

**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).