Table of Contents

	<u>Page</u>
<b>BACKGROUND</b>	1
<b>FINANCIAL REVIEW</b>	
Independent Auditor's Report	2
Act 129 Compliance Rider Phase 3 (ACR-3) Over/(Under) Collections (Section 1307(e)) for the 12 months ended March 31, 2019	4
Act 129 Compliance Rider Phase 3 (ACR-3) Over/(Under) Collections (Section 1307(e)) for the 12 months ended March 31, 2018	5
Act 129 Compliance Rider Phase 3 (ACR-3) Over/(Under) Collections (Section 1307(e)) for the 12 months ended March 31, 2017	6
Notes to the Financial Statements	7
<b>ACKNOWLEDGEMENT</b>	7

# **PPL ELECTRIC UTILITIES CORPORATION**

## **Background**

PPL Electric Utilities Corporation (PPL) is a wholly-owned subsidiary of PPL Corporation that furnishes electric distribution, transmission, and default supply services 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, 2017, and 2016, PPL's total electric distribution revenue from residential, commercial, and industrial customers was \$1,837,390,909, \$1,778,813,653, and \$1,737,700,558, respectively.

On October 15, 2008, Act 129 became law and required the Commission to develop an Energy Efficiency and Conservation Program (EEPC) applicable to electric distribution companies with at least 100,000 customers. It permitted companies to implement a surcharge mechanism to recover the costs associated with implementing an EEPC Plan.

The Commission approved PPL's EEPC Plan Phase 3 on June 20, 2016 at Docket No. M-2015-2515642. PPL's ACR-3 tariff became effective July 1, 2016 and is applied to all customers who receive distribution service. PPL is permitted to recover all Act 129 Phase 3 program costs.



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 Act 129 Compliance Rider Phase 3 Over/Under Collections for the 12-month periods ended March 31, 2019, March 31, 2018 and March 31, 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 Act 129 Compliance Rider Phase 3 Statements, referred to above, present fairly, in all material respects, the Act 129 Compliance Rider Phase 3 revenue and expenses of PPL Electric Utilities Corporation as of March 31, 2019, March 31, 2018 and March 31, 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 is 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 30, 2020

**PPL ELECTRIC UTILITIES CORPORATION**

**Act 129 Compliance Rider Phase 3 (ACR-3)<sup>1</sup>  
Over/(Under) Collections (Section 1307(e))  
for the 12 months ended March 31, 2019<sup>2</sup>**

<u>Rate Class</u>	<u>ACR-3 Revenue</u> (1)	<u>ACR-3 Expenses</u> (2)	<u>Over/(Under) Collection</u> (3) = (1) - (2)
Residential	\$ 35,202,724	\$ 32,037,554	\$ 3,165,170
Small Commercial & Industrial	10,943,151	15,905,519	(4,962,369)
Large Commercial & Industrial	<u>11,575,476</u>	<u>12,934,188</u>	<u>(1,358,712)</u>
Total	<u>\$ 57,721,351</u>	<u>\$ 60,877,262</u>	<u>\$ (3,155,911)</u>

<sup>1</sup> As reported to the Commission at Docket No. M-2019-3009535. Arithmetic differences are due to rounding.

<sup>2</sup> Notes to the Financial Statement are an integral part of this report.

**PPL ELECTRIC UTILITIES CORPORATION**

**Act 129 Compliance Rider Phase 3 (ACR-3)<sup>3</sup>  
Over/(Under) Collections (Section 1307(e))  
for the 12 months ended March 31, 2018<sup>4</sup>**

<u>Rate Class</u>	<u>ACR-3 Revenue</u> (1)	<u>ACR-2 Expenses</u> (2)	<u>ACR-3 Expenses</u> (3)	<u>Over/(Under) Collection</u> (4) = (1) - (2) - (3)
Residential	\$ 35,993,624	\$ 20,672	\$ 32,243,141	\$ 3,729,811
Small Commercial & Industrial	17,426,781	16,735	10,284,348	7,125,698
Large Commercial & Industrial	11,449,425	9,377	12,466,502	(1,026,454)
Total	<u>\$ 64,869,830</u>	<u>\$ 46,784</u>	<u>\$ 54,993,990</u>	<u>\$ 9,829,056</u>

<sup>3</sup> As reported to the Commission at Docket No. M-2018-3001540. Arithmetic differences are due to rounding.

<sup>4</sup> Notes to the Financial Statement are an integral part of this report.

**PPL ELECTRIC UTILITIES CORPORATION**

**Act 129 Compliance Rider Phase 3 (ACR-3)<sup>5</sup>  
Over/(Under) Collections (Section 1307(e))  
for the 12 months ended March 31, 2017<sup>6</sup>**

<u>Rate Class</u>	<u>ACR-3 Revenue</u> (1)	<u>ACR-2 Expenses</u> (2)	<u>ACR-3 Expenses</u> (3)	<u>Over/(Under) Collection</u> (4) = (1) - (2) - (3)
Residential	\$ 42,350,568	\$ 5,794,724	\$ 23,289,315	\$ 13,266,529
Small Commercial & Industrial	20,852,711	6,260,383	8,298,408	6,293,920
Large Commercial & Industrial	14,339,666	4,375,519	7,017,070	2,947,077
Total	<u>\$ 77,542,945</u>	<u>\$ 16,430,626</u>	<u>\$ 38,604,793</u>	<u>\$ 22,507,526</u>

<sup>5</sup> As reported to the Commission at Docket No. M-2017-2601539. Arithmetic differences are due to rounding.

<sup>6</sup> Notes to the Financial Statement are an integral part of this report.

# PPL ELECTRIC UTILITIES CORPORATION

## Notes to the Financial Statements

### **1 – Statements**

The Act 129 Compliance Rider Phase 3 (ACR-3) 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 April 30, 2019, April 30, 2018 and April 28, 2017. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2019-3009535, M-2018-3001540 and M-2017-2601539.

### **2 – ACR-3 Revenue**

ACR-3 Revenue is derived by multiplying the ACR-3 rate, excluding E-Factor, to each kilowatt-hour (kWh) of energy supplied to customers who receive distribution service from PPL.

### **3 – ACR-3 Expenses**

ACR-3 Expenses are incurred by PPL to meet the energy conservation targets established by the Pennsylvania General Assembly in Act 129 of 2008.

### **4 – Over/(Under) Collections**

The Over/(Under) Collection is the difference between the ACR-3 Revenue and ACR-3 Expenses. The resulting amount represents the portion of ACR-3 Revenue refundable to or ACR-3 Expenses recoverable from customers through subsequent ACR-3 rates. Differences arise for two primary reasons:

- Variations between the actual volumes billed to customers and the estimates used to determine the ACR-3 rates; and,
- Variations between the actual ACR-3 Expenses and the estimates used to determine the ACR-3 rates.

## **Acknowledgement**

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