



Second Quarter 2020 Financial Statement Highlights

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MC Webinar
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<i>(dollars in millions)</i>	June 30, 2020	December 31, 2019	Change	
			Dollar	Percentage
Operating cash ⁽¹⁾	9	52	(43)	(83)
Receivables ⁽²⁾	32	57	(25)	(44)

(1) Decrease in operating cash is primarily due to the return of excess congestion to members in June 2020 and a decrease in member prepayments for market settlements at June 30, 2020 as compared to December 31, 2019. The decrease is partially offset by \$25 million of borrowing on the revolving line of credit at June 30, 2020.

(2) Receivables balance at June 30, 2020 includes approximately \$27 million of monthly Schedule 9 stated-rate charges. The period versus period receivable balance decrease is primarily due to the \$16 million marginal line loss surplus rebilling in December 2019 and lower excess congestion balances billed at June 30, 2020 versus December 31, 2019.



Balance Sheet Highlights - Liabilities

<i>(dollars in millions)</i>	June 30, 2020	December 31, 2019	Change	
			Dollar	Percentage
Accounts payable and accrued expenses ⁽¹⁾	54	38	16	42
Due to members ⁽²⁾	2	102	(100)	(98)
Accrued payroll and benefits ⁽³⁾	22	38	(16)	(42)

- (1) Increase in accounts payable and accrued expenses is primarily due to the year-to-date FERC fee accrual, offset by a decrease in vendor activity at June 30, 2020.
- (2) Due to members balance at June 30, 2020 represents \$0.9 million of excess congestion revenue collected but not yet remitted to members and \$0.7 million of member prepayments for market settlements.
- (3) Decrease in accrued payroll and benefits is primarily due to payment of the calendar year 2019 annual bonus offset by the accrual of the calendar year 2020 bonus and 2019 incremental costs associated with employee retirements that were one time in nature.



Balance Sheet Highlights – Liabilities (continued)

<i>(dollars in millions)</i>	June 30, 2020	December 31, 2019	Change	
			Dollar	Percentage
Revolving line of credit ⁽¹⁾	25	-	25	100
Deferred regulatory liability – current	6	14	(8)	(57)
Deferred regulatory liability – non current ⁽²⁾	18	6	12	200

(1) At June 30, 2020, PJM had \$25 million outstanding on the revolving line of credit.

(2) At June 30, 2020, the \$6 million current deferred regulatory liability balance represents the amount that will be refunded to members during the third quarter of 2020 by PJM Interconnection, LLC and PJM Settlement, Inc. The non current deferred regulatory liability balance represents PJM Interconnection, LLC's allowable reserve balance, up to 6 percent of annual stated rate revenues.



Contribution to Deferred Regulatory Liability Balance

<i>(dollars in millions)</i>	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Service fees	75	156
Expenses	(67)	(139)
Refunds	-	(13)
Change to the deferred regulatory liability balance	8	4

<i>(dollars in millions)</i>	<i>6-months ended June 30, 2020</i>	<i>6-months ended June 30, 2020</i>	Change	
			Dollar	Percentage
Deferred regulatory income ⁽¹⁾	(17)	(8)	(9)	113
Compensation expense ⁽³⁾	71	76	(5)	(7)
Outside services ⁽³⁾	26	29	(3)	(10)
Other expenses ⁽³⁾	4	6	(2)	(33)

- (1) For the six-month period ended June 30, 2020, expenses (including refunds to members) were less than service fees, resulting in an increase in the deferred regulatory liability balance.
- (2) Decrease in compensation expense is primarily due to lower headcount period over period and 2019 incremental costs associated with employee retirements that were one time in nature.
- (3) Decrease in outside services and other expenses is primarily attributable to lower building maintenance expense period over period and decreased travel, meeting and training expense resulting from COVID-19 restrictions.

<i>(dollars in millions)</i>	<i>6-months ended June 30, 2020</i>	<i>6-months ended June 30, 2019</i>	Change	
			Dollar	Percentage
Operating cash flows ⁽¹⁾	49	28	21	75
Financing cash flows ⁽²⁾	7	(47)	54	(115)

(1) The primary driver in the change in net cash provided by operating activities is \$4 million contribution to deferred regulatory liability balance (net of refunds), a decrease in accounts receivable due primarily to \$16 million of marginal line loss surplus re-billing in December 2019, a lower excess congestion billed balance at June 30, 2020, and a lower accounts payable balance period over period due to a decrease in vendor activity.

(2) The primary driver in the cash provided by (used in) financing activities is a change in deposits and due to members balances. Deposits on hand decreased \$84 million to \$1.7 billion at June 30, 2020 as compared to December 31, 2019. PJM held \$0.7 million of member prepayments for market settlements at June 30, 2020 as compared to \$15 million held at December 31, 2019. Additionally, at June 30, 2020 PJM had \$25 million outstanding on the revolving line of credit.

Footnote 11 provides a summary of ongoing legal and regulatory matters, including:

- Credit matter
- Old Dominion Electric Cooperative v. PJM 2014 polar vortex complaint
- Radford's Run complaint