



First Quarter 2019 Financial Statement Highlights

Megan Heater
Controller
Finance Committee
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1Q19 Balance Sheet Highlights - Assets

<i>(dollars in millions)</i>	3/31/19 Balance	12/31/18 Balance	Change	
			\$	%
Deposits on hand	1,550	1,501	49	3
Operating cash	367	362	5	1
Receivables ⁽¹⁾	45	39	6	15

(1) The receivables balance at March 31, 2019 includes approximately \$24 million of monthly stated-rate charges (net \$2 million of March 2019 Schedule 9 stated-rate refunds) and \$5 million of default allocation assessments. The period-over-period increase in the receivables balance is primarily due to an increase in excess congestion revenue billed at March 31, 2019 as compared to December 31, 2018, offset by a decrease in the default allocation assessment position.



1Q19 Balance Sheet Highlights - Liabilities

<i>(dollars in millions)</i>	3/31/19 Balance	12/31/18 Balance	Change	
			\$	%
Accounts payable and accrued expenses ⁽¹⁾	45	34	11	32
Due to members ⁽²⁾	415	405	10	2
Deferred regulatory liability – current	8	6	2	33
Deferred regulatory liability – non-current ⁽³⁾	18	17	1	6

(1) Increase in accounts payable and accrued expenses is primarily the result of the FERC fee accrual for the first quarter of 2019 and timing of vendor activity.

(2) Due to members balance at March 31, 2019 is comprised of \$335 million of member prepayments and \$80 million of excess congestion revenue collected but not yet remitted to members.

(3) At March 31, 2019, the current portion of the deferred regulatory liability balance represents the amount that will be refunded to members during the second quarter of 2019 by PJM Interconnection, LLC and PJM Settlement, Inc. The non-current portion of the deferred regulatory liability balance represents PJM Interconnection, LLC's reserve balance allowable under the Tariff (up to 6 percent of annual stated rate revenues).



1Q19 Change in Deferred Regulatory Liability

<i>(\$ in millions)</i>	Three Months Ended March 31, 2019
Service Fees	82
Expenses, net	(73)
Refunds	(6)
Contribution to the Deferred Regulatory Liability Balance	3



1Q19 Income Statement Highlights

<i>(dollars in millions)</i>	1Q19	1Q19	Change	
			\$	%
Service fees ⁽¹⁾	82	78	4	5
Deferred regulatory income ⁽¹⁾	(9)	(8)	(1)	(13)

(1) In first quarter 2019, service fees exceeded actual expenses resulting in a \$9 million contribution to the deferred regulatory liability balance. The variance in service fees is principally due to a 2.5 percent increase in the composite stated-rate on January 1, 2019.



1Q19 Cash Flow Statement Highlights

<i>(dollars in millions)</i>	1Q19	1Q18	Change	
			\$	%
Operating Cash Flows ⁽¹⁾	4	29	(25)	(8)
Financing Cash Flows ⁽²⁾	58	557	(499)	(9)

- (1) The change in net cash provided by operating activities is primarily due to (1) first quarter 2018 funding of the pension plan, (2) a change in receivables period over period resulting from a significant decrease in receivable for the three month period ended March 2018 due to a high billed excess congestion position at December 31, 2018, and (3) \$6 million of refunds to members during the first quarter 2019.
- (2) The decrease in net cash provided by financing activities period over period is primarily driven by decreases in due to members and member deposits at March 31, 2019 as compared to March 31, 2018. At March 31, 2018 the due to members balance included \$345 million of excess congestion as compared to \$80 million held at March 31, 2019. In the first quarter of 2018, member deposits increased due to high market activity in January 2018 (member deposit balances were approximately \$1.7 billion at March 31, 2018 as compared to approximately \$1.5 billion at March 31, 2019).



1Q19 Key Financial Disclosure Highlights

Footnote 10 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.



1Q19 Key Financial Disclosure Highlights

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- Credit Matter – In June 2018, PJM members were notified that GreenHat Energy, LLC defaulted on its obligations related to its FTR portfolio, which includes positions applicable to the current planning year as well as the 2019–2020 and 2020–2021 planning years. The default allocation assessments billed to the non-defaulting members for the period June 2018 through March 2019 were \$104.2 million and may change to liquidated costs. On January 30, 2019, FERC denied PJM's waiver requesting to only offer the August 2018 defaulted FTRs for liquidation in the FTR auction conducted in July 2018. PJM has requested FERC to stay implementation of that denial and has requested rehearing and clarification of FERC's denial of PJM's waiver request. If PJM ultimately is required to implement FERC's denial, it may require recalculation and rebillings of past default allocation assessment charges. PJM cannot predict the future default allocation assessments resulting from this default. The aggregate payment default of this member, net of collateral held, will be billed to the non-defaulting members in accordance with the default allocation assessment formula in the PJM Operating Agreement. PJM has implemented two significant FTR credit policy enhancements in 2018. Additional enhancements are anticipated during 2019.