



# Third Quarter 2020 Financial Statement Highlights

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# Balance Sheet Highlights - Assets

(dollars in millions)	September 30, 2020	December 31, 2019	Change	
			Dollar	Percentage
Deposits on hand <sup>(1)</sup>	1,883	1,598	285	18
Operating cash <sup>(2)</sup>	13	52	(39)	(75)
Receivables <sup>(3)</sup>	26	57	(31)	(54)
Projects in development <sup>(4)</sup>	45	38	7	18

(1) Increase in deposits on hand is primarily due to collateral placed to support participation in FTR auctions and credit mix (use of letters of credit decreased, resulting in a cash collateral increase from December 31, 2019 to September 30, 2020).

(2) Decrease in operating cash is primarily due to a decrease in the excess congestion position September 2020 versus December 2019 and a decrease in member prepayments for market settlements at September 30, 2020 as compared to December 31, 2019. The decrease in operating cash was partially offset by \$27 million of borrowing on the revolving line of credit at September 30, 2020.

(3) Receivables balance at September 30, 2020 includes approximately \$23 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 September 30, 2020 versus December 31, 2019.

(4) Increase in projects in development is driven by work on capital projects, most significantly the EMS upgrade project, next generation energy management system project, market design engine project and server upgrade projects. The increase in projects in development was partially offset by placement of assets in service during the period.



# Balance Sheet Highlights - Liabilities

<i>(dollars in millions)</i>	September 30, 2020	December 31, 2019	Change	
			Dollar	Percentage
Accounts payable and accrued expenses <sup>(1)</sup>	11	38	(27)	(71)
Due to members <sup>(2)</sup>	32	102	(70)	(69)
Accrued payroll and benefits <sup>(3)</sup>	25	38	(13)	(34)

- (1) Decrease in accounts payable and accrued expenses is primarily due to payment of the FERC fee invoice in third quarter 2020 and a decrease in vendor activity at September 30, 2020.
- (2) Due to members balance at September 30, 2020 represents \$3 million of excess congestion revenue collected but not yet remitted to members and \$29 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, lower headcount and 2019 incremental costs associated with employee retirements that were one time in nature.



# Balance Sheet Highlights – Liabilities (continued)

<i>(dollars in millions)</i>	September 30, 2020	December 31, 2019	Change	
			Dollar	Percentage
Revolving line of credit <sup>(1)</sup>	27	-	27	100
Deferred regulatory liability – current	21	14	7	50
Deferred regulatory liability – non current <sup>(2)</sup>	18	6	12	200

(1) At September 30, 2020, PJM had \$27 million outstanding on the revolving line of credit.

(2) At September 30, 2020, the \$21 million current deferred regulatory liability balance represents the amount that will be refunded to members during the fourth 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 September 30, 2020	Nine Months Ended September 30, 2020
Service fees	87	243
Expenses	64	203
Refunds	(8)	(21)
Change to the deferred regulatory liability balance	15	19

<i>(dollars in millions)</i>	<i>9-months ended</i> September 30, 2020	<i>9-months ended</i> September 30, 2019	Change	
			Dollar	Percentage
Deferred regulatory income <sup>(1)</sup>	(40)	(25)	(15)	60
Compensation expense <sup>(2)</sup>	104	110	(6)	(5)
Outside services <sup>(3)</sup>	40	45	(5)	(11)
Other expenses <sup>(3)</sup>	7	9	(2)	(22)

- (1) For the nine-month period ended September 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 contractor expense, 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>9-months ended</i> September 30, 2020	<i>9-months ended</i> September 30, 2019	Change	
			Dollar	Percentage
Operating cash flows <sup>(1)</sup>	33	25	8	32
Financing cash flows <sup>(2)</sup>	239	(280)	519	(185)

(1) The primary driver in the change in net cash provided by operating activities is \$19 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 September 30, 2020, and a lower accounts payable balance period over period due to payment of the FERC fees invoice in third quarter and 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 increased \$285 million to \$1.8 billion at September 30, 2020 as compared to December 31, 2019. PJM held \$29 million of member prepayments for market settlements at September 30, 2020 as compared to \$15 million held at December 31, 2019. Additionally, at September 30, 2020 PJM had \$27 million outstanding on the revolving line of credit.

Footnote 3 includes a summary of the October 30, 2020 FERC filing to modify how PJM allocates to members deferred regulatory liability amounts in excess of the reserve allowed under the Tariff.

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