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October 31, 2022

2023 PPL Electric Annual Update Posting

On August 25, 2022, PPL Electric Utilities Corporation filed with the Federal Energy Regulatory Commission (“Commission”) proposed changes to its Formula Rate (Attachment H-8G) and its Formula Rate Protocols (Attachment H-8H) contained in the PJM Interconnection, L.L.C. (“PJM”) Open Access Transmission Tariff (“OATT”). The proposed changes seek to transition PPL Electric to a calendar year rate year (January 1 to December 31) from a mid-year rate year (June 1 to May 31). That filing remains pending before the Commission in Docket No. ER22-2719-000. PPL Electric requested an effective date of October 25, 2022.

The revised Protocols submitted in Docket No. ER22-2719-000 require PPL Electric to post its Annual Update on the PJM website on or before October 31. PPL Electric is hopeful that the Commission will approve the proposed changes in Docket No. ER22-2719-000 and will make those changes effective on or before October 31, 2022. Therefore, PPL Electric posts its 2023 Annual Update on the PJM website so that if the Commission approves the proposed changes effective on or before October 31, 2022, customers will have notice of the rates that will go into effect on January 1, 2023, consistent with the proposed changes to the Protocols.

At this time, the 2023 Annual Update is for informational purposes only to provide transparency to customers because the proposal to move to a calendar year remains pending before the Commission. PPL Electric cannot and will not implement any rate changes until it receives approval from the Commission. If the Commission does not accept the proposed changes in Docket No. ER22-2719-000, PPL Electric will continue with its mid-year rate year. If the Commission accepts the proposed changes effective later than October 31, 2022, PPL Electric will notify customers of how the changes will be implemented going forward.

I. SUPPORTING DOCUMENTATION

In addition to the populated Template, PPL Electric also submits Exhibits 2A through 5, which contain additional information provided pursuant to the Protocols. PPL Electric also includes Exhibit 6 in its Annual Update, which provides work papers

supporting the return of excess accumulated deferred income taxes (“ADIT”) associated with the Tax Cuts and Jobs Act of 2017 (“TCJA”) and the recovery of the deferred income tax expense associated with the equity component of the Allowance for Funds Used During Construction (“AFUDC Equity”) approved by the Commission in Docket No. ER19-1145-000.¹

A. Data Not Otherwise Available In FERC Form No. 1

Section III.B(3)(a) of the Protocols and the Commission Staff’s Guidance on Formula Rate Updates require PPL Electric to submit supporting documentation for data not otherwise available in its FERC Form No. 1. Exhibit 2 contains support for the relevant data not otherwise available in PPL Electric’s 2021 FERC Form No. 1. Specifically, Exhibit 2 includes additional details regarding the following: (1) revenue credits (Revenue Credit Worksheet, Exhibit 2A), (2) amortized investment tax credits (Schedule of Deferred Investment Tax Credit, Exhibit 2B), and (3) Post-Employment Benefits Other Than Pensions (“PBOP”) expenses (PBOP Expenses, Exhibit 2C).

B. Return of Excess ADIT and Accounting for AFUDC Equity

On April 29, 2019, the Commission accepted modifications to PPL Electric’s Formula Rate to: (1) permit PPL Electric to return to customers or recover from customers, as applicable, excess or deficient ADIT resulting from the reduction in the Federal Income Tax (“FIT”) Rate under the TCJA and from future changes in income tax laws; and (2) permit PPL Electric to prospectively account for deferred income tax expense associated with the equity component of AFUDC Equity (together, the “ADIT/AFUDC Component”).² The modifications to PPL Electric’s Formula Rate were made effective June 1, 2019.³ As noted above, PPL Electric includes Exhibit 6, which provides work papers supporting the return of excess ADIT associated with the TCJA and the recovery of the deferred income tax expense associated with the equity component of AFUDC Equity.

C. Material Accounting Changes

The Protocols requires PPL Electric to provide notice of any Material Accounting Changes in its 2023 Annual Update.⁴ There were no material accounting changes.

¹ *PJM Interconnection, L.L.C. and PPL Electric Utilities Corp.*, 167 FERC ¶ 61,083 (2019) (“April 2019 Order”).

² *PPL Electric Utilities Corp.*, Revisions to Attachment H-8G of the PJM Interconnection, L.L.C., Open Access Transmission Tariff, Docket No. ER19-1145-000 (filed Feb. 28, 2019) (“February 2019 Filing”).

³ April 29 Order at P1.

⁴ Section I.H. of the Protocols defines Material Accounting Changes.

D. Changes to PPL Electric's ATRR

PPL Electric notes that the proposed 2023 Annual Update includes a True-Up that is calculated consistent with the transition proposed in the filing in Docket No. ER22-2719-000. Exhibit 1, Attachment 6, Line 10 is adjusted to include the remaining 5 months of the 2021 True-Up with interest (filed April 28, 2022). PPL Electric also updates its state tax rate to reflect a change that will become effective on January 1, 2023.

Section III(B)(3)(d) of the Protocols requires PPL Electric to provide sufficient information to explain any changes made since the last Annual Update. Exhibit 3A is a variance report that identifies the changes to PPL Electric's populated Template contained in Exhibit 1 when compared to the populated Template submitted in Docket No. ER09-1148-000 for the 2022 Rate Year.⁵ Included with the variance report is an explanation of significant changes made since the last Annual Update (Exhibit 3B).

Further, the Protocols require PPL Electric to identify any changes in the formula references in FERC Form No. 1 and any adjustments made to the FERC Form No. 1 data in determining inputs. As discussed above, PPL Electric proposed changes to the Formula Rate in Docket No. ER22-2719-000. The 2023 Annual Update reflects those changes that remain pending before the Commission including use of a projected December 31, 2022 plant balance in Exhibit 1.

E. Construction Work In Progress

Section IV(B) of the Protocols requires PPL Electric to provide information regarding transmission projects for which it has received Commission approval to recover 100 percent of CWIP. In accepting PPL Electric's Transmission Formula Rate for filing in 2008, the Commission approved inclusion of CWIP in PPL Electric's rate base for the Susquehanna-Roseland Project.⁶ In 2013, the Commission approved inclusion of CWIP in PPL Electric's rate base for the Northeast/Pocono Reliability Project.⁷

The Susquehanna-Roseland Project was placed into service in 2015, and the Northeast/Pocono Reliability Project was placed into service in 2016. There is no projected CWIP for either project in 2023.

F. Depreciation Expense

Section III(B)(3)(d) of the Protocols requires PPL Electric to provide the most recent annual report filed with the PA PUC that shows the annual depreciation rates derived from the applicable depreciation and service life study approved for use by the

⁵ *PPL Elec. Utils. Corp.*, 2022 Formula Rate Annual Update, Docket No. ER09-1148-000 at Exhibit 1 (filed April 28, 2022).

⁶ *PPL Elec. Utils. Corp., et al.*, 123 FERC ¶ 61,068 (2008).

⁷ *PPL Elec. Utils. Corp.*, 141 FERC ¶ 61,021, at P 43 (2012); *PPL Elec. Utils. Corp.*, Docket No. ER13-1026-000 (Letter Order issued Apr. 1, 2013).

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Commission as the basis for calculating such rates. Exhibit 5 is a copy of the annual report filed with the PA PUC on April 26, 2022, in PA PUC Docket No. M-2022-3032121 that shows the annual depreciation rates for 2021 derived from PPL Electric's most recent depreciation and service life study that was approved by the Commission in Docket No. ER18-22-000 on December 5, 2017.⁸

If you should have any questions regarding the Informational Posting of PPL Electric's 2023 Annual Update, please contact the undersigned.

Sincerely,

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⁸ *PPL Elec. Utils. Corp.*, Docket No. ER18-22-001(Letter Order issued Dec. 5, 2017).