



Financial Statements for the Quarter Ended September 30, 2025

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Contents

Item 1: PJM Interconnection, L.L.C.	1
<i>Basis of Presentation</i>	4
<i>Disaggregated Revenues</i>	5
<i>Contract Balances</i>	5
<i>Bank of America (BoA) Bank Loan Agreement</i>	9
<i>Derivative Financial Instrument - Interest Rate Swap</i>	9
<i>Leases</i>	14
<i>Other Items</i>	15
Energy Efficiency Complaints	15
Designated Entity Agreements	15
Capacity Market Complaints and 205 Filings	16
Item 2: Management's Discussion And Analysis Of Financial Condition And Results Of Operations (Unaudited)	17
<i>Forward-Looking Statements</i>	17
<i>Results of Operations</i>	17
Revenues and Expenses	17
Liquidity and Capital Resources	18
<i>Risks and Uncertainties</i>	18
Credit Risks	18

Item 1: PJM Interconnection, L.L.C.

Consolidated Statements of Financial Position (Unaudited) (\$ in thousands)

	September 30, 2025	December 31, 2024
Assets		
Current assets:		
Deposits on hand	\$ 3,457,868	\$ 3,229,615
Operating cash	156,115	90,607
Receivables	20,670	8,489
Study and interconnection receivables	39,810	56,965
Prepaid expenses and other	24,737	19,718
Note receivable	1,424	3,961
	3,700,624	3,409,355
Non-current assets:		
Fixed assets, net of accumulated depreciation and amortization of \$648,481 and \$620,040	81,272	87,475
Land	1,420	1,420
Projects in development	73,610	57,833
Right-of-use asset - Finance lease	8,423	4,125
Right-of-use assets - Operating leases	557	2,087
Deferred income taxes, net of valuation allowance	44,279	43,926
Prepaid expenses	3,110	3,807
Note receivable	663	380
Other	30,690	29,292
	244,024	230,345
Total assets	\$ 3,944,648	\$ 3,639,700
Liabilities, paid-in capital, retained earnings and accumulated other comprehensive income		
Current liabilities:		
Accounts payable and accrued expenses	\$ 29,163	\$ 53,579
Due to members	218,472	94,637
Study and interconnection payables	40,307	57,018
Accrued payroll and benefits	49,634	55,296
Current portion of long-term debt	-	2,163
Current portion of lease liability - Finance lease	2,430	2,186
Current portion of lease liabilities - Operating leases	347	1,131
Deferred FERC fee liability	-	2,665
Deferred revenue	908	3,595
Postretirement healthcare benefits liability	2,570	2,388
Other employee benefits	529	469
Deposits	3,457,868	3,229,615
	3,802,228	3,504,742
Non-current liabilities:		
Lease liability - Finance lease	6,930	3,173
Lease liabilities - Operating leases	211	956
Deferred pension and postretirement costs	4,517	9,158
Pension benefits liability	30,280	26,606
Postretirement health care benefits liability	47,209	45,895
Other employee benefits	30,441	29,066
	119,588	114,854
Total liabilities	3,921,816	3,619,596
Commitments and contingencies (Note 9)		
Paid in capital	722	722
Retained earnings	22,080	19,341
Accumulated other comprehensive income	30	41
Total paid-in capital, retained earnings and accumulated other comprehensive income	22,832	20,104
Total liabilities, paid-in capital, retained earnings and accumulated other comprehensive income	\$ 3,944,648	\$ 3,639,700

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

Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income (Unaudited) (\$ in thousands)

	Three months ended September 30:		Nine months ended September 30:	
	2025	2024	2025	2024
Income				
Operating revenue:				
Service fees	\$ 92,929	\$ 85,250	\$ 279,176	\$ 264,999
FERC fees reimbursement	29,513	44,920	80,023	87,144
Study and interconnection fees	6,940	2,920	18,092	8,883
Membership fees	907	890	2,718	2,686
Other	1,053	1,169	4,169	3,781
Total operating revenue	131,342	135,149	384,178	367,493
Operating expenses:				
Compensation	55,944	48,003	163,838	147,248
FERC fees	29,513	44,920	80,023	87,144
Outside services	17,733	17,386	50,307	50,770
Depreciation and amortization	9,644	9,359	28,899	29,520
Software licenses and fees	5,944	7,187	20,300	20,954
Study and interconnection services	6,940	2,920	18,092	8,883
Computer maintenance and office supplies	2,130	1,276	8,324	5,951
Other expenses	2,495	2,233	8,168	10,763
Pension benefits - service cost	2,205	2,191	6,425	6,775
Postretirement health care benefits - service cost	408	357	1,153	1,163
Lease expenses	84	404	778	1,161
Total operating expenses	133,040	136,236	386,307	370,332
Operating (loss) income	(1,698)	(1,087)	(2,129)	(2,839)
Other income:				
Interest income	34,648	36,908	107,643	109,293
Interest expense	32,174	34,729	101,306	102,747
Pension and postretirement health care benefits expense - other components of net benefit cost	271	79	578	(36)
Total other income	2,203	2,100	5,759	6,582
Income before income taxes	505	1,013	3,630	3,743
Income tax (benefit) expense	(185)	283	891	1,302
Net income	\$ 690	\$ 730	\$ 2,739	\$ 2,441
Paid-in capital, retained earnings and accumulated other comprehensive (loss) income				
Beginning balance	\$ 22,143	\$ 19,585	\$ 20,104	\$ 17,865
Net income	690	730	2,739	2,441
Other comprehensive (loss) income	(1)	-	(11)	9
Ending balance	\$ 22,832	\$ 20,315	\$ 22,832	\$ 20,315

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

Consolidated Statements of Cash Flows (Unaudited) (\$ in thousands)

	Nine months ended September 30:	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 2,739	\$ 2,441
Adjustments:		
Depreciation and amortization expense	28,899	29,520
Deferred income taxes, net of valuation allowance	(353)	(1,861)
Deferred recovery of pension and postretirement costs	(4,641)	(4,533)
Employee benefit expense greater than funding	5,133	13,761
Changes in assets and liabilities:		
(Increase) decrease in receivables	(12,181)	30,848
Decrease (increase) in study and interconnection receivables	17,155	(19,694)
(Increase) in prepaid expenses and other	(3,163)	(4,405)
Change in deferred FERC fee position	(2,665)	(266)
(Decrease) in accounts payable and accrued expenses	(26,095)	(8,936)
(Decrease) increase in study and interconnection payables	(16,711)	20,735
(Decrease) in accrued payroll and benefits	(5,662)	(8,362)
(Decrease) in deferred revenue	(2,687)	(2,695)
Net cash (used in) provided by operating activities	(20,232)	46,553
Cash flows from investing activities:		
Cost of projects in development	(36,794)	(30,932)
Note receivable	2,254	2,594
Net cash (used in) investing activities	(34,540)	(28,338)
Cash flows from financing activities:		
Borrowings under line of credit	288,900	454,800
Repayments under line of credit	(288,900)	(439,510)
Payments under finance lease	(1,392)	(1,280)
Repayments of long-term debt	(2,163)	(2,163)
Increase (decrease) in due to members	123,835	(363,224)
Increase in deposits	228,253	17,276
Net cash provided by (used in) financing activities	348,533	(334,101)
Net increase (decrease) in cash and cash equivalents	293,761	(315,886)
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	\$ 3,613,983	\$ 3,048,805
Noncash activity:		
Projects in development additions included in ending accounts payable and accrued expenses	1,392	1,223

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 September 30, 2025, and for the 3-month and 9-month periods ended September 30, 2025 and September 30, 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.

Certain reclassifications have been made to conform previously reported data to current presentation.

PJM has performed an evaluation of subsequent events through November 6, 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).

Table 1. SERVICE FEE REVENUES

	Three months ended September 30:		Nine months ended September 30:	
	2025	2024	2025	2024
Control area administration service	\$ 57,292	\$ 52,119	\$ 170,415	\$ 160,679
Market support service	20,288	19,153	61,723	60,091
Capacity resource and obligation management service	6,611	6,077	19,999	19,202
FTR administration service	4,129	3,913	12,857	12,276
	88,320	81,262	264,994	252,248
PJM Settlement, Inc. service fees	4,609	3,988	14,182	12,751
Total service fees	\$ 92,929	\$ 85,250	\$ 279,176	\$ 264,999

For the 3-month periods ended September 30, 2025, and September 30, 2024, PJM Connex, LLC (PJM Connex) recorded consolidated revenue of \$1.3 million and \$2.1 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.

For the 9-month periods ended September 30, 2025, and September 30, 2024, PJM Connex recorded consolidated revenue of \$4.9 million and \$5.2 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 September 30, 2025 closing balance of deferred revenue resulting from contracts with customers was \$0.9 million. The amount of revenue recognized in the 3-month and 9-month periods ended September 30, 2025, which was included in the opening contract liability balance, was \$0.9 million and \$2.7 million, respectively. PJM expects to recognize \$0.9 million of membership fees revenue during the remaining three months of 2025.

There were no material contract assets as of September 30, 2025.

PJM's receivables balance at September 30, 2025 included \$7.5 million of unbilled service fees, \$18.5 million of unbilled PJM recovery of pass-through charges and \$0.7 million of billed PJM Connex receivables, offset by the return of \$6.0 million of excess congestion returned in the September market settlement invoice.

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

All study and interconnection receivables were billed at September 30, 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 September 30, 2025, the interest rate on the revolving loan agreement between PJM and MA was 7.25%. 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 September 30, 2025 and December 31, 2024, the outstanding balance due from MA recorded by PJM as a note receivable was \$2.1 million and \$4.3 million, respectively. At September 30, 2025, \$1.4 million of the MA note receivable balance was current, representing scheduled repayments on the outstanding balance in the next twelve months.

4 | Short-Term Debt

Through May 29, 2025, PJM maintained with PNC Bank (PNC) a Federal Energy Regulatory Commission (FERC) approved \$200 million revolving line of credit agreement. PJM received authorization from FERC on May 23, 2025 to continue to borrow under this agreement through May 29, 2027, and to increase the capacity on the line of credit by \$50 million. The loan amendment increasing the capacity on the existing facility to \$250 million, and term through May 29, 2027, was executed with PNC on May 30, 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 September 30, 2025.

At both September 30, 2025 and 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 September 30, 2025, the interest rate was 4.885%.

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.

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 had a seven-year term and was unsecured. As defined in the loan agreement, the term loan bore 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 December 31, 2024, the outstanding borrowings under the term loan were \$2.2 million. On July 1, 2025, the term loan matured and PJM repaid the outstanding balance in full.

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 fixed the interest payments of the Company's floating rate debt instrument at a rate of 3.62%. The term of the interest rate swap matched the term of the loan.

The interest rate swap matured on July 1, 2025. The maturity of the swap did not have a material impact on PJM's financial results.

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 September 30, 2025 and December 31, 2024 by level within the fair value hierarchy.

Table 2. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	September 30, 2025				December 31, 2024
	Level 1	Level 2	Level 3	Carrying Value	Carrying Value
Cash and cash equivalents	\$ 3,614	\$ -	\$ -	\$ 3,614	\$ 3,320
Deposit liabilities	3,458	-	-	3,458	3,229

7 | Income Taxes

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

Table 3. INCOME TAX EXPENSE

	Three months ended September 30:		Nine months ended September 30:	
	2025	2024	2025	2024
Income tax expense at the federal statutory rate	\$ 105	\$ 213	\$ 762	\$ 786
Increase (decrease) resulting from:				
Permanent differences	97	46	279	197
State income taxes, net of federal tax benefit	(69)	107	114	394
State income taxes, effect of rate change	7	2	288	263
Other	(325)	(85)	(552)	(338)
Income tax (benefit) expense	\$ (185)	\$ 283	\$ 891	\$ 1,302

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.

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was enacted. The OBBBA includes significant changes to U.S. tax law, including making bonus depreciation permanent, enabling domestic research cost expensing, and adjusting the business interest expense limitation. PJM evaluated the impact of the OBBBA on the Consolidated Financial Statements in third quarter 2025, determining no material financial impact.

8 | Benefit Plans

The components of net periodic pension and postretirement health care costs for the 3-month and 9-month periods ended September 30, 2025 and September 30, 2024 were as follows:

Table 4. NET PERIODIC PENSION AND POSTRETIREMENT HEALTH CARE COSTS

Components of Net Periodic Benefit Costs:	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
June 30 to September 30						
Service cost	\$ 1,770	\$ 1,967	\$ -	\$ -	\$ 408	\$ 404
Interest cost	3,556	3,301	42	41	936	881
Expected return on assets	(3,389)	(3,425)	-	-	(253)	(250)
Prior service cost (gain)	-	-	-	-	(137)	(137)
Actuarial loss (gain)	-	-	(3)	(1)	(228)	(158)
Total net periodic benefit cost	\$ 1,937	\$ 1,843	\$ 39	\$ 40	\$ 726	\$ 740

Components of Net Periodic Benefit Costs:	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
January 1 to September 30						
Service cost	\$ 5,150	\$ 5,690	\$ -	\$ -	\$ 1,153	\$ 1,163
Interest cost	10,551	9,764	129	123	2,787	2,631
Expected return on assets	(10,263)	(10,343)	-	-	(757)	(749)
Prior service cost (gain)	-	-	-	-	(412)	(412)
Actuarial loss (gain)	-	-	(9)	(2)	(698)	(500)
Total net periodic benefit cost	\$ 5,438	\$ 5,111	\$ 120	\$ 121	\$ 2,073	\$ 2,133

PJM sponsors a defined contribution supplemental executive retirement plan (SERP). For the 3-month periods ended September 30, 2025 and September 30, 2024, PJM recognized \$0.5 million and \$0.4 million in expense related to the defined contribution SERP, respectively. For the 9-month periods ended September 30, 2025 and September 30, 2024, PJM recognized \$1.3 million and \$1.1 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 September 30, 2025 and September 30, 2024, \$0.3 million of total pension and postretirement benefits expense were included in capitalized project costs. For both 9-month periods ended September 30, 2025 and September 30, 2024, \$0.8 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 September 30, 2025 and September 30, 2024.

Table 5. PENSION AND POSTRETIREMENT BENEFIT EXPENSE: ACTUARIAL ASSUMPTIONS

	Pension Benefits		SERP		Other Postretirement Benefits	
	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	3.92%	3.98%	N/A	N/A	N/A	N/A
Medical care cost trend rate						
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 and finance leases. These leases expire during the period 2025-2042 and have been recorded as right-of-use assets, with associated lease liabilities, on the PJM Statement of Financial Position at September 30, 2025 and December 31, 2024.

In June 2025, PJM extended the term of an existing lease agreement for office space located in Audubon, Pennsylvania. The Company evaluated the amended lease agreement in accordance with authoritative accounting guidance and determined the amendment represented a lease modification. Based on revised terms, the lease no longer qualifies as an operating lease and has been reclassified as a finance lease.

In October 2025, PJM extended the term of an existing lease agreement for office space located in Audubon, Pennsylvania. The Company is in the process of evaluating the impact of the amended lease agreement on the Consolidated Financial Statements.

Table 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	September 30, 2025		December 31, 2024	
	Right-of-use assets	Lease Liabilities	Right-of-use assets	Lease Liabilities
Operating leases	\$ 557	\$ 558	\$ 2,087	\$ 2,087
Finance leases	8,423	9,360	4,125	5,359
	\$ 8,980	\$ 9,918	\$ 6,212	\$ 7,446

At September 30, 2025, the current portions of the operating lease liabilities and the finance lease liability were \$0.3 million and \$2.4 million, respectively.

Lease expense associated with PJM's operating leases for the 3-month periods ended September 30, 2025 and 2024 was \$0.1 million and \$0.4 million, respectively. Lease expense associated with PJM's operating leases for the 9-month periods ended September 30, 2025 and 2024 was \$0.8 million and \$1.2 million, respectively.

Amortization and interest expense associated with PJM's finance leases for the 3-month period ended September 30, 2025 was \$0.5 million and \$0.1 million. Amortization and interest expense associated with PJM's finance lease for the 9-month period ended September 30, 2025 was \$1.4 million and \$0.2 million, respectively.

Other Items

Energy Efficiency Complaints

During 2024 and 2025, six 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. 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. On July 14, 2025, PJM filed a brief supporting FERC. Thereafter, oral arguments were held on October 6, 2025 focusing on Affirmed Energy's claim that the Tariff provided a vested right for them to offer energy efficiency into PJM's capacity market for two additional auctions. 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. On May 29, 2025, in Docket EL25-87-000, the Independent Market Monitor for PJM filed a complaint against Affirmed Energy LLC, Enel X North America Inc. and Enerwise Global Technologies, LLC, who are providers of Energy Efficiency Resources alleging that the post-installation measurement and verification reports for the 2025/2026 Delivery Year did not meet the requirements set forth in PJM's governing documents. PJM was not identified as a party in the Independent Market Monitor's complaint.

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

Two complaints that were filed at the end of 2024 remain pending against PJM alleging that various rules relating to PJM's capacity market were unjust and unreasonable (Docket Nos. EL24-148 and EL25-18). In particular, the complaints allege, among other things, 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 were unjust and unreasonable. PJM has answered both complaints. In addition to answering these complaints, PJM filed two separate Section 205 filings, utilizing its authority to act independently, that propose a variety of changes to the capacity market rules in response to these two complaints, including (1) removal of the categorical must offer exemption for intermittent resources and revisions to the Market Seller Offer Cap (Docket No. ER25-778), which was accepted on February 20, 2025, and (2) 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.

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 \$279.2 million for the 9-month period ended September 30, 2025, an increase of \$14.2 million or 5% as compared with service fees for the 9-month period ended September 30, 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 9-month period ended September 30, 2025.

PJM reported an increase in compensation expense in 2025 results due to a higher staffing level period-over-period and normal merit increases and an increase in computer maintenance and office supplies expense reflecting higher maintenance expense along with dues and subscriptions expense.

Net income is derived from PJM's non-FERC-regulated subsidiaries. Net income was \$2.7 million and \$2.4 million for each of the 9-month periods ended September 30, 2025, and 2024, respectively.

Liquidity and Capital Resources

PJM maintains with PNC Bank (PNC) a FERC-approved unsecured revolving line of credit agreement to fund short-term cash obligations. The revolving line of credit agreement has a capacity amount of \$250 million. PJM received approval from FERC, on May 23, 2025, to borrow under this facility through May 2027. On September 30, 2025, no amount was outstanding under the revolving line of credit agreement.

Risks and Uncertainties

PJM does not provide forecasts for 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 9-month period ended September 30, 2025, approximately 60 percent of PJM's operating expenses were billed to 16 of its members. PJM had approximately 1,100 members at September 30, 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 September 30, 2025, 305 members are financial transmission right (FTR) holders related to 14.5 million megawatt hours. The estimated fair value of the FTR portfolio at September 30, 2025, under a mark-to-auction model, was \$2.5 billion. PJM held \$3.1 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.