



Fourth Quarter 2009 Audited Financial Statement Highlights

Members Committee
March 25, 2010



4Q09 Balance Sheet Highlights - Assets

<i>(dollars in millions)</i>	12/31/09 Balance	12/31/08 Balance	Change	
			\$	%
Deposits ⁽¹⁾	547	881	(334)	(38)
Deferred FERC fees ⁽²⁾	1	--	1	100
Projects in development ⁽³⁾	91	64	27	42
Deferred recovery of pension and postretirement costs ⁽⁴⁾	11	27	(16)	(59)
Deferred income taxes, net of valuation allowance ⁽⁵⁾	24	6	18	300

- (1) Decrease due to deposits being returned as a result of the movement to accelerated settlements on June 1st. In addition to these deposit reductions, letters of credit posted as financial security decreased approximately \$670 million as a result of the shorter billing period.
- (2) The Deferred FERC fee balance at December 31, 2009 represents the difference between PJM's collections from members for the FERC annual charges invoice as compared to the amount to be assessed. This shortfall will be collected during 2010.
- (3) Increase due to spending on AC² technology projects.
- (4) PJM announced revisions to its postretirement healthcare plan during the 2nd quarter of 2009. These changes resulted in a reduction in the unfunded portion of the postretirement healthcare plan recognized in this account.
- (5) Increase is due to the reversal of the valuation allowance on the deferred tax asset associated with the postretirement healthcare plan. This was a result of the changes to the plan announced during the 2nd quarter of 2009.



4Q09 Balance Sheet Highlights - Liabilities

<i>(dollars in millions)</i>	12/31/09 Balance	12/31/08 Balance	Change	
			\$	%
Member prepayment ⁽¹⁾	22	44	(22)	(50)
Long-term debt ⁽²⁾	109	-	109	100
Deferred regulatory liability - current ⁽³⁾	7	14	(7)	(50)
Postretirement healthcare benefits ⁽⁴⁾	41	50	(9)	(18)

- (1) Balance at December 31, 2009 represents member prepayments for December 2009 activity due in January 2010.
- (2) PJM closed a \$35 million loan during the 2nd quarter and a \$75 million private placement during the 3rd quarter. Loan proceeds were used primarily to fund AC².
- (3) The current portion of the deferred regulatory liability represents the amount that will be refunded to members during the first quarter of 2010.
- (4) Decrease is a result of changes to PJM's postretirement healthcare plan announced during the 2nd quarter of 2009.



4Q09 Change in Deferred Regulatory Liability

<i>(\$ in millions)</i>	Three Months Ended December 31, 2009	Twelve Months Ended December 31, 2009
Service Fees	56	228
Expenses, net	(51)	(163)
Change in Deferred Regulatory Liability	5	65

<i>(dollars in millions)</i>	YTD	YTD	Change	
			\$	%
Depreciation ⁽¹⁾	19	15	4	27
Interest Expense ⁽²⁾	6	18	(12)	(67)
Tax (Benefit) Expense ⁽³⁾	(27)	1	(28)	(280)

- (1) Increase is due to certain AC² assets and accelerated settlements being placed in service.
- (2) Decrease is primarily due to declining overnight investment rates and lower average cash balances. The interest expense is primarily for interest credited back to members with deposits on hand.
- (3) Decrease in tax expense is due to the reversal of the valuation allowance on the deferred tax asset associated with the postretirement healthcare plan changes. This is a one-time benefit.



4Q09 Cash Flow Statement Highlights

<i>(dollars in millions)</i>	4Q09	4Q08	Change	
			\$	%
Operating Cash Flows ⁽¹⁾	(11)	(30)	19	63
Investing Cash Flows ⁽²⁾	(64)	(63)	(1)	(2)
Financing Cash Flows ⁽³⁾	(269)	375	(644)	(172)

(1) Change in operating cash flows is primarily a result of tax benefits resulting from changes to the company's postretirement medical plan that were refunded to members during 2009. PJM members received a refund for the resulting tax benefit, but PJM has not yet received refunds from the IRS for this benefit. PJM anticipates receiving a portion of this refund during 2010.

(2) Increase in net cash used in investing activities was principally driven by capital expenditures, specifically for the AC² project. This was partially offset by repayments from Monitoring Analytics under the note receivable.

(3) Decrease in net cash provided by financing activities was principally driven by lower customer deposits for the twelve months ended December 31, 2009 as compared with the twelve months ended December 31, 2008 and pay down on the revolver. This was partially offset by new borrowings of \$110 million.

Footnotes:

- Footnote 7 summarizes PJM's long-term debt facilities.
- Footnotes 9 and 10 discuss the interest rate swap associated with the \$35 million loan and the related fair value disclosures.
- Footnote 13 provides a summary of ongoing legal and regulatory matters.

Management's Discussion & Analysis:

- Liquidity and Capital Resources section including the following:
 - Anticipated deferred regulatory balance for 2010
 - Approved non-AC² capital budget for 2010
 - Approved multi-year AC² capital budget
- Credit Risks section highlights the concentration of administrative cost recovery from seventeen members with investment-grade credit ratings.