



Second Quarter 2023 Financial Review

MC Webinar

September 18, 2023

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Protocol Section Reference	Topic	Slide(s)
8.a.	Intercompany charges or credits between PJM’s non-FERC regulated subsidiaries and the FERC-regulated RTO	3
8.b.	Description of financial categories	4
8.c.	Material variances in net operating expense and capital budget vs. actual results	5 - 8 and 13 – 16
8.d.	Material variances in net operating expense and capital forecast vs. actual results	9 - 12 and 17 – 20
8.e.	Summary of trends from the previous quarterly statements	21 - 22
8.f.	Status update on open major projects	N/A
8.g.	Forecast of net operating expenses and capital for the full fiscal year	Provided as separate presentation

- For the six-month period ended June 30, 2023, the employees of the FERC-regulated RTO charged \$0.2 million of billing, collections and accounting services to PJM's non-FERC regulated subsidiaries.
- 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 six-month period ended June 30, 2023, revenues and expenses of PJM's non-FERC regulated subsidiaries totaled \$3.3 million and \$1.6 million, respectively, resulting in \$1.7 million of net income for the period.



2Q23 YTD Expense Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Compensation ⁽¹⁾	91	95	(4)	(5)
Non-Employee Labor ⁽²⁾	26	26	---	---
Technology ⁽¹⁾	18	20	(2)	(10)
Depreciation / Interest ⁽¹⁾	15	18	(3)	(17)
Other ⁽¹⁾	12	14	(2)	(14)
Income Taxes ⁽²⁾	---	---	---	---
Total Expenses ⁽³⁾	162	173	(11)	(6)
<p>⁽¹⁾ See additional information on expense variances on slide 10.</p> <p>⁽²⁾ For this period, there were no material variances in this expense category in total or within the components of this expense category.</p> <p>⁽³⁾ Excludes expenses related to Tariff Schedule 9-FERC.</p>				



2Q23 YTD Material Expense Variances – Actual vs. Budget

- **Compensation**– savings from updated pension expense projections (-\$1.9M) and increased project charging (\$-1.8M)
- **Technology** – timing and savings of software licenses & subscriptions (-\$1.2M) and savings of telecommunications expense (-\$0.4M)
- **Depreciation / Interest** – savings resulting from higher interest income on operating cash balances (-\$3.4M)
- **Other** – timing and savings of employee related expenses (-\$0.9M), and member training (-\$0.4M); savings of HVAC expense (-\$0.2M)



2Q23 YTD Expense Variances – Actual vs. Forecast

<i>(dollars in millions)</i>	Actual	Forecast	Variance	
			\$	%
Compensation ⁽²⁾	91	91	---	---
Non-Employee Labor ⁽¹⁾	26	28	(2)	(7)
Technology ⁽²⁾	18	18	---	---
Depreciation / Interest ⁽²⁾	15	15	---	---
Other ⁽²⁾	12	12	---	---
Income Taxes ⁽²⁾	---	---	---	---
Total Expenses ⁽³⁾	162	164	(2)	(1)
<p>⁽¹⁾ See additional information on expense variances on slide 14.</p> <p>⁽²⁾ For this period, there were no material variances in this expense category in total or within the components of this expense category.</p> <p>⁽³⁾ Excludes expenses related to Tariff Schedule 9-FERC.</p>				



2Q23 YTD Material Expense Variances – Actual vs. Forecast

- **Non-Employee Labor** – timing of projects (-\$0.6M), cost center initiatives (-\$0.5M), and legal fees (-\$0.3M), managed services (-\$0.3M) and savings of contractors expense (-\$0.2M)



2Q23 YTD Capital Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Application Replacements/Retrofit ⁽²⁾	5	5	---	---
Current Applications & System Reliability ⁽¹⁾	10	11	(1)	(9)
Facilities and Technology Infrastructure ⁽¹⁾	4	6	(2)	(33)
Interregional Coordination ⁽²⁾	---	---	---	---
New Products / Services ⁽¹⁾	1	2	(1)	(50)
Total Capital	20	24	(4)	(17)
<p>⁽¹⁾ See additional information on capital variances on slide 18.</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>				



2Q23 YTD Material Capital Variances – Actual vs. Budget

- **Current Applications and System Reliability**

- (+\$0.9M) Timing, project work shifting into 2023
- (-\$1.7M) Project scope deferred due to work on higher priority initiatives
- (-\$0.5M) Savings, assumed capital software purchases, result was subscription based software
- Remainder comprised of project variances less than \$200K

- **Facilities and Technology Infrastructure**

- (+\$0.6M) Increase due to additional unplanned equipment needs
- (-\$1.4M) Scope accelerated into 2022 to take advantage of year-end discounts
- (-\$0.3M) Timing of equipment purchases due to supply chain related issues
- (-\$0.9M) Scope deferred to 2024 due to higher priority initiatives

- **New Products / Services**

- (-\$0.7M) Project work shifting to later in 2023 due to longer requirements development effort or resource constraints
- (-\$0.3M) Scope deferred to 2024 due to higher priority initiatives



2Q23 YTD Capital Variances – Actual vs. Forecast

<i>(dollars in millions)</i>	Actual	Forecast	Variance	
			\$	%
Application Replacements/Retrofit ⁽²⁾	5	5	--	--
Current Applications & System Reliability ⁽¹⁾	10	11	(1)	(9)
Facilities and Technology Infrastructure ⁽²⁾	4	4	--	--
Interregional Coordination ⁽²⁾	---	---	---	---
New Products / Services ⁽²⁾	1	1	---	---
Total Capital	20	21	(1)	(5)
<p>⁽¹⁾ See additional information on capital variances on slide 22.</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>				

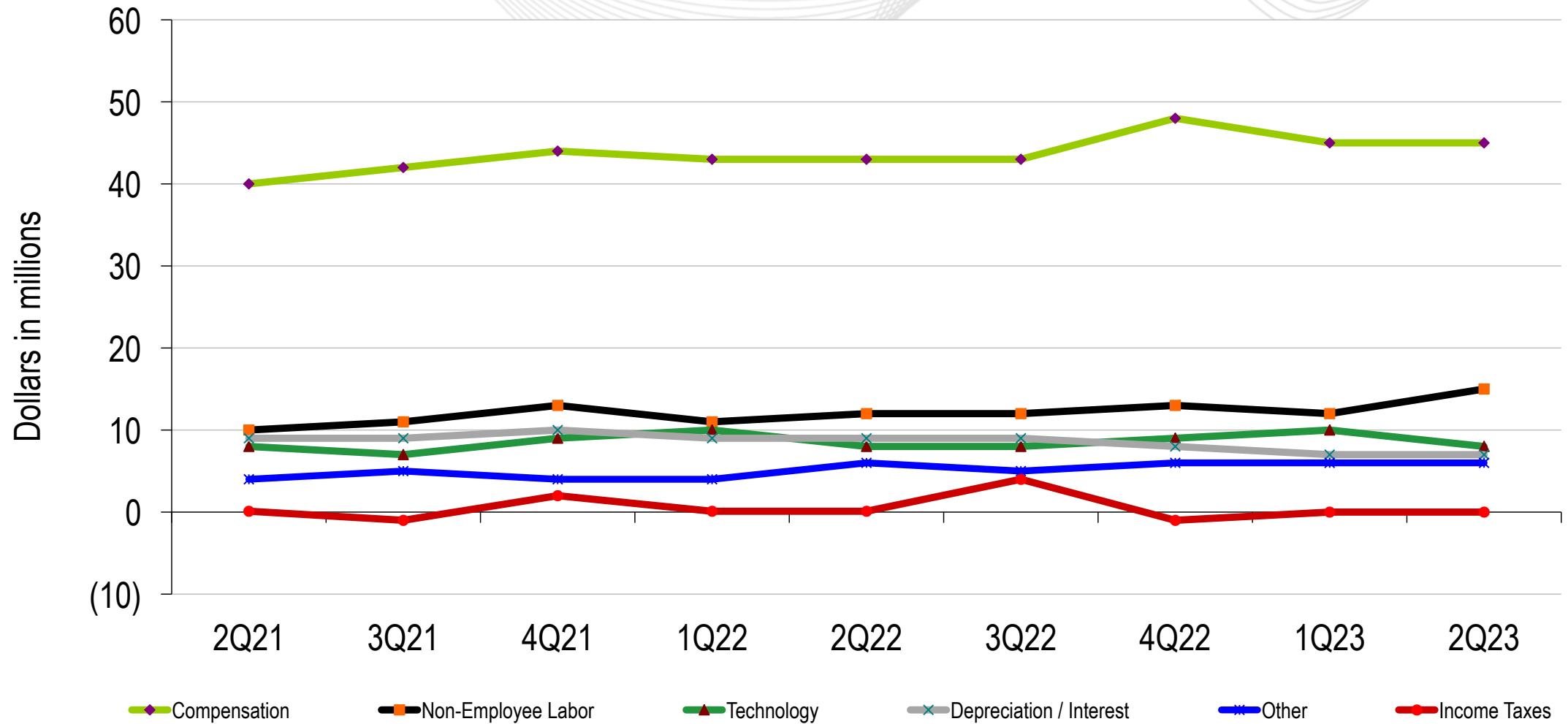


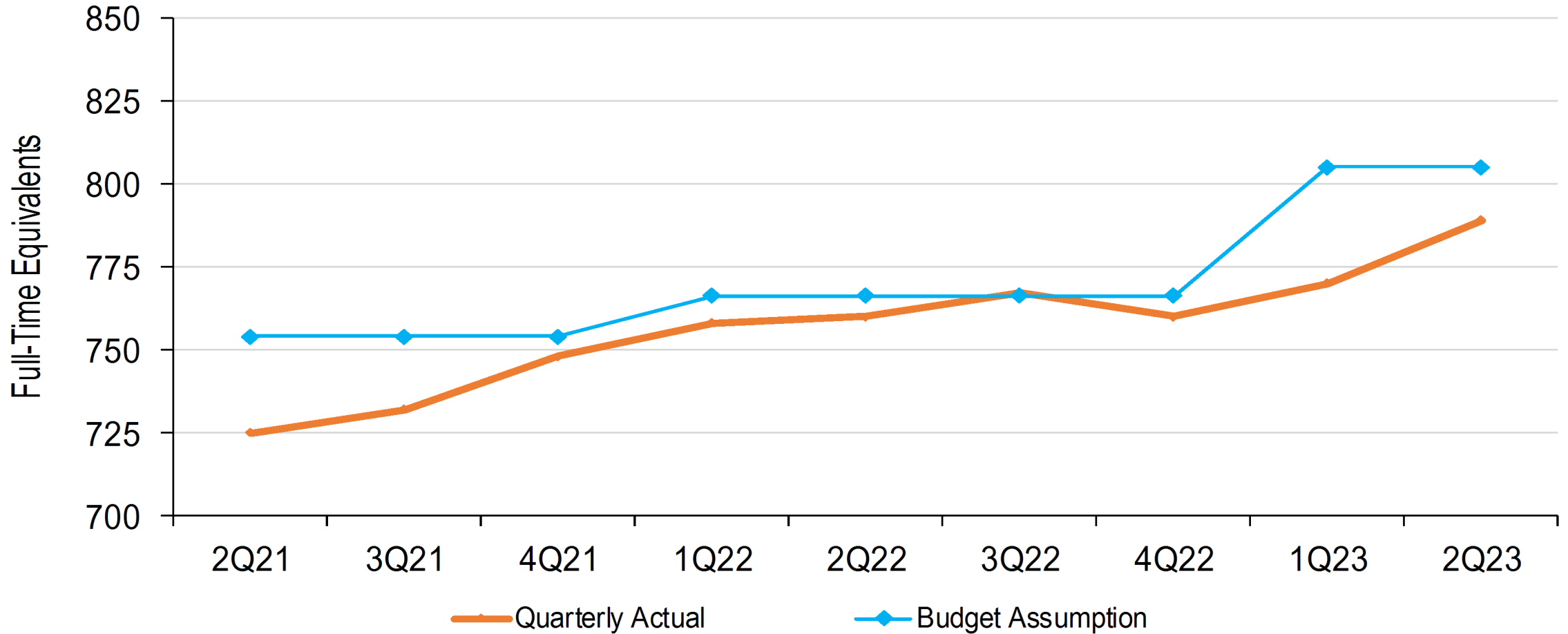
2Q23 YTD Material Capital Variances – Actual vs. Forecast

- **Current Applications and System Reliability**
 - (-\$1.0M) Timing, work shifting out due to increased complexity of scope and unexpected resource constraints



Summary of Quarterly Expense Trends





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