

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF AUDITS**



**REPORT ON
PPL ELECTRIC UTILITIES CORPORATION**

**STATEMENTS OF
SMART METER RIDER – PHASE 2
JANUARY 1, 2020 — DECEMBER 31, 2022**

**MARCH 17, 2025
DOCKET NO. D-2023-3044010**

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2023-3044010**

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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 approximately 1.5 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 2022, 2021, and 2020, total electric revenue from residential, commercial, and industrial customers was \$2,458,660,161; \$1,958,678,600; and \$1,795,225,858; respectively.

Act 129 of 2008 amended Section 2807 of the Public Utility Code by adding a requirement for electric distribution companies with greater than 100,000 customers to submit, for PUC approval, a smart meter technology procurement and installation plan. These smart meter plans were filed with the PUC by August 14, 2009.

By Order entered June 24, 2010, at Docket No. M-2009-2123945, the Commission approved PPL's Smart Meter Technology Procurement and Installation Plan (Smart Meter Plan) as modified by the Order¹, and directed the company to submit a Smart Meter Tariff Rider. By Secretarial Letter issued December 20, 2010, the Commission approved PPL's Smart Meter Tariff Rider with initial rates to become effect January 1, 2011.

On September 3, 2015, at Docket No. M-2014-2430781, the Commission approved PPL's revised Smart Meter Plan, as modified by the Order. By Secretarial Letter issued September 30, 2015, the Commission approved PPL's SMR-2 Rider with initial rates to become effect October 1, 2015.

¹ The Commission found that PPL's SMP did not fully comply with the smart meter requirements of Act 129 and directed PPL to use its 30-month grace period to develop a plan that would fully comply with Act 129 and the additional requirements of the SMP Implementation Order. The grace period was extended an additional 18-months by Commission Order issued August 2, 2012 at Docket No. M-2009-2303075.



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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 Smart Meter Rider – Phase 2 Over/Under Collections for the 12-month periods ended December 31, 2022, December 31, 2021, and December 31, 2020.

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 judgement, 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 Smart Meter Rider – Phase 2 Statements, referred to above, present fairly, in all material respects, the Smart Meter Rider – Phase 2 revenue and expenses of PPL Electric Utilities Corporation as of December 31, 2022, December 31, 2021, and December 31, 2020, 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
March 17, 2025

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**Smart Meter Rider – Phase 2²
Over/(Under) Collections (Section 1307(e))
for the 12 months ended December 31, 2022³**

<u>Rate Class</u>	<u>SMR-2 Revenue</u> (1)	<u>SMR-2 Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Residential	\$ 32,743,542	\$ 32,093,526	\$ 650,016
Small C&I	9,654,392	9,372,411	281,981
Large C&I	1,443,372	1,428,393	14,979
Total	<u>\$ 43,841,306</u>	<u>\$ 42,894,330</u>	<u>\$ 946,976</u>

² As reported to the Commission at Docket No. M-2023-3037972.

³ Notes to the Financial Statement are an integral part of this report.

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**Smart Meter Rider – Phase 2⁴
Over/(Under) Collections (Section 1307(e))
for the 12 months ended December 31, 2021⁵**

<u>Rate Class</u>	<u>SMR-2 Revenue</u> (1)	<u>SMR-2 Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Residential	\$ 56,861,177	\$ 56,943,912	\$ (82,735)
Small C&I	16,799,760	16,629,576	170,184
Large C&I	<u>2,613,789</u>	<u>2,534,400</u>	<u>79,389</u>
Total	<u><u>\$ 76,274,726</u></u>	<u><u>\$ 76,107,888</u></u>	<u><u>\$ 166,838</u></u>

⁴ As reported to the Commission at Docket No. M-2022-3030617.

⁵ Notes to the Financial Statement are an integral part of this report.

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**Smart Meter Rider – Phase 2⁶
Over/(Under) Collections (Section 1307(e))
for the 12 months ended December 31, 2020⁷**

<u>Rate Class</u>	<u>SMR-2 Revenue</u> (1)	<u>SMR-2 Expenses</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Residential	\$ 56,841,407	\$ 57,706,656	\$ (865,249)
Small C&I	16,764,110	16,852,314	(88,204)
Large C&I	<u>2,615,192</u>	<u>2,568,339</u>	<u>46,853</u>
Total	<u><u>\$ 76,220,709</u></u>	<u><u>\$ 77,127,309</u></u>	<u><u>\$ (906,600)</u></u>

⁶ As reported to the Commission at Docket No. M-2021-3023937.

⁷ Notes to the Financial Statement are an integral part of this report.

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Notes to the Financial Statements

1 – Statements

The Smart Meter Rider – Phase 2 (SMR-2) 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 January 30, 2023, January 28, 2022, and January 29, 2021. The statements are available on the PUC’s website (<http://www.puc.pa.gov>) at Docket Nos. M-2023-3037972, M-2022-3030617, and M-2021-3023937.

2 – SMR-2 Revenue

SMR-2 Revenue is derived by applying the SMR-2 per meter charge to each customer who receives distribution service.

3 – SMR-2 Expenses

SMR-2 Expenses include actual costs incurred by PPL to implement its approved Smart Meter Plan (SMP) during the compliance year (January through December of each year). The costs are the sum of all direct and indirect capital (return of and return on smart meter related investment) and operating costs (applicable O&M and taxes), including all deferred design and development costs, and administrative costs. The costs of SMP will be allocated to the total number of meters on PPL's system based on the ratio of investment in meters for each rate class.

4 – Over/(Under) Collections

The Over/(Under) Collection is the difference between the SMR-2 Revenue and the SMR-2 Expenses. The resulting amount represents the portion of SMR-2 Revenue refundable or SMR-2 Expenses recoverable through subsequent SMR-2 rates. Differences arise for two primary reasons:

- Variations between the actual number of monthly bills to customers and the estimates used to determine the SMR-2 rates; and,
- Variations between the actual SMR-2 expenses and the estimates used to determine the SMR-2 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 Keith L. Mather.