



2021 Financial Review

MC Informational Webinar

April 25, 2022

Jim Snow

Topic	Slide(s)
Comparison of allocated costs and actual revenues collected from stated rates for each service included in Schedules 9-1 through 9-5 of the PJM Tariff	3
Intercompany charges or credits between PJM's non-FERC regulated subsidiaries and the FERC-regulated RTO	4
Material variances in revenues, net operating expense and capital budget vs. actual results	5 - 8
Summary of cost trends	10 – 11
Analysis of deferred regulatory liability balances	9



YTD 4Q21 Revenues / Expenses by Service Category

<i>(dollars in millions)</i>	9-1	9-2a	9-2b	9-3a	9-3b	9-4	9-5	Total
Revenues ⁽¹⁾ ⁽²⁾	186	14	17	88	3	3	15	326
Allocated Expenses ⁽²⁾	168	9	6	96	1	6	12	298
Revenues less Expenses	18	5	11	(8)	2	(3)	3	28
Refund Allocation (%)	44	15	27	---	5	---	9	100
Projected First Quarter Refund	6.5	2.2	3.9	---	0.7	---	1.4	14.7

(1) Total agrees to fourth quarter 2021 audited financial statements.

(2) Under stated rates, revenues less expenses are reported in a deferred regulatory liability account.

- For the year ended December 31, 2021, the employees of the FERC-regulated RTO charged \$0.4 million of billing, collections and accounting services to PJM's non-FERC regulated subsidiaries, respectively.
- The credit for these services provided was recorded as a reduction in the compensation expense under PJM Tariff allocated to Schedules 9-1 through 9-5.
- For the year ended December 31, 2021, revenues and expenses of PJM's non-FERC regulated subsidiaries totaled \$3.3 million and \$1.8 million, respectively, resulting in \$1.5 million of net income for the period.



4Q21 YTD Expense Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Compensation ⁽¹⁾	167	160	7	4
Non-Employee Labor ⁽¹⁾	44	48	(4)	(8)
Technology ⁽²⁾	33	33	---	---
Depreciation / Interest ⁽¹⁾	35	37	(2)	(5)
Other ⁽¹⁾	17	26	(9)	(35)
Income Taxes ⁽¹⁾	2	1	1	100
Total Expenses ⁽³⁾	298	305	(7)	(2)

(1) See additional information on expense variances on slide 6.
 (2) For this period, there were no material variances in this expense category in total or within the components of this expense category.
 (3) Excludes expenses related to Tariff Schedule 9-FERC.

- **Compensation** – overtime, sequestration, benefits and greater hiring costs (+\$6.8M) and timing of projects (+\$0.2M)
- **Non-Employee Labor** – savings of cost center initiatives (-\$2.5M), legal fees (-\$1.3M), contractor support (-\$0.5M) and duplication services (-\$0.3M); partially offset by timing of projects (+\$0.4M)
- **Depreciation / Interest** – savings due to timing of completion of projects (-\$1.8M)
- **Other** – savings of employee related expenses, member training and meetings (-\$7.3M), facilities related expenses (-\$0.9M), insurance (-\$0.5M), annual meeting expense (-\$0.4M), Board of Managers expense (-\$0.2M), and dues & subscriptions (-\$0.2M); and greater other income (-\$0.3M); partially offset by greater recruiting expense (+\$0.4M)
- **Income Taxes** – greater due to reassessment of PJM's valuation allowances; partially offset by R&D tax credit



4Q21 YTD Capital Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Application Replacements/Retrofit ⁽²⁾	9	9	---	---
Current Applications & System Reliability ⁽¹⁾	10	14	(4)	(29)
Facilities and Technology Infrastructure ⁽²⁾	11	11	---	---
Interregional Coordination ⁽²⁾	1	1	---	---
New Products / Services ⁽²⁾	5	5	---	---
Total Capital	36	40	(4)	(10)
<p>⁽¹⁾ See additional information on capital variances on slide 8.</p> <p>⁽²⁾ For this period, there were no material variances in this capital expenditure category in total or within the components of this capital expenditure category.</p>				

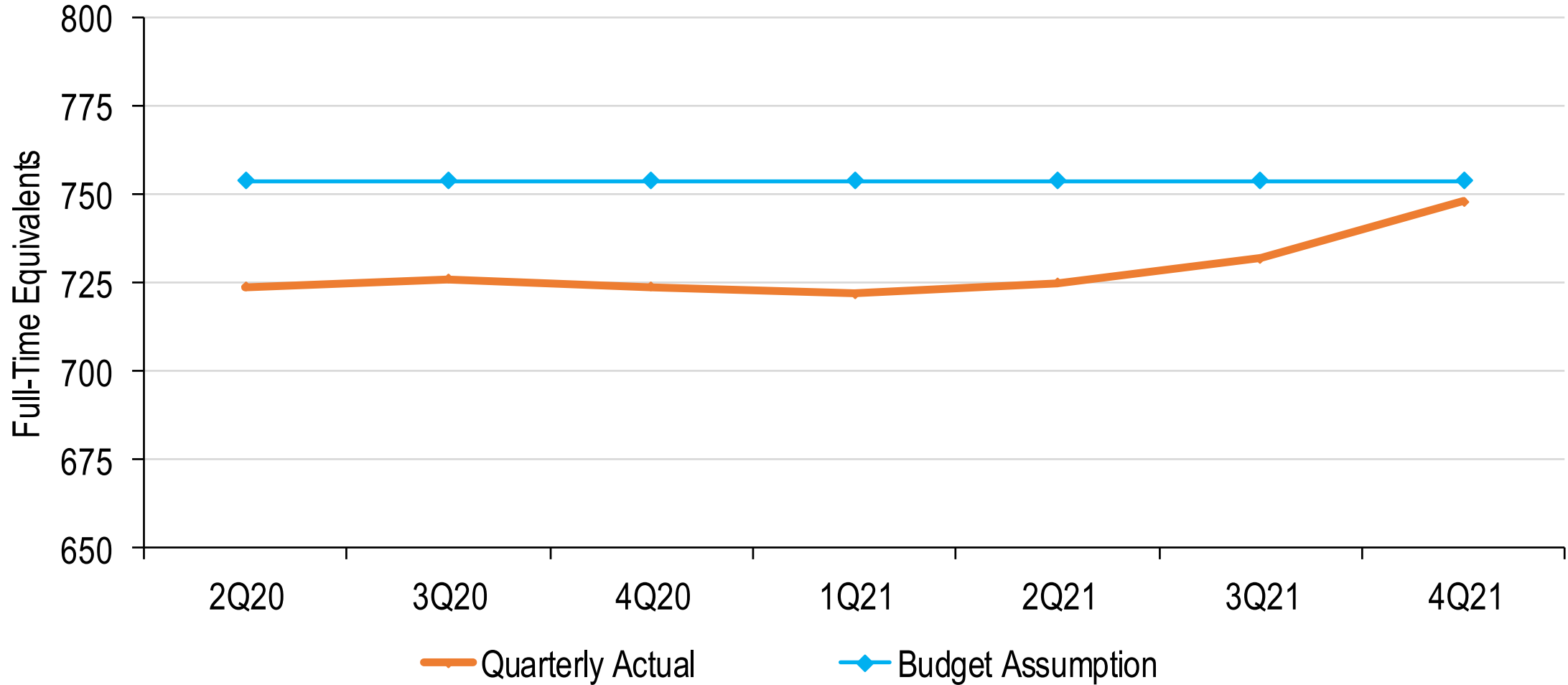
Current Applications and System Reliability

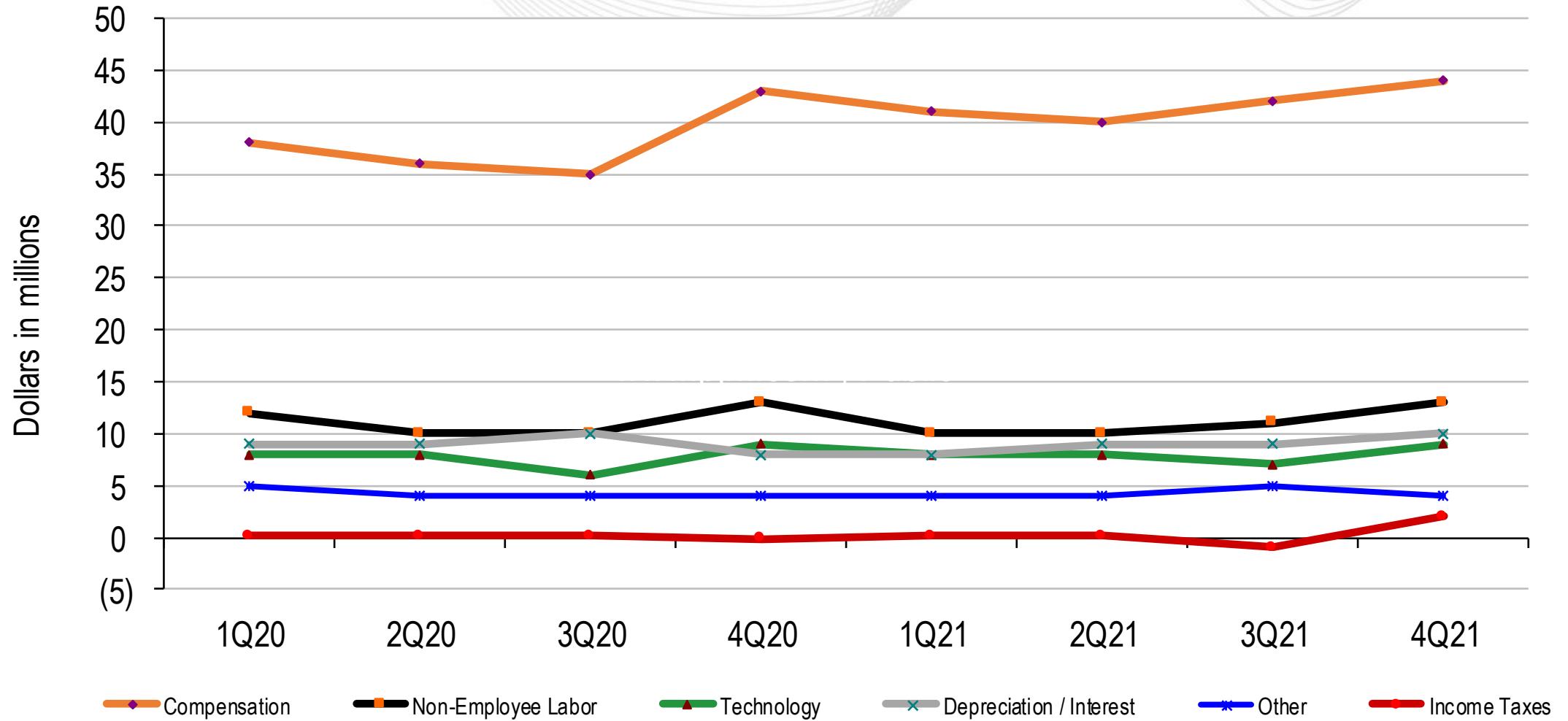
- (-\$1.6M) Project scope deferred due to higher priority initiatives
- (-\$1.2M) DART UI Refresh project delayed due to switch from external vendor to internal resources
- (-\$1.1M) Savings due to scope refinement and leveraging existing internal capabilities
- (-\$0.5M) Scope shifted to 2022 due to complexity of scope and resource constraints
- (+\$0.4M) Partially offset by added scope



2021 YTD Deferred Regulatory Liability Activity

<i>(dollars in millions)</i>	Deferred Regulatory Liability
Beginning Balance, December 31, 2020	18
YTD 2021 Revenues Less Expenses	28
Refunds	(31)
Ending Balance, December 31, 2021	15





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