



Third Quarter 2021 Financial Statement Highlights

Megan Heater, Controller
MC Webinar
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Balance Sheet Highlights – Assets

(dollars in millions)

	Sept. 30, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
Deposits on hand ⁽¹⁾	2,314	1,801	513	28
Operating cash ⁽²⁾	163	103	60	58

(1) Increase in deposits on hand reflects an increase in Interconnection Planning deposits, reflecting a higher number of study and agreement projects, collateral posted in support of the capacity market and collateral posted to support the FTR 2022 / 2025 long term round 3 auction which began in Oct. 2021.

(2) Increase in operating cash is primarily due to a \$66 million increase in member prepayments for market settlements at Sept. 30, 2021, as compared to Dec. 31, 2020.



Balance Sheet Highlights – Liabilities

(dollars in millions)

	Sept. 30, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
Due to members ⁽¹⁾	217	151	66	44
Deferred regulatory liability – current	17	-	17	100
Deferred regulatory liability – noncurrent ⁽²⁾	19	18	1	6

(1) Due to members balance at Sept. 30, 2021, includes \$217 million of member prepayments for market settlements. There was no excess congestion revenue collected but not yet remitted to members.

(2) At Sept. 30, 2021, the current portion of the deferred regulatory liability reflects the amount to be refunded to members by PJM Interconnection, LLC and PJM Settlement, Inc. during the fourth quarter of 2021. At Sept. 30, 2021, the noncurrent 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

(dollars in millions)

	3 Months Ended Sept. 30, 2021	9 Months Ended Sept. 30, 2021
Service fees	89	248
Expenses	83	216
Refunds	4	14
Change to the deferred regulatory liability balance	2	18



Income Statement Highlights

(dollars in millions)

	9-months ended Sept. 30, 2021	9-months ended Sept. 30, 2020	CHANGE	
			Dollar	Percentage
Deferred regulatory expense ⁽¹⁾	(32)	(40)	8	(20)
Compensation expense ⁽²⁾	114	104	10	10

- (1) For the 9-month period ended Sept. 30, 2021, expenses were less than service fees, resulting in a contribution to the deferred regulatory liability balance.
- (2) Increase in compensation expense is primarily due to COVID-19 related costs, higher head count period over period and normal merit increases reflected in 2021 results.



Cash Flow Statement Highlights

(dollars in millions)

	9-months ended Sept. 30, 2021	9-months ended Sept. 30, 2020	CHANGE	
			Dollar	Percentage
Operating cash flows ⁽¹⁾	17	33	(16)	(48)
Financing cash flows ⁽²⁾	577	239	338	141

(1) The primary drivers in the change in net cash provided by operating activities at period over period are (1) a change in employee benefit expense greater than funding associated with the PJM pension and postretirement plans due to a lower discount rate in 2021, (2) change in receivables representing a decreased September 30, 2020 receivable position due primarily to the absence of the December 31, 2019 marginal line loss billing adjustment and (3) change in the FERC fee position period over period.

(2) The primary driver in the change in net cash provided by financing activities is an increase in due to members and an increase in member deposits. Due to members increased period over period primarily due to higher prepayments. Member deposits increased in support of Interconnection Planning, the capacity market and the FTR 2022 / 2025 long term round 3 auction.

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
- Illinois Municipal Electric Agency v. PJM complaint