

**PPL Electric Utilities Corporation
Transmission Formula Rate Variance Report
(Comparison of 2023 Annual Update to 2022 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 \$439.3 million, which is due to an increase in transmission plant additions, retirements, and transfers (Line 15), partially offset by lower New Transmission Plant Additions for Current Calendar Year (Line 17).

Rate Base

The Rate Base (Line 46) increased by \$439.2 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).

Operation and Maintenance Expense

Operation and Maintenance Expense (Line 70) increased \$0.1 million due to an increase in A&G Directly Assigned to Transmission (Line 69).

Taxes Other Than Income

Taxes Other Than Income (Line 79) increased \$0.3 million due to a higher net plant allocator.

Investment Return

Investment Return (Line 107) increased by \$34.0 million. The increase in the investment return on capital is largely attributable to the increase in Rate Base (Line 46), as described above. The Common Cost (Line 102) increased 4 basis points.

Total Income Taxes

Total Income Taxes (Line 116) increased by \$5.7 million. The increase is the result of changes to the Investment Return (Line 107), as described above, partially offset by a lower state income tax rate (Line 109).

Revenue Requirement

The Annual Net Revenue Requirement (Line 133) increased by \$40.0 million. The increase is primarily due to a higher Investment Return and Income Taxes due to higher Rate Base (Line 46). The Net Zonal Revenue Requirement (Line 148) increased by \$45.7 million, which is a function of the Annual Net Revenue Requirement and an increase in the Annual True-up amount (Line 146) of \$5.6 million.

Network Service Rate

The Network Service Rate (Line 151) increased by \$6,427 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 and a slightly lower CP Peak of 28 MW
(Line 149).