



Second Quarter 2023 Financial Statement Highlights

Finance Committee
August 31, 2023

Megan Heater
Controller – Finance



Balance Sheet Highlights – Assets

<i>(dollars in millions)</i>	Jun. 30, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
Operating cash⁽¹⁾	300	1,013	(713)	(70)
Receivables⁽²⁾	32	131	(99)	(75)

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

- A decrease in member prepayments at June 30, 2023, as compared to December 31, 2022 (\$696 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 June 30, 2023, as compared to December 31, 2022 (\$126 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 (\$62 million).

(2) The December 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 June 2023 results.



Balance Sheet Highlights – Assets

<i>(dollars in millions)</i>	Jun. 30, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
Fixed assets⁽¹⁾	97	77	20	26
Projects in development⁽¹⁾	39	57	(18)	(32)

(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

	Jun. 30, 2023	Dec. 31, 2022	CHANGE	
<i>(dollars in millions)</i>			Dollar	Percentage
Due to members⁽¹⁾	338	1,124	(786)	(69)

(1) The impact of: (1) timing of market settlement in relation to the calendar, (2) excess congestion held, and (3) PAI holdback, resulted in a \$338 million due to members balance at June 30, 2023.

- \$292 million represents member prepayments associated with the June 28, month-to-date market settlement bill (paid July 3).
- \$9 million of excess congestion accumulated planning period to date, to be returned to members at the end of the planning period.
- \$37 million of PAI holdback represents an assessment of the risk of nonpayment of the nonperformance charges, offsetting PAI billing defaults.



Income Statement Highlights

<i>(dollars in millions)</i>	6 months ended	6 months ended	CHANGE	
	Jun. 30, 2023	Jun. 30, 2022	Dollar	Percentage
Compensation expense⁽¹⁾	87	82	5	6
Interest income⁽²⁾	67	2	65	3,250
Interest expense⁽²⁾	63	2	61	3,050

- (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.



Cash Flow Statement Highlights

<i>(dollars in millions)</i>	6 months ended	6 months ended	CHANGE	
	Jun. 30, 2023	Jun. 30, 2022	Dollar	Percentage
Operating cash flows⁽¹⁾	95	30	65	216
Financing cash flows⁽²⁾	(949)	551	(1,500)	(272)

- (1) Operating cash flow increased primarily due to the change in receivable position from December 2022 to July 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 is primarily due to the change in the due to members position from December 2022 to July 2023 and a decrease in member deposits period over period.



Key Financial Disclosure Highlights

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