PJM INTERCONNECTION, L.L.C.

FOR THE QUARTER ENDED MARCH 31, 2025

INDEX

	PAGE
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Consolidated Statement of Financial Position	2
Consolidated Statement of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14

ITEM 1. - PJM INTERCONNECTION, L.L.C.
Consolidated Statements of Financial Position (Unaudited) ($ in thousands)

	March 31, 2025	December 31, 2024
Assets		
Current assets:		
Deposits on hand	$ 3,820,886	$ 3,229,615
Operating cash	49,525	90,607
Receivables	1,668	8,489
Study and interconnection receivables	26,678	56,965
Prepaid expenses and other	18,636	19,718
Note receivable	3,238	3,961
	3,920,631	3,409,355
Non-current assets:		
Fixed assets, net of accumulated depreciation and amortization of $629,488 and $620,040	92,588	87,475
Land	1,420	1,420
Projects in development	54,696	57,833
Right-of-use asset - Finance lease	3,698	4,125
Right-of-use assets - Operating leases	1,910	2,087
Deferred income taxes, net of valuation allowance	45,267	43,926
Prepaid expenses	3,249	3,807
Note receivable	-	380
Other	28,750	29,292
	231,578	230,345
Total assets	$ 4,152,209	$ 3,639,700
Liabilities, paid-in capital, retained earnings and accumulated other comprehensive income		
Current liabilities:		
Accounts payable and accrued expenses	$ 83,727	$ 53,022
Due to members	42,763	94,637
Study and interconnection payables	26,568	57,018
Accrued payroll and benefits	25,291	55,296
Accrued income taxes	2,684	557
Revolving line of credit	564	-
Current portion of long-term debt	1,441	2,163
Current portion of lease liability - Finance lease	2,206	2,186
Current portion of lease liabilities - Operating leases	1,133	1,131
Deferred FERC fee liability	3,558	2,665
Deferred revenue	2,720	3,595
Postretirement healthcare benefits liability	2,527	2,388
Other employee benefits	465	469
Deposits	3,820,886	3,229,615
	4,016,533	3,504,742
Non-current liabilities:		
Lease liability - Finance lease	2,616	3,173
Lease liabilities - Operating leases	777	956
Deferred pension and postretirement costs	8,783	9,158
Pension benefits liability	27,410	26,606
Postretirement health care benefits liability	46,186	45,895
Other employee benefits	28,473	29,066
	114,245	114,854
Total liabilities	4,130,778	3,619,596
Commitments and contingencies (Note 9)		
Paid in capital	722	722
Retained earnings	20,677	19,341
Accumulated other comprehensive income	32	41
Total paid-in capital, retained earnings and accumulated other comprehensive income	21,431	20,104
Total liabilities, paid-in capital, retained earnings and accumulated other comprehensive income	$ 4,152,209	$ 3,639,700

The accompanying notes are an integral part of these consolidated financial statements.

ITEM 1. - PJM INTERCONNECTION, L.L.C.
Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income (Unaudited)
($ in thousands)

	Three months ended March 31, 2025	Three months ended March 31, 2024
Income		
Operating revenue:		
Service fees	$ 94,787	$ 89,324
FERC fees reimbursement	27,926	23,025
Study and interconnection fees	4,746	2,607
Membership fees	902	899
Other	1,962	1,363
Total operating revenue	130,323	117,218
Operating expenses:		
Compensation	54,852	48,976
FERC fees	27,926	23,025
Outside services	16,072	16,883
Depreciation and amortization	9,588	10,174
Software licenses and fees	7,285	6,522
Study and interconnection services	4,746	2,607
Computer maintenance and office supplies	4,353	2,852
Other expenses	2,565	3,957
Pension benefits - service cost	2,095	2,177
Postretirement health care benefits - service	373	379
Lease expenses	367	400
Total operating expenses	130,222	117,952
Operating (loss) income	101	(734)
Other income:		
Interest income	34,207	34,214
Interest expense	31,963	31,890
Pension and postretirement health care benefits expense - other components of net benefit cost	292	166
Total other income	1,952	2,158
Income before income taxes	2,053	1,424
Income tax expense	717	506
Net income	$ 1,336	$ 918
Paid-in capital, retained earnings and accumulated other comprehensive (loss) income		
Beginning balance	$ 20,104	$ 17,865
Net income	1,336	918
Other comprehensive (loss) income	(9)	11
Ending balance	$ 21,431	$ 18,794

The accompanying notes are an integral part of these consolidated financial statements.

ITEM 1. - PJM INTERCONNECTION, L.L.C.
Consolidated Statements of Cash Flows (Unaudited)
($ in thousands)

	Three months ended March 31, 2025	Three months ended March 31, 2024
Cash flows from operating activities:		
Net income	$ 1,336	$ 918
Adjustments:		
Depreciation and amortization expense	9,588	10,174
Deferred income taxes, net of valuation allowance	(1,341)	(320)
Deferred recovery of pension and postretirement costs	(375)	(309)
Employee benefit expense greater than funding	283	4,385
Net fair value changes related to interest rate swap	(44)	(64)
Changes in assets and liabilities:		
Decrease (increase) in receivables	6,821	(7,434)
Decrease in study and interconnection receivables	30,287	9,747
Decrease in prepaid expenses and other	2,888	2,912
Change in deferred FERC fee position	893	5,682
Increase in accounts payable and accrued expenses	31,696	23,283
(Decrease) in study and interconnection payables	(30,450)	(9,617)
(Decrease) in accrued payroll and benefits	(30,005)	(29,790)
(Decrease) in deferred revenue	(875)	(877)
Net cash provided by operating activities	20,702	8,690
Cash flows (used in) investing activities:		
Cost of projects in development	(10,428)	(9,231)
Note receivable	1,103	868
Net cash (used in) investing activities	(9,325)	(8,363)
Cash flows provided by (used in) financing activities:		
Borrowings under line of credit	32,569	10,882
Repayments under line of credit	(32,005)	(10,882)
Payments under finance lease	(427)	(427)
Repayments of long-term debt	(722)	(722)
(Decrease) in due to members	(51,874)	(38,306)
Increase (decrease) in deposits	591,271	(39,144)
Net cash provided by (used in) financing activities	538,812	(78,599)
Net increase (decrease) in cash and cash equivalents	550,189	(78,272)
Cash and cash equivalents balance (including customer deposits), beginning of year	3,320,222	3,364,691
Cash and cash equivalents balance (including customer deposits), end of period	$ 3,870,411	$ 3,286,419
Noncash activity:		
Projects in development additions included in ending accounts payable and accrued expenses	1,136	685

The accompanying notes are an integral part of these consolidated financial statements.

1. Company Overview

Basis of Presentation
The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) in the United States of America and include the accounts of PJM Interconnection, L.L.C. and its wholly owned subsidiaries (PJM or the Company). All intercompany transactions and balances have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results may ultimately differ from estimates.

The interim financial data as of March 31, 2025 and for the 3-month periods ended March 31, 2025 and March 31, 2024 is unaudited; however, in the opinion of the Company, the interim data includes those adjustments of a normal recurring nature necessary for a fair statement of the results of the interim periods. These footnotes should be read in conjunction with the Company's 2024 consolidated financial statements and footnotes.

PJM has performed an evaluation of subsequent events through May 8, 2025, which is the date the financial statements were issued.

2. Revenue and Accounts Receivable

Disaggregated Revenues

The table below provides disaggregation of PJM service fee revenues as defined in Schedule 9 of the Company's Open Access Transmission Tariff (Tariff).

	Three months ended March 31,	
	2025	**2024**
Control area administrative service	$ 57,384	$ 53,255
Market support service	21,377	20,768
Capacity resource and obligation management service	6,728	6,645
FTR administration service	4,503	4,222
	89,992	84,890
PJM Settlement, Inc. service fees	4,795	4,434
Total service fees	$ 94,787	$ 89,324

For the 3-month periods ended March 31, 2025 and March 31, 2024, PJM Connext, LLC (PJM Connext) recorded consolidated revenue $2.2 million and $1.8 million, respectively, which is included in membership fees and other operating revenue in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

Contract Balances

PJM membership fees, which are billed and collected in advance of the year for which they apply, are recognized as revenue ratably over the related annual membership period. Membership fees - recorded as deferred revenue - are considered contract liabilities. The January 1, 2025 opening balance of deferred revenue resulting from contracts with customers was $3.6 million. The March 31, 2025 closing balance of deferred revenue resulting from contracts with customers was $2.7 million. The amount of revenue recognized in the 3-month period ended March 31, 2025, that was included in the opening contract liability balance, was $0.9 million. PJM expects to recognize $2.7 million of membership fees revenue during the remaining nine months of 2025.

There were no material contract assets as of March 31, 2025.

PJM's receivables balance at March 31, 2025 included $1.6 million of billed PJM Connext receivables. During March 2025, PJM recorded $46.6 million of excess congestion returned to members; the month-end March 2025 return of excess congestion has been netted against PJM's unbilled service fees and unbilled recovery of pass-through charges, with the excess reclassified as a liability in the financial statement line item Due to Members.

PJM's member companies are billed on a monthly basis for recovery of PJM and PJM Settlement's administrative costs under the Tariff.

All study and interconnection receivables were billed at March 31, 2025.

3. Note Receivable

The external firm Monitoring Analytics, L.L.C. (MA) serves as PJM’s independent market monitor. MA operates independently of PJM management and the Board of Managers.

PJM and MA have entered into a revolving loan agreement, which was most recently extended in February 2025 to March 31, 2032. The purpose of the PJM revolving loan to MA is to fund capital needs associated with MA’s technology systems and working capital needs related to MA’s responsibilities per Attachment M of the Tariff to monitor the markets administered by PJM. The revolving loan has a capacity of $11.0 million and is secured by MA’s accounts receivable and future collections of accounts receivable. At March 31, 2025, the interest rate on the revolving loan agreement between PJM and MA was 7.50%. The interest rate on all loan advances is equal to the PNC Bank Base Rate. The PNC Bank Base Rate is the highest of (1) the Prime Rate, (2) the sum of the Federal Funds Rate plus 50 basis points (0.50%), or (3) the sum of the Daily Secured Overnight Financing Rate (SOFR) plus one hundred basis points (1.00%).

The Company's revolving note receivable is accounted for in accordance with authoritative guidance governing receivables and is classified as held for investment. At March 31, 2025 and December 31, 2024, the outstanding balance due from MA recorded by PJM as a note receivable was $3.2 million and $4.3 million, respectively. At March 31, 2025, the MA note receivable balance is entirely current and represents the scheduled repayment of the outstanding balance in the next twelve months.

4. Short-Term Debt

PJM maintains with PNC Bank (PNC) a FERC-approved revolving line of credit agreement with a capacity amount of $200 million. PJM received approval from FERC on May 26, 2023, to continue to borrow under this facility and substitute SOFR as the reference rate for the facility. On June 1, 2023, PJM executed an amendment to the facility with PNC, substituting SOFR as the reference interest rate for the facility and extending the term through May 29, 2025. The revolving line of credit is unsecured and available to fund short-term cash obligations.

Under the loan covenants for the revolving line of credit agreement, PJM is required to meet certain financial and non-financial covenants. PJM was in compliance with these covenants as of March 31, 2025.

At March 31, 2025, $0.6 million was outstanding under the revolving line of credit agreement. At December 31, 2024, there were no amounts outstanding under the revolving line of credit agreement. The interest rate on borrowings under this facility is interest at a rate per annum equal to daily SOFR, plus a 10 basis point (0.10%) credit spread adjustment, plus a margin of 62.5 basis points (0.625%). At March 31, 2025, the interest rate was 5.085%.

The line of credit facility has a commitment fee of 6.00 basis points (0.06%) on the unused balance. This fee is calculated daily and paid quarterly.

On March 28, 2025, PJM filed with FERC requesting authorization to increase the maximum borrowing capacity for the revolving line of credit to $250 million and to extend the facility’s maturity date to May 30, 2027.

5. Long-Term Debt and Derivative Financial Instrument – Interest Rate Swap

Bank of America (BoA) Bank Loan Agreement

On June 28, 2018, FERC approved PJM's request to refinance the Company's then existing bank loan through a new term loan from BoA. On July 20, 2018, PJM entered into a $20.2 million loan agreement with BoA. On April 3, 2023, PJM amended the BoA term loan to substitute SOFR as the reference interest rate for the term loan. The BoA term loan has a seven-year term and is unsecured.

As of March 31, 2025 and December 31, 2024, the outstanding borrowings under the term loan were $1.4 million and $2.2 million, respectively. As defined in the loan agreement, the term loan bears interest at a rate per annum equal to the daily SOFR, plus a 10 basis point (0.10%) credit spread adjustment, plus a margin of 65.0 basis points (0.65%). As of March 31, 2025, the interest rate was 5.075%.

Under the loan agreement, PJM is required to meet certain financial and non-financial covenants. PJM was in compliance with these covenants as of March 31, 2025.

Derivative Financial Instrument - Interest Rate Swap

To manage interest rate risk associated with the $20.2 million loan agreement with BoA, the Company entered into an interest rate swap agreement with BoA effective August 1, 2018. On April 3, 2023, PJM terminated the existing interest rate swap with BoA and entered into a new interest rate swap agreement with BoA to substitute SOFR as the reference interest rate.

The interest rate swap agreement effectively fixes the interest payments of the Company's floating rate debt instrument at a rate of 3.62%. The term of the interest rate swap matches the term of the loan.

While PJM has entered into an economic hedge of its interest rate, the Company has elected not to designate this instrument as a cash flow or fair value hedge for accounting purposes. Accordingly, the interest rate swap is carried at fair value in the Consolidated Statements of Financial Position with changes in fair value recorded through earnings. At both March 31, 2025 and December 31, 2024, the fair value of the swap was an asset of $0.01 million, recorded as part of other current assets.

For both 3-month periods ended March 31, 2025 and March 31, 2024, in conjunction with changes in the fair value of the interest rate swap, PJM recognized $0.01 million in interest expense in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

The Company does not hold or issue financial instruments for speculative or trading purposes for its own account.

6. **Fair Value Disclosures**

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (exit price). In determining fair values, PJM utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. The authoritative guidance pertaining to fair value establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by this guidance are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other-than-quoted prices in active markets included in Level 1, that are directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using broker quotes in liquid markets and other observable pricing data. Level 2 also includes those financial instruments that are valued using internally developed methodologies that have been corroborated by observable market data through correlation or by other means. Significant assumptions are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally less observable than those from objective sources.

PJM utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. PJM is able to classify fair value balances based on the observability of the inputs. In accordance with the authoritative guidance, financial assets and liabilities are classified in their entirety based on the lowest level of observability for an input that is significant to the fair value measurement. PJM's assessment of the significance of a particular input to the fair value measurement requires the exercise of judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents PJM's cash and cash equivalents as well as financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2025 and December 31, 2024 by level within the fair value hierarchy.

($ in millions)	**March 31, 2025**				**December 31, 2024**
	Level 1	**Level 2**	**Level 3**	**Carrying Value**	**Carrying Value**
Cash and cash equivalents	$ 3,870	$ -	$ -	$ 3,870	$ 3,320
Deposit liabilities	3,821	-	-	3,821	3,229
Derivative asset (a)	-	-	-	-	-

(a) PJM's Level 2 interest rate swap was valued as a $0.01 million asset at both March 31, 2025 and December 31, 2024. At March 31, 2025 and December 31, 2024 PJM's interest rate swap was recorded as a component of other current assets.

7. Income Taxes

The income tax rate on PJM's operating activities differed from the federal statutory rate as follows:

	Three months ended March 31,	
	2025	2024
Income tax expense at the federal statutory rate	$ 431	$ 299
Increase (decrease) resulting from:		
Permanent differences	72	73
State income taxes, net of federal tax benefit	189	164
State income taxes, effect of rate change	272	261
Other	(247)	(291)
Income tax expense	$ 717	$ 506

PJM and its subsidiaries file a U.S. consolidated federal income tax return and consolidated or separate company tax returns in various states, including the Commonwealth of Pennsylvania. The tax years subsequent to 2018 remain open to examination by the United States Internal Revenue Service, and generally, the tax years subsequent to 2020 remain open to examination by various state taxing authorities. There are no ongoing audits at this time.

8. Benefit Plans

The components of net periodic pension and postretirement health care costs for the 3-month periods ended March 31, 2025 and March 31, 2024 were as follows:

	Pension Benefits				Other Postretirement Benefits	
Components of Net Periodic Benefit Cost, January 1 to March 31	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
Service cost	$ 1,690	$ 1,862	$ -	$ -	$ 373	$ 379
Interest cost	3,497	3,231	44	41	925	875
Expected return on assets	(3,437)	(3,458)	-	-	(252)	(249)
Prior service (gain)	-	-	-	-	(137)	(137)
Actuarial (gain)	-	-	(3)	(1)	(235)	(171)
Total net periodic benefit cost	$ 1,750	$ 1,635	$ 41	$ 40	$ 674	$ 697

PJM sponsors a defined contribution supplemental executive retirement plan (SERP). For the 3-month periods ended March 31, 2025 and March 31, 2024, PJM recognized $0.4 million and $0.3 million in expense related to the defined contribution SERP, respectively. This expense is included as a component of pension expense in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

For both 3-month periods ended March 31, 2025 and March 31, 2024, $0.2 million of total pension and postretirement benefits expense were included in capitalized project costs.

The following schedule shows the assumptions used to calculate the pension and postretirement benefit expense for the periods ended March 31, 2025 and March 31, 2024.

	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
Discount rate	5.89%	5.35%	5.70%	5.17%	5.78%	5.25%
Expected return on plan assets	6.50%	6.50%	N/A	N/A	6.50%	6.50%
Rate of compensation increase	3.98%	4.04%	N/A	N/A	N/A	N/A
Health care cost trend						
Current					7.00%	6.25%
Ultimate					5.00%	5.00%
Years to ultimate					8	4

9. Commitments and Contingencies

Leases

PJM leases office space and telecommunications equipment under operating leases and a finance lease. These leases expire during the period 2025-2027 and have been recorded as right-of-use assets, with associated lease liabilities, on the PJM Statement of Financial Position at March 31, 2025 and December 31, 2024.

	March 31, 2025		December 31, 2024	
	Right-of-use assets	Lease Liabilities	Right-of-use assets	Lease Liabilities
Operating leases	$ 1,910	$ 1,910	$ 2,087	$ 2,087
Finance lease	3,698	4,822	4,125	5,359
	$ 5,608	$ 6,732	$ 6,212	$ 7,446

At March 31, 2025, the current portions of the operating lease liabilities and the finance lease liability were $1.1 million and $2.2 million, respectively.

Lease expense associated with PJM's operating leases for both the 3-month periods ended March 31, 2025 and 2024 was $0.4 million. Amortization and interest expense associated with PJM's finance lease for the 3-month period ended March 31, 2025 was $0.5 million and $0.02 million. Amortization and interest expense associated with PJM's finance lease for the 3-month period ended March 31, 2024 was $0.5 million and $0.04 million, respectively.

Other Items

Energy Efficiency Complaints

During 2024, five complaints were filed regarding the participation of energy efficiency in PJM's capacity market, two of which contain allegations that PJM has been improperly administering the participation of energy efficiency for several years by adding back demand offset by energy efficiency to the load forecast. PJM has filed responses to all of these complaints. On September 27, 2024, PJM and one of the complainants, Enerwise Global Technologies, LLC, filed a joint motion to dismiss and stipulated satisfaction agreement, which has been accepted, resolving one of the five complaints (Docket No. EL24-128). On September 30, 2024, the Independent Market Monitor for PJM filed a partial offer of settlement of one of its complaint proceedings that remains pending (Docket No. EL24-113). On November 5, 2024, in Docket No. ER24-2995, FERC accepted PJM's proposed Tariff and Reliability Assurance Agreement revisions to sunset Energy Efficiency Resources' participation in capacity market auctions starting with the 2026/2027 Delivery Year as just and reasonable and not unduly discriminatory or preferential, with an effective date of November 6, 2024. FERC's acceptance may moot certain aspects of the complaints. On February 7, 2025, FERC denied arguments raised on rehearing by Affirmed Energy and on March 13, 2025, Affirmed Energy appealed FERC's decision to the U.S. Court of Appeals for the District of Columbia. Based upon FERC's acceptance of PJM's filing on Energy Efficiency, the Independent Market Monitor filed a notice of withdrawal of its complaint in Docket No. EL24-126. FERC dismissed the complaint filed by the Joint Consumer Advocates in Docket No. EL24-118 on April 21, 2025. One of the pending complaints, filed by Affirmed Energy in Docket No. EL24-124, asserts, among other things, that PJM is improperly holding excess collateral for the Energy Efficiency Provider. PJM filed its answer to the complaint on November 11, 2024. On November 26, 2024, PJM and Affirmed Energy filed a joint motion for extension to stay the proceedings until January 20, 2025. The matter remains pending.

Designated Entity Agreements

On July 25, 2024, FERC issued an order addressing: (1) a complaint filed by American Municipal Power, Inc., the Office of the People's Counsel for the District of Columbia and the PJM Industrial Customer

Coalition against PJM regarding PJM's issuance of Designated Entity Agreements (DEAs) to entities designated to construct Regional Transmission Expansion Plan (RTEP) projects in PJM (Complaint) (Docket No. EL22-80) and (2) a Federal Power Act Section 206 filing by PJM requesting that FERC revise limited provisions of Operating Agreement, Schedule 6, section 1.5.8 regarding the process and associated requirements for DEAs (PJM Section 206 Filing). FERC granted both the Complaint and the PJM Section 206 Filing, in part, and denied them, in part. FERC also (1) directed PJM to submit a compliance filing within 30 days and (2) instituted a paper hearing procedure to develop a further record to determine PJM's remedial responsibilities regarding DEA requirements for certain in-progress RTEP projects (i.e., projects that were approved by the PJM Board prior to the July 2024 order that had not yet gone into service).

On March 20, 2025, the Commission issued an order denying the request for rehearing of the July 25, 2024, Commission Order submitted by the Indicated PJM Transmission Owners. The Indicated PJM Transmission Owners have filed a petition to review the Commission's orders in the United States Court of Appeals (D.C. Cir).

PJM submitted responses to the Commission's paper hearing questions on September 9, 2024 and October 8, 2024. By order issued April 1, 2025, FERC exercised its discretion and declined to impose any remedies on PJM regarding the Commission's finding in the July 2024 order that violated the OA with respect to issuing DEAs for in-progress RTEP projects. Specifically, the Commission declined to require PJM to issue DEAs for in-progress RTEP projects.

Capacity Market Complaints and 205 Filings

Toward the end of 2024, three separate complaints were filed against PJM alleging that various rules relating to PJM's capacity market were unjust and unreasonable (Docket Nos. EL24-148, EL25-18, and EL25-46). In particular, the complaints allege that (1) the existing capacity market demand curve cap will result in prices that are too high, (2) the categorical capacity market must-offer exemption for intermittent and demand response allows for the exercise of market power, and (3) resources retained for reliability purposes should be counted as capacity supply. These complaints do not allege any wrongdoing by PJM and are limited to arguing that the existing market rules as previously approved by FERC are now unjust and unreasonable. PJM has answered each complaint. In response to these complaints, PJM filed three separate Section 205 filings, utilizing its authority to act independently, that propose a variety of changes to the capacity market rules, including (1) a temporary set cap and floor for the capacity market demand curve until the 2027/2028 Delivery Year (Docket No. ER25-1357), which the Commission accepted on April 21, 2025, (2) removal of the categorical mustoffer exemption for intermittent resources and revisions to the Market Seller Offer Cap (Docket No. ER25-778), which was accepted on February 20, 2025, and (3) a proposal to retain a dual fuel combustion turbine as the reference resource and to count certain resources retained for reliability as capacity for the 2026/2027 and 2027/2028 Delivery Years (Docket No. ER25-682), which was accepted by order dated February 14, 2025. On February 14, 2025, PJM and complainants Gov. Josh Shapiro and the Commonwealth of Pennsylvania filed a stipulation of satisfaction and motion to dismiss the complaint in Docket No. EL25-46. On April 21, 2025, FERC dismissed the complaint filed by Gov. Josh Shapiro and the Commonwealth of Pennslyvania.

Part I. FINANCIAL INFORMATION (continued)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)

Forward-Looking Statements

In addition to the historical information presented throughout this report, there are forward-looking statements that reflect management's expectations for the future. Sometimes the words "estimate," "plan," "expect," "believe" or similar expressions will be used to identify such forward-looking statements. These forward-looking statements are based on current expectations. These statements are not guarantees of future performance and are subject to certain risks and uncertainties.

Many factors could cause actual results to differ materially from these statements. These factors include, but are not limited to, the results of regulatory proceedings, the conditions of the capital markets, inflation, interest rates, actuarial assumptions, availability of credit, liquidity and general economic conditions; tax policies; changes in accounting principles and practices; acts of terrorists; cybersecurity risks, including security breaches; the actions of adjacent control areas and other regional transmission organizations (RTOs); extreme weather and other operational conditions that could arise on the power system. For a description of these and other factors that may cause actual results to differ, reference is made hereby to PJM Interconnection L.L.C.'s (PJM or the Company) Consolidated Financial Statements, Notes thereto and other documents filed by the Company from time to time with the Federal Energy Regulatory Commission (FERC).

These forward-looking statements represent PJM's estimates and assumptions only as of the date of this report, and PJM assumes no responsibility to update these forward-looking statements.

Results of Operations

Revenues and Expenses

PJM's service fees were $94.8 million for the 3-month period ended March 31, 2025, an increase of $5.5 million or 6% as compared with service fees for the 3-month period ended March 31, 2024. Service fees reflect actual costs, billed under a formula rate mechanism included in the Company's Open Access Transmission Tariff for PJM Interconnection, L.L.C. and PJM Settlement, Inc.

Total PJM Interconnection, L.L.C expenses, excluding FERC fees, study and interconnection services and interest income and interest expense associated with customer credit, increased in line with the increase in service fees for the 3-month period ended March 31, 2025.

PJM reported an increase in compensation expense in March 31, 2025 results due to a higher staffing level period-over-period and normal merit increases.

Net income is derived from PJM's non-FERC-regulated subsidiaries. Net income was $1.3 million and $0.9 million for each of the 3-month periods ended March 31, 2025 and 2024, respectively.

Liquidity and Capital Resources

PJM maintains with PNC Bank (PNC) a FERC-approved revolving line of credit agreement with a capacity amount of $200 million. PJM received approval from FERC, on May 26, 2023, to continue to borrow under this facility through May 2025. The revolving line of credit is unsecured and available to fund short-term cash obligations. At March 31, 2025, $0.6 million was outstanding under the revolving line of credit agreement.

On March 28, 2025, PJM filed with FERC requesting authorization to increase the maximum borrowing capacity for the revolving line of credit to $250 million and to extend the facility's maturity date to May 30, 2027. PJM expects FERC approval to borrow under a revolving line of credit prior to the expiry of the current agreement and to execute an agreement with PNC to enter into a new revolving line of credit facility effective May 30, 2025. In the event that authorization is not granted, PJM has liquidity available to fund cash needs.

On June 28, 2018, FERC approved PJM's application to refinance the Company's existing bank loan with a new term loan at Bank of America (BoA). On July 20, 2018, PJM entered into a $20.2 million loan agreement with BoA. The BoA term loan has a seven-year term and is unsecured. At March 31, 2025, the outstanding borrowings under the term loan were $1.4 million. The BoA loan agreement balance at March 31, 2025 is entirely current and represents the scheduled repayment of the loan agreement in July 2025.

Under the loan covenants for each facility, PJM is required to provide unaudited financial statements 45 days after each quarter and audited financial statements 120 days after year-end. PJM is in compliance with these covenants.

Risks and Uncertainties

PJM does not provide forecasts of future financial performance. While PJM management is optimistic about the Company's long-term prospects, the following issues and uncertainties, among others, should be considered in evaluating its outlook.

Credit Risks

PJM bills and collects its operating expenses monthly from its members. Payment of all operating expense bills is due from PJM's members three business days after the month-end bill is issued by PJM, generally within the first two weeks of each month. For the 3-month period ended March 31, 2025, approximately 60 percent of PJM's operating expenses were billed to 16 of its members. PJM had approximately 1,100 members at March 31, 2025. In the event of a default of any PJM members, PJM has the right to bill the remaining PJM members a ratable portion of the operating expenses previously billed to the defaulting member.

In accordance with PJM's credit policy, PJM obtains collateral from certain members in order to secure their credit positions. The collateral can be in the form of a cash deposit or letter of credit. Corporate guaranties are also accepted from creditworthy affiliates to fulfill certain credit requirements.

At March 31, 2025, 304 members are financial transmission right (FTR) holders related to 7.5 million megawatt hours. The estimated fair value of the FTR portfolio at March 31, 2025, under a mark-to-auction model, was $1.1 billion. PJM held $3.0 billion in collateral related to these FTR transactions. The collateral is based on the calculated net value of the positions held in each member's FTR portfolio. The collateral can be in the form of cash or a letter of credit.