Third Quarter 2023
Financial Statement Highlights

Members Committee Webinar
December 18, 2023

Megan Heater
Controller – Finance

Balance Sheet Highlights – Assets

(dollars in millions)	Sept. 30, **2023**	Dec. 31, **2022**	CHANGE Dollar	CHANGE Percentage
Operating cash(1)	275	1,013	(738)	(73)
Receivables(2)	44	131	(87)	(66)

(1) Decrease in operating cash is primarily driven by a combination of:

- A decrease in member prepayments at Sept. 30, 2023, as compared to Dec. 31, 2022 ($702 million). Year-end 2022 member prepayments were higher than normal due to a high invoice amount resulting from Winter Storm Elliott. Additionally, at year-end 2022, market participants took advantage of the ability to pay invoices early as a strategy to reduce future credit exposure related to Peak Market Activity credit requirements.
- A decrease in excess congestion held at Sept. 30, 2023, as compared to Dec. 31, 2022 ($83 million). Excess congestion for the 2022/2023 planning year was returned to members in June 2023.
- An increase associated with performance assessment interval (PAI) billing holdback ($17 million).

(2) The Dec. 31, 2022, balance in receivables was higher than normal, reflecting an increased recovery of excess congestion and higher pass through charges, specifically market to market under Joint Operating Agreements for the Dec. 21–27 billing period. The decrease in receivables period over period reflects the absence of year-end 2022 unique items in Sept. 2023 results.

Balance Sheet Highlights – Assets

(dollars in millions)	Sept. 30, **2023**	Dec. 31, **2022**	CHANGE	
			Dollar	Percentage
Fixed assets[(1)]	92	77	15	19
Projects in development[(1)]	43	57	(14)	(25)

(1) Increase in fixed assets, and associated decrease in projects in development, primarily reflects the completion and placement into service of PJM's Energy Management System upgrade project in May 2023.

Balance Sheet Highlights – Liabilities

(dollars in millions)	Sept. 30, **2023**	Dec. 31, **2022**	CHANGE Dollar	CHANGE Percentage
Accounts payable(1)	10	75	(65)	(87)
Due to members(2)	356	1,124	(768)	(68)

(1) Decrease in Accounts Payable primarily reflects lower joint operating agreement payments at Sept. 30, 2023 compared to Dec. 31, 2022 and change in the accrual of the annual FERC electric program charge.

(2) The impact of: (1) timing of market settlement in relation to the calendar, (2) excess congestion held, and (3) PAI holdback, resulted in a $356 million due to members balance at Sept. 30, 2023.

- $286 million represents member prepayments associated with the Sept. 20th, month-to-date market settlement bill (paid Oct. 2nd).
- $53 million of excess congestion accumulated planning period to date, to be returned to members at the end of the planning period.
- $17 million of PAI holdback represents an assessment of the risk of nonpayment of the nonperformance charges, offsetting PAI billing defaults.

Income Statement Highlights

(dollars in millions)	9 months ended Sept. 30, **2023**	9 months ended Sept. 30, **2022**	CHANGE	
			Dollar	Percentage
Compensation expense(1)	133	122	11	9
Interest income(2)	102	16	86	1,600
Interest expense	95	17	61	459
Income tax expense(3)	1	5	(4)	(80)

(1) Increase in compensation expense reflects higher head count period over period and normal merit increases reflected in 2023 results.

(2) Interest income and interest expense is primarily attributable to the cash collateral held at PNC Bank for member credit. The increase year over year is a result of rising interest rates. The interest rate on the PNC cash collateral accounts rose to an average of 4.53% for the first six months of 2023 as compared to an average of 0.28% during the first six months of 2022.

(3) In third quarter 2022, the Commonwealth of Pennsylvania amended the state's tax code to reduce the corporate income tax rate. At the time of enactment, PJM revalued the company's deferred tax balances, resulting in $4.2 million of state income tax expense.

Cash Flow Statement Highlights

(dollars in millions)	9 months ended Sept. 30, **2023**	9 months ended Sept. 30, **2022**	CHANGE Dollar	CHANGE Percentage
Operating cash flows[(1)]	62	(17)	79	(456)
Financing cash flows[(2)]	(811)	992	(1,803)	(182)

(1) Operating cash flow increased primarily due to the change in receivable position from Dec. 2022 to Sept. 2023. Additionally, 2022 results included $14.7 million of refunds to members associated with the transition to formula rates in 2022.

(2) The decrease in cash provided by financing activities in 2023 is primarily due to the change (decrease) in the due to members position from Dec. 2022 to Sept. 2023. In 2022, PJM reported an increase in cash provided by financing activities due to an increase in the due to members position from Dec. 2021 to Sept. 2022 and an increase in member deposits.

Key Financial Disclosure Highlights

Footnote 9 provides a summary
of ongoing legal and regulatory matters.