



First Quarter 2018 Financial Statement Highlights

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1Q18 Balance Sheet Highlights - Assets

<i>(dollars in millions)</i>	3/31/18 Balance	12/31/17 Balance	Change	
			\$	%
Deposits on hand ⁽¹⁾	1,715	1,458	257	17
Operating cash ⁽²⁾	631	308	323	105
Receivables ⁽³⁾	42	94	(52)	(55)

- (1) Increase in deposits on hand is driven by higher member credit deposits resulting from higher volume during the first quarter of 2018.
- (2) Increase in operating cash is driven by (1) a \$35 million increase in member prepayments at March 31, 2018 as compared with December 31, 2017, and (2) a \$329 million increase in the excess congestion cash position. Offsetting the increase is the effect of (1) \$50 million of pension plan contributions made during the first quarter of 2018, and (2) payment of certain year-end 2017 accruals during first quarter 2018. The remaining difference is due to the timing of collections versus expenditures.
- (3) The receivables balance at March 31, 2018 includes approximately \$25 million of monthly Schedule-9 stated rate charges. The period over period receivables balance decrease is primarily due to a \$58 million decrease in excess congestion revenue billed at March 31, 2018 as compared to December 31, 2017. Partially offsetting the decrease in excess congestion receivables is a \$7 million increase in market-to-market activity between PJM and Midcontinent ISO.



1Q18 Balance Sheet Highlights - Liabilities

<i>(dollars in millions)</i>	3/31/18 Balance	12/31/17 Balance	Change	
			\$	%
Accounts payable and accrued expenses ⁽¹⁾	47	29	18	62
Due to members ⁽²⁾	698	397	301	76
Deferred regulatory liability – current ⁽³⁾	0.5	0.1	0.4	25
Deferred regulatory liability – non-current ⁽³⁾	17	9	8	88
Pension ⁽⁴⁾	12	61	(49)	(80)

- (1) Increase in accounts payable and accrued expenses is primarily the result of the FERC fee accrual for the first quarter of 2018, an increase in market-to-market activity with Midcontinent ISO, and timing of vendor activity.
- (2) Due to members balance at March 31, 2018 is comprised of \$353 million of member prepayments and \$345 million of excess congestion revenue collected but not yet remitted to members.
- (3) At March 31, 2018, the current portion of the deferred regulatory liability balance relates refunds from PJM Settlement, Inc.'s formula rate schedule. The non-current portion of the deferred regulatory liability balance represents PJM Interconnection, LLC's reserve balance allowable under the Tariff.
- (4) Decrease in pension liability represents the impact of \$50 million of pension plan funding completed in the first quarter 2018.



1Q18 Change in Deferred Regulatory Liability

<i>(\$ in millions)</i>	Three Months Ended March 31, 2018
Service Fees	78
Expenses, net	(70)
Contribution to the Deferred Regulatory Liability Balance	8



1Q18 Income Statement Highlights

<i>(dollars in millions)</i>	1Q18	1Q18	Change	
			\$	%
Service fees ⁽¹⁾	78	78	-	-
Deferred regulatory expense ⁽¹⁾	(8)	(9)	1	11

(1) For each of the three month periods ended March 31, 2018 and March 31, 2017, PJM's service fees were \$78 million. In first quarter 2018, service fees exceeded actual expenses resulting in a \$8 million contribution to the deferred regulatory liability balance.



1Q18 Cash Flow Statement Highlights

<i>(dollars in millions)</i>	1Q18	1Q17	Change	
			\$	%
Financing Cash Flows ⁽¹⁾	557	(88)	645	(733)

(1) The change in net cash provided by (used in) financing activities is driven by (1) an increase in customer deposits during first quarter 2018 resulting from higher member credit deposits resulting from higher volume during the first quarter of 2018, and (2) an increase in the due to members balance during first quarter 2018 due to higher member prepayments and higher excess congestion.



1Q18 Key Financial Disclosure Highlights

Footnote 11 provides a summary of ongoing legal and regulatory matters.

- Marginal Line Loss Surplus Payment Re-allocation – DC Circuit Court of Appeals remand order in August 2013 directed FERC to provide additional support for its determination to recoup the previously ordered refunds. FERC issued an order in November 2015 reaffirming previous recoupment order. No activity on this matter so far in 2018.
- TranSource Matter – In February 2016, TranSource filed a complaint at FERC asserting it incurred \$72 million of lost profit opportunities from monthly Incremental Auction Revenue Rights during 2015. On January 19, 2018, TranSource was granted limited relief and PJM was ordered to restore TranSource's original queue position and refund the \$0.15 million paid by TranSource for the study of its upgrade request. All other requests for relief were denied. PJM filed a brief on exceptions on February 20, 2018. A final decision will be issued by the Commission after considering all exception briefs filed.