Third Quarter 2017
Financial Statement Highlights

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3Q17 Balance Sheet Highlights - Assets

(dollars in millions)	9/30/17 Balance	12/31/16 Balance	Change	
			$	%
Operating cash (1)	298	392	(94)	(24)
Projects in development (2)	28	32	(4)	(13)
Note receivable (3)	3	5	(2)	(40)

(1) Decrease in operating cash is primarily due to a $40 million decrease in member prepayments at September 30, 2017 as compared to December 31, 2016 and the August 2017 payment of the FERC invoice ($61 million payment, collected ratably over the course of the year). The remaining difference is due to the timing of collections vs. expenditures.

(2) Decrease in projects in development is primarily due to projects being placed in service during the first nine months of 2017, including: (1) PJM Technology Center renovation; (2) Data Miner; and (3) Enhanced Training Simulator (RT). The decrease was offset by work performed on the following significant projects: (1) EMS Upgrade; (2) Enterprise Service Bus Replacement and Refresh; (3) 5-minute Settlement; (4) Intraday Offers; and (5) Day-ahead Performance Improvement.

(3) At September 30, 2017, $1.0 million and $2.0 million represent the current and non-current portions of the note receivable with Monitoring Analytics, LLC (MA), respectively. The current portion of the note receivable at September 30, 2017 represents the balance to be repaid over the next 12 months. The total outstanding loan to MA is $3.0 million at September 30, 2017.

3Q17 Balance Sheet Highlights - Liabilities

(dollars in millions)	9/30/17 Balance	12/31/16 Balance	Change	
			$	%
Accounts payable and accrued expenses [1]	14	30	(16)	(53)
Due to members [2]	349	438	(89)	(20)
Deferred regulatory liability – current [3]	13	4	9	225
Deferred regulatory liability – non-current [3]	18	5	13	260

(1) Decrease in accounts payable and accrued expenses is primarily the result of the FERC fee accrual at September 30, 2017 versus December 31, 2016. The remainder of the change is due to vendor activity.

(2) Due to members balance at September 30, 2017 is comprised of $330 million of member prepayments and $19 million of FTR excess congestion revenue collected but not yet remitted to members.

(3) The current portion of the deferred regulatory liability represents the amount to be refunded to members in the subsequent quarter. Actual refunds made by PJM Interconnection, LLC during the first quarter of 2017 were $3.8 million. At September 30, 2017, the non-current portion of the deferred regulatory liability balance represents PJM Interconnection, LLC’s reserve balance allowable under the Tariff (up to 6 percent of annual stated rate revenues).

3Q17 Change in Deferred Regulatory Liability

($ in millions)	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Service Fees	81	233
Expenses, net	(68)	(208)
Contribution to the Deferred Regulatory Liability Balance	13	25

3Q17 Income Statement Highlights

(dollars in millions)	3Q17	3Q16	Change	
			$	%
Service fees (1)	81	76	5	6
Deferred regulatory expense (1)	(13)	(7)	(6)	(85)
Outside services (2)	42	38	4	11
Depreciation and amortization (3)	34	39	(5)	(13)

(1) Increase in service fees and change in deferred regulatory expense are due to the increase in the stated rate tariff rate effective January 1, 2017. In third quarter 2017, service fees exceeded actual expenses resulting in a $13 million contribution to the deferred regulatory liability balance.

(2) Increase in outside services is due to an increase in contractor expense and an increase in legal fees.

(3) Decrease in depreciation and amortization is reflective of AC^2 assets reaching their useful lives during 2016.

3Q17 Cash Flow Statement Highlights

(dollars in millions)	3Q17	3Q16	Change	
			$	%
Operating Cash Flows (1)	22	13	9	69
Financing Cash Flows (2)	(110)	511	(621)	(122)

(1) The increase in net cash provided by operating activities is primarily due to the funding of the deferred regulatory liability during the first nine months of 2017, offset by the timing of accounts payable activity, and lower depreciation and amortization expense year over year.

(2) The change in net cash (used in) provided by financing activities is driven by a decrease in the amount due to members for the first nine months of 2017 as compared to the first nine months of 2016. Also contributing to the decrease period over period in net cash (used in) provided by financing activities was a decrease in repayments under long-term debt due to the maturity of the Private Placement loan in September 2016 and a decrease in customer deposits for the first nine months of 2017 as compared to the first nine months of 2016 (the increase in deposits on hand for the nine-month period ended September 30, 2016 was driven by higher customer deposits as a result of a shift from letters of credit to cash collateral).

3Q17 Key Financial Disclosure Highlights

Footnotes:

- Footnote 11 provides a summary of ongoing legal and regulatory matters.
  - Marginal Line Loss Surplus Payment Re-allocation – DC Circuit Court of Appeals remand order in August 2013 directed FERC to provide additional support for its determination to recoup the previously ordered refunds. FERC issued an order in November 2015 reaffirming previous recoupment order.
  - TranSource Matter – In February 2016, TranSource filed a complaint at FERC asserting it incurred $72 million of lost profit opportunities from monthly Incremental Auction Revenue Rights during 2015. Post-hearing briefs were filed in October 2017 with reply briefs due by the end of November 2017. An initial decision is anticipated in January 2018.