PPL Electric Utilities Corporation
Transmission Formula Rate Variance Report
(Comparison of 2027 Annual Update to 2026 Annual Update)
Explanatory Statement

The following are explanations of changes in the major categories reflected in the Transmission Formula Rate Variance Report:

Plant Calculation Variance

PPL Electric's Total Plant (Line 25) increased by $776.2 million, which is due to several factors including an increase in transmission plant additions (Line 18) and a decrease in General & Intangible Plant (Line 23). The decrease in General & Intangible Plant is due to assets functionalized to Transmission and Distribution as part of FERC Order 898. The Net Plant (Line 33) increased by $675.1 million and is the net result of an increase in Total Plant, as described above, and an associated increase in Depreciation (Line 32).

Adjustments to Rate Base

The Total Adjustments to the Rate Base (Line 45) decreased by $72.7 million. The decrease is the net effect of changes in Accumulated Deferred Income Taxes (ADIT), Prepayments, Materials and Supplies, and Cash Working Capital.

ADIT (Line 34) decreased by $70.4 million (increase in rate base). The increase in the ADIT is primarily related to book and tax depreciation on new plant additions.

Prepayments (Line 36) decreased by $3.0M, which was primarily tax related. The primary driver was the 2024 Gross Receipts Tax (GRT). Approximately $19.6M was reclassed to a reconciliation account. The 2025 GRT accounts for another $7.6M.

Materials and Supplies (Line 41) increased $0.7 million.

Cash Working Capital (Line 44) decreased $22 thousand due to being based on Total Transmission Operation and Maintenance Expense, which also decreased (Line 70).

Rate Base

The Rate Base (Line 46) increased by $602.5 million. The increase is the net result of the changes to the Net Plant (Line 33) and the changes to the Rate Base Adjustments (Line 45) as described above.

Operation and Maintenance Expense
Operation and Maintenance Expense (Line 70) decreased by $0.172 million.

Depreciation and Amortization Expense
Depreciation and Amortization Expense (Line 77) increased $12.3 million.

Taxes Other Than Income
Taxes Other Than Income (Line 79) decreased $0.398 million.

Investment Return
Investment Return (Line 107) increased by $40.9 million. The increase in the investment return on capital is largely attributable to the increase in Rate Base (Line 46), as described above.

Total Income Taxes
Total Income Taxes (Line 116) increased $10.6 million. The increase is the result of changes to the Investment Return (Line 107), as described above, and higher income tax adjustments (Line 114b), partially offset by a lower state income tax rate (Line 109).

Revenue Requirement
The Annual Gross Revenue Requirement (Line 125) increased $63.1 million, and the Annual Net Revenue Requirement (Line 133) increased by $51.6 million. The increases to both are primarily due to increases in the Investment Return and Income Taxes due to higher Rate Base (Line 46). The Net Zonal Revenue Requirement (Line 148) increased by $14.8 million, which is a function of the Annual Net Revenue Requirement and a decrease in the Annual True-up amount (Line 146.)

Network Service Rate
The Network Service Rate (Line 151) increased by $6,209 per megawatt per year. The increase in the network rate is directly related to an increase to the Net Zonal Revenue Requirement (Line 148), as described above. The Network Service Peak Load reported by PJM also decreased 302 MW to 7,755 MW.