

PPL ELECTRIC UTILITIES CORPORATION



**REPORT ON THE STATEMENTS OF
GENERATION SUPPLY CHARGE-1
FOR THE 12-MONTH PERIODS ENDED
MARCH 31, 2019 AND MARCH 31, 2018**

**Pennsylvania Public Utility Commission
Bureau of Audits
June 14, 2021**

Docket No. D-2019-3015045

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 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 and 2017, PPL's total electric revenues from residential, commercial, and industrial customers was \$1,837,390,909 and \$1,778,813,653; respectively.

By Order entered on January 15, 2015, at Docket No. P-2014-2417907, the Commission approved PPL's DSSP for the period June 1, 2015 through May 31, 2017. Subsequently, by Order entered on October 27, 2016, at Docket No. P-2016-2526627, the DSSP was approved for June 1, 2017 through May 31, 2021.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET
HARRISBURG, PENNSYLVANIA 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 Generation Supply Charge-1 Over/(Under) Collections (Section 1307(e)) for the 12-month periods ended March 31, 2019 and March 31, 2018.

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. These 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 Generation Supply Charge-1 Statements, referred to above, present fairly, in all material respects, the Generation Supply Charge-1 revenue and expenses of PPL Electric Utilities Corporation as of March 31, 2019 and March 31, 2018, 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 revenues and expenses.



Kelly A. Monaghan, CPA, CGFM, CFE, CISA
Director
Bureau of Audits
Harrisburg, PA
June 14, 2021

PPL ELECTRIC UTILITIES CORPORATION

**Generation Supply Charge-1 (GSC-1)¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended March 31, 2019²**

Customer Class	GSC-1 Revenue	GSC-1 Expenses	Over/(Under) Collections
	(1)	(2)	(3) = (1) - (2)
Residential - Fixed	\$ 446,810,171	\$ 443,550,369	\$ 3,259,801
Small C&I - Fixed	96,374,945	92,335,002	4,039,943
Total	<u>\$ 543,185,116</u>	<u>\$ 535,885,371</u>	<u>\$ 7,299,744</u>

¹ As reported to the Commission at Docket No. M-2019-3009545. Arithmetic differences are due to rounding.

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

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**Generation Supply Charge-1 (GSC-1)³
Over/(Under) Collections (Section 1307(e))
for the 12 months ended March 31, 2018⁴**

Customer Class	GSC-1 Revenue	GSC-1 Expenses	Over/(Under) Collections
	(1)	(2)	(3) = (1) - (2)
Residential - Fixed	\$ 412,510,517	\$ 410,443,795	\$ 2,066,722
Small C&I - Fixed	88,290,380	85,613,928	2,676,452
Total	\$ 500,800,897	\$ 496,057,723	\$ 4,743,175

³ As reported to the Commission at Docket No. M-2018-3001542. Arithmetic differences are due to rounding.

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

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Notes to the Financial Statements

1 – Statements

The Generation Supply Charge-1 (GSC-1) Over/(Under) Collections presented in this report are condensed from the officially filed statements. The audit was conducted on PPL Electric Utilities Corporation's (PPL or Company) 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 and April 30, 2018. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2019-3009545 and M-2018-3001542.

2 – GSC-1 Revenue

GSC-1 Revenue is derived by multiplying the sales volumes billed during the month by the applicable GSC-1 rate, excluding E-Factor, to each kilowatt-hour (kWh) of energy supplied to each Residential and Small Commercial and Industrial (C&I) customer who takes Basic Utility Supply Service (BUSS), as defined in the GSC-1 Tariff Rider.

3 – GSC-1 Expenses

GSC-1 Expenses are actual expenses incurred to provide generation supply service to Residential and Small C&I customers receiving default service. The GSC-1 expenses include payments to power suppliers (i.e., RFP Bidders), energy procurement expenses related to PJM Reliability Pricing Model capacity costs, other PJM-related expenses, net metering expenses, and administrative expenses.

4 – Over/(Under) Collections

The Over/(Under) Collection is the difference between the GSC-1 Revenue and the GSC-1 Expenses. The resulting amounts represent the portion of GSC-1 Revenue refundable to or GSC-1 Expenses recoverable from customers through subsequent GSC-1 rates. Differences arise for two primary reasons:

- Variations between the actual monthly volumes billed to customers and the estimates used to determine the GSC-1 rates; and,
- Variations between the actual GSC-1 expenses and the estimates used to determine the GSC-1 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 Michael B. Daley, and assisted by Ryan C. Trafecanty.