



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

IN REPLY PLEASE
REFER TO OUR FILE

July 11, 2023

Docket No. G-2023-3040957
Utility Code: 110500

GARRETT P. LENT
POST & SCHELL PC
17 NORTH SECOND ST 12TH FL
HARRISBURG PA 17101
glent@postschell.com

RE: Affiliated Interest Agreement between PPL Electric Utilities Corporation and its wholly owned, direct and indirect subsidiaries, CEP Lending Inc., and CEP Commerce LLC

Dear Mr. Lent:

On May 26, 2023, PPL Electric Utilities Corporation's (PPL EU) Affiliated Interest Agreement was accepted for filing and docketed with the Public Utility Commission. For us to complete our analysis of your application, the Public Utility Commission requires answers to the attached question(s).

Please be advised that you are directed to forward the requested information to the Commission within **15** days of receipt of this letter. Failure to respond may result in the filing being denied. As well, if PPL Electric Utilities Corporation has decided to withdraw its Affiliated Interest Agreement, please reply notifying the Commission of such a decision.

Please forward the information to the Secretary of the Commission at the address listed below. When submitting documents, all documents requiring notary stamps must have original signatures. Please note that some responses may be e-filed to your case, <http://www.puc.pa.gov/efiling/default.aspx>. A list of document types allowed to be e-filed can be found at <http://www.puc.pa.gov/efiling/DocTypes.aspx>.

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

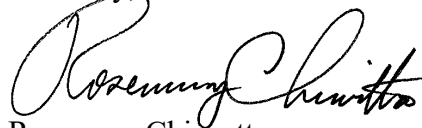
Your answers should be verified per 52 Pa Code § 1.36. Accordingly, you must provide the following statement with your responses:

I, _____, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

The blank should be filled in with the name of the appropriate company representative, and the signature of that representative should follow the statement.

In addition, to expedite completion of the application, please also e-mail the information to Joel Greene at joelgreene@pa.gov. Please direct any questions to Joel Greene, Bureau of Technical Utility Services, at joelgreene@pa.gov (preferred) or (717) 783-4454.

Sincerely,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive, flowing style.

Rosemary Chiavetta
Secretary

Enclosure

Docket No. G-2023-3040957
PPL Electric Utilities Corporation
Data Request

- TUS -1. Is there a formal Cash Management Structure (CMS) agreement amongst the parties? If so, provide it. Is a formal promissory note generated? If so, provide one. What level of management needs to approve the borrowing or lending of funds?
- TUS -2. Affiliated interest agreements (AIAs) should demonstrate at a minimum that the terms are priced “at” or “better than” market terms, offers or options. Please provide documentation that the borrowing and lending done by PPL EU and its affiliates complies with this standard. Please explain the criterion the Treasury Group of PPL EU and Board Members of Commerce and Lending use to base their decisions on for whether to utilize an internal/affiliate loan or to utilize an external loan at the current market rates? What determines the “as needed” basis?
- TUS -3. What is PPL EU’s formal cash and short-term investment policy?
- TUS -4. Are there any monetary or other limitations or restrictions placed upon the CMS participants to determine whether a participant can borrow or lend? What, if any, lending restrictions are there for CEP Lending Inc. (Lending) when loaning money to its affiliates?
- TUS -5 Provide a description of the other CMS participants and identify the purposes for which those participants will utilize funds borrowed from the CMS. Please include how the borrowing rates for these loans will be calculated.
- TUS -6 Please provide a three-year history of borrowing and lending for all the companies that participate in the CMS including amounts, term of the loan and interest rates charged.
- TUS -7 Describe how PPL EU has historically utilized short-term debt and how does the company plan to utilize short-term debt in the future.
- TUS -8 Please describe in detail the capital contribution process between PPL EU and CEP Commerce LLC (Commerce) and Lending. Provide the accounting entries for these equity transactions (capital contribution/return of capital).
- TUS -9 Please provide the accounting entries for both lending and borrowing CMS transactions between Lending and the other PPL Corp affiliates.
- TUS -10 Please provide a 3-year history of PPL EU’s short-term borrowings, capital contributions to affiliates, and short-term Investments.
- TUS -11 On a monthly basis, please provide a 3-year projected utilization of how PPL EU plans to use funds from excess cash collected.

TUS -12 The Management Efficiency Investigation at Docket No. D-2019-3007812 (Management Audit) contained this follow-up recommendation:

Submit for review and approval to the PUC's Bureau of Technical Utility Services, an affiliated interest agreement(s) to document PPL EU's money pool relationships with CEP Commerce, CEP Lending, CEP Reserves, and PPL Energy Funding Corporation.

However, the filing does not contain any reference to CEP Reserves or PPL Energy Funding Corporation. Please supply additional information to document how these entities fit into the CMS.

TUS -13 Per the Management Audit recommendation, has PPL EU considered establishing a conventional corporate money pool and cease the Commerce and Lending relationships? Please explain this decision.

TUS -14 Please describe any ringfencing measures has in place to mitigate any adverse outcomes from Lending's intercompany loan activity with its affiliates. Per the Management Audit recommendation, has PPL EU explored any condition-based ringfencing provisions such as limiting capital infusion from PPL EU to affiliates beyond yearly dividend payments and/or requiring more ringfencing if PPL EU's credit rating drops below PPL Corp.'s? Please explain this decision.