

PPL ELECTRIC UTILITIES CORPORATION



**REPORT ON THE STATEMENTS OF
TRANSMISSION SERVICE CHARGE
FOR THE 12-MONTH PERIODS ENDED
MARCH 31, 2020, MARCH 31, 2019, AND MARCH 31, 2018**

**Pennsylvania Public Utility Commission
Bureau of Audits
Report Date: June 27, 2022**

Docket No. D-2021-3024396

PPL ELECTRIC UTILITIES CORPORATION

Table of Contents

	<u>Page</u>
BACKGROUND	1
FINANCIAL REVIEW	
Independent Auditor's Report	2
Transmission Service Charge (TSC) Over/(Under) Collections (Section 1307(e)) for the 12 months ended March 31, 2020	4
Transmission Service Charge (TSC) Over/(Under) Collections (Section 1307(e)) for the 12 months ended March 31, 2019	5
Transmission Service Charge (TSC) Over/(Under) Collections (Section 1307(e)) for the 12 months ended March 31, 2018	6
Notes to the Financial Statements	7
ACKNOWLEDGEMENT	7

PPL ELECTRIC UTILITIES CORPORATION

Background

PPL Electric Utilities Corporation (PPL or company) is a wholly-owned subsidiary of PPL Corporation. PPL furnishes electric distribution, transmission, and default supply services to about 1.4 million customers throughout 29 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 2019, 2018, and 2017, PPL's total electric revenues from residential, commercial, and industrial customers were \$1,853,800,871, \$1,837,390,909 and \$1,778,813,653 respectively.

In its Opinion and Order, entered on December 22, 2004, at Docket No. R-00049255, the PUC approved PPL's request to establish a TSC Rider effective on January 1, 2005. The TSC Rider permits PPL to recover from its retail energy customers, all transmission service-related charges incurred on behalf of those customers, under provisions of the FERC approved Open Access Transmission Tariff with PJM, the transmission service provider.



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 Transmission Service Charge Over/Under Collections for the 12-month periods ended March 31, 2020, 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. 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 Transmission Service Charge Statements, referred to above, present fairly, in all material respects, the Transmission Service Charge revenue and expenses of PPL Electric Utilities Corporation as of March 31, 2020, 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 revenue and expenses.

Kelly A. Monaghan, CPA

Kelly A. Monaghan, CPA, CGFM, CFE, CISA
Director
Bureau of Audits
Harrisburg, PA
June 27, 2022

PPL ELECTRIC UTILITIES CORPORATION

**Transmission Service Charge (TSC) ¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended March 31, 2020²**

Customer Class	TSC Revenue	TSC Expenses	Over/(Under) Collections
	(1)	(2)	(3) = (1) - (2)
Residential	\$ 132,105,398	\$ 148,796,681	\$ (16,691,283)
Small C&I	22,017,354	26,336,363	(4,319,009)
Large C&I – Primary	2,127,231	3,269,584	(1,142,353)
Large C&I – Transmission	890,623	1,625,315	(734,692)
Total	\$ 157,140,606	\$ 180,027,943	\$ (22,887,337)

¹ As reported to the Commission at Docket No. M-2020-3019649.

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

PPL ELECTRIC UTILITIES CORPORATION

**Transmission Service Charge (TSC)³
Over/(Under) Collections (Section 1307(e))
for the 12 months ended March 31, 2019⁴**

Customer Class	TSC Revenue	TSC Expenses	Over/(Under) Collections
	(1)	(2)	(3) = (1) - (2)
Residential	\$ 113,845,545	\$ 111,553,825	\$ 2,291,720
Small C&I	21,778,166	21,552,791	225,375
Large C&I – Primary	1,469,281	3,505,887	(2,036,606)
Large C&I – Transmission	1,207,638	1,575,317	(367,679)
Total	\$ 138,300,630	\$ 138,187,820	\$ 112,810

³ As reported to the Commission at Docket No. M-2019-3009533.

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

PPL ELECTRIC UTILITIES CORPORATION

**Transmission Service Charge (TSC)⁵
Over/(Under) Collections (Section 1307(e))
for the 12 months ended March 31, 2018⁶**

Customer Class	TSC Revenue	TSC Expenses	Over/(Under) Collections
	(1)	(2)	(3) = (1) - (2)
Residential	\$ 111,503,619	\$ 102,310,348	\$ 9,193,271
Small C&I	21,439,562	22,258,115	(818,553)
Large C&I – Primary	804,028	1,722,220	(918,192)
Large C&I – Transmission	196,486	693,606	(497,120)
Total	\$ 133,943,695	\$ 126,984,289	\$ 6,959,406

⁵ As reported to the Commission at Docket No. M-2018-3001545.

⁶ Notes to the Financial Statements are an integral part of this report.

PPL ELECTRIC UTILITIES CORPORATION

Notes to the Financial Statements

1 – Statements

The Transmission Service Charge (TSC) Over/(Under) Collections presented in this report are condensed from the officially filed statements for the purpose of clarity. The audit was conducted on PPL's officially filed 1307(e) statements submitted to the Pennsylvania Public Utility Commission (PUC or Commission) in accordance with Section 1307(e)(1) of the Public Utility Code on April 30, 2020, 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-2020-3019649, M-2019-3009533, and M-2018-3001545.

2 – TSC Revenue

TSC Revenue is derived by multiplying the sales volumes billed during the month by the applicable TSC rate, excluding E-Factor, to each kilowatt-hour (kWh) of energy or kilowatt (kW) of demand supplied to customers who receive default service from PPL.

3 – TSC Expenses

TSC Expenses are actual expenses incurred by PPL to acquire transmission service (including all ancillary service charges) on behalf of default service customers under the PJM Open Access Transmission Tariff (OATT) as approved by the Federal Energy Regulatory Commission.

4 – Over/(Under) Collections

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

- Variations between the actual monthly volumes billed to customers and the estimates used to determine the TSC rates; and,
- Variations between the actual TSC Expenses and the estimates used to determine the TSC 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 Larry L. Treaster.