



2Q 2022 Financial Statement Highlights

MC Webinar
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Balance Sheet Highlights – Assets

<i>(dollars in millions)</i>	Jun. 30, 2022	Dec. 31, 2021	CHANGE	
			Dollar	Percentage
Deposits on hand⁽¹⁾	2,984	2,524	460	18
Operating cash⁽²⁾	219	117	102	87
Projects in development⁽³⁾	51	45	6	13

(1) Increase in deposits on hand is primarily due to higher peak market activity credit requirements.

(2) Increase in operating cash is primarily due to an increase in member payments at Jun. 30, 2022, as compared to Dec. 31, 2021.

(3) Increase in projects in development is driven by capital project spend during the period, including work performed on the following projects: (1) nGem, (2) energy management system, (3) reserve market price formation and (4) historical simulation initial margin model. The increase in capital project spend was partially offset during the period by the placement of assets into service, including the Valley Forge and Milford control center chillers.



Balance Sheet Highlights – Liabilities

<i>(dollars in millions)</i>	Jun. 30, 2022	Dec. 31, 2021	CHANGE	
			Dollar	Percentage
Accounts payable⁽¹⁾	68	30	38	126
Due to members⁽²⁾	247	154	93	60
Accrued payroll and benefits⁽³⁾	23	37	(14)	(38)
Deferred regulatory liability – current⁽⁴⁾	-	15	(15)	(100)

(1) Increase in accounts payable is primarily due to accrual of FERC fees in the first six months of 2022.

(2) Due to members represents member prepayments for market settlements.

(3) The accrued payroll and benefits decrease represents payment of the 2021 calendar year employee bonus in Mar. 2022, partially offset by accrual of the 2022 calendar year employee bonus.

(4) At Dec. 31, 2021, the current deferred regulatory liability balance represented PJM Interconnection, LLC’s accrued reserve under stated rates, which was refunded to members in the first quarter of 2022. There is no provision for a deferred regulatory liability under formula rates.



Income Statement Highlights

<i>(dollars in millions)</i>	6-months ended	6-months ended	CHANGE	
	Jun. 30, 2022	Jun. 30, 2021	Dollar	Percentage
Compensation expense⁽¹⁾	82	75	7	9
Software licenses and fees⁽²⁾	12	10	2	20
Other expense⁽³⁾	7	5	2	40

- (1) Increase in compensation expense reflects higher head count period over period, normal merit increases reflected in 2022 results and higher recruiting fees for skilled resources.
- (2) Increase in software licenses and fees reflects inflation and a larger software subscription base to support.
- (3) Increase in other expense primarily reflects increased training costs (member and internal), increased cost of insurance premiums and higher travel expense.



Cash Flow Statement Highlights

<i>(dollars in millions)</i>	6-months ended	6-months ended	CHANGE	
	Jun. 30, 2022	Jun. 30, 2021	Dollar	Percentage
Operating cash flows⁽¹⁾	30	38	(8)	(21)
Financing cash flows⁽²⁾	551	104	447	429

(1) Operating cash flow decreased primarily due to the return of the deferred regulatory liability accumulated under stated rates in first quarter 2022 and changes in receivable, prepaid expense and payable positions period over period.

(2) The increase in cash provided by financing activities is primarily due to an increase in member deposits and an increase in due to members.

- Adoption of ASC 842, *Leases*, is discussed in Footnote 1
- PJM's administrative rate filing with FERC is discussed in Footnote 1 and Footnote 3
- Footnote 10 provides a summary of ongoing legal and regulatory matters