

PPL ELECTRIC UTILITIES CORPORATION



**REPORT ON THE STATEMENTS OF
UNIVERSAL SERVICE RIDER
FOR THE 12-MONTH PERIODS ENDED
NOVEMBER 30, 2020 AND NOVEMBER 30, 2019**

**Pennsylvania Public Utility Commission
Bureau of Audits
May 23, 2023**

Docket No. D-2021-3029842

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. PPL furnishes electric distribution, transmission, and default supply services to about 1.4 million customers throughout eastern and central Pennsylvania. According to PPL's annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission), for the years 2020 and 2019, PPL's total electric revenue from residential, commercial, and industrial customers was \$1,795,225,858 and \$1,853,800,871; 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). OnTrack is PPL's Customer Assistance Program (CAP), which primarily provides reduced payment arrangements and arrearage forgiveness, over a specified time period, to low-income households at or below 150% of the federal poverty level. WRAP helps low-income customers reduce energy usage, and resulting bill amounts, increasing their ability to pay and reduces arrearages. Through WRAP, PPL contracts with approved vendors to install various weatherization measures (e.g., insulation, LED lighting, efficient appliances, etc.) and to provide energy education services.

By Tentative Order entered April 6, 2017, at Docket No. M-2016-2554787, the Commission partially approved PPL's proposed Universal Service and Energy Conservation Plan (USECP) for 2017-2019 and ordered PPL to file revisions to the USECP consistent with the Order. The final version of the plan was filed on November 3, 2017 and approved on December 7, 2017.

On January 18, 2019, PPL filed a petition requesting that its 2017-2019 USECP be extended through 2020 so that PPL could incorporate its next third-party evaluation which was due no later than October 1, 2020. On February 28, 2019, the Commission approved PPL's petition to extend its 2017-2019 USECP through 2020.

On October 3, 2019 the Commission entered an Order at Docket No. M-2019-3012601 establishing a new Universal Service and Energy Conservation Plan (USECP) filing schedule and extended the duration of USECPs from three to five years. With the October 3, 2019 Order, the Commission extended PPL's 2017-2019 Universal Service Plan through 2022 and set the due date for PPL's next five-year USECP (2023-2027) as April 1, 2022.



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, 2020 and November 30, 2019.

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 controls. 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, 2020 and November 30, 2019, 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, CPA

Kelly A. Monaghan, CPA, CGFM, CFE, CISA
Director
Bureau of Audits
Harrisburg, PA
May 23, 2023

PPL ELECTRIC UTILITIES CORPORATION

**Universal Service Rider (USR)¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended November 30, 2020²**

<u>Month</u>	<u>USR Revenue</u> (1)	<u>USR Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
December 2019	\$ 8,725,406	\$ 9,279,896	\$ (554,490)
January 2020	9,260,147	10,435,184	(1,175,037)
February	9,554,944	9,819,835	(264,891)
March	8,820,872	8,920,340	(99,468)
April	7,553,861	6,973,552	580,309
May	6,976,478	5,646,082	1,330,396
June	6,802,391	4,726,984	2,075,407
July	8,563,698	5,578,660	2,985,038
August	9,732,553	6,068,410	3,664,143
September	7,926,939	5,114,766	2,812,173
October	6,246,432	4,461,226	1,785,206
November	<u>6,446,858</u>	<u>4,998,460</u>	<u>1,448,398</u>
Total	<u>\$ 96,610,579</u>	<u>\$ 82,023,395</u>	<u>\$ 14,587,184</u>

¹ As reported to the Commission at Docket No. M-2020-3023365.

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, 2019⁴**

<u>Month</u>	<u>USR Revenue</u> (1)	<u>USR Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
December 2018	\$ 10,231,413	\$ 7,703,096	\$ 2,528,317
January 2019	11,454,827	9,473,096	1,981,731
February	10,552,678	10,268,728	283,950
March	9,174,749	9,733,763	(559,014)
April	7,270,064	8,621,728	(1,351,664)
May	5,842,867	5,913,356	(70,489)
June	5,854,515	4,975,255	879,260
July	7,435,005	6,517,331	917,674
August	8,133,940	7,028,440	1,105,500
September	6,836,411	6,131,244	705,167
October	5,821,787	5,778,702	43,085
November	<u>6,073,524</u>	<u>6,651,598</u>	<u>(578,074)</u>
Total	<u>\$ 94,681,780</u>	<u>\$ 88,796,337</u>	<u>\$ 5,885,443</u>

³ As reported to the Commission at Docket No. M-2019-3015041.

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 18, 2020 and December 18, 2019. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2020-3023365 and M-2019-3015041.

2 - USR Revenue

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

3 - USR Expenses

USR Expenses are the applicable direct and indirect costs incurred by PPL to provide approved universal service programs to residential customers. These programs include OnTrack and WRAP.

4 - Over/(Under) Collection

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 Larry L. Treaster, assisted by Jacob L. Fultz.