

Financial Statements for the Quarter Ended March 31, 2026

Publish Date May 7, 2026

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

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

	March 31, 2026	December 31, 2025
Assets		
Current assets:		
Deposits on hand	$ 3,586,204	$ 3,746,246
Operating cash	675,205	265,580
Receivables	873	15,068
Study and interconnection receivables	51,376	71,481
Prepaid expenses and other	25,788	20,158
Deferred FERC fee asset	-	1,949
Note receivable	1,269	1,650
	4,340,715	**4,122,132**
Non-current assets:		
Fixed assets, net of accumulated depreciation and amortization of $572,830 and $561,330	105,844	111,867
Land	1,420	1,420
Projects in development	49,851	43,962
Right-of-use assets - Finance leases	23,166	23,525
Right-of-use assets - Operating leases	2,344	494
Deferred pension and postretirement costs	8,570	8,289
Deferred income taxes, net of valuation allowance	44,130	44,064
Prepaid expenses	4,692	3,810
Note receivable	1,312	1,629
Other	30,257	31,444
	271,586	270,504
Total assets	**$ 4,612,301**	**$ 4,392,636**
Liabilities, paid-in capital, retained earnings and accumulated other comprehensive income		
Current liabilities:		
Accounts payable and accrued expenses	$ 67,365	$ 63,059
Due to members	684,808	273,526
Study and interconnection payables	64,916	72,008
Accrued payroll and benefits	30,065	61,055
Current portion of lease liabilities - Finance leases	616	348
Current portion of lease liabilities - Operating leases	350	876
Deferred revenue	2,829	3,737
Postretirement healthcare benefits liability	2,645	2,509
Other employee benefits	450	455
Deferred FERC fee liability	322	-
Deposits	3,586,204	3,746,246
	4,440,570	**4,223,819**
Non-current liabilities:		
Lease liabilities - Finance leases	22,795	22,790
Lease liabilities - Operating leases	1,995	146
Pension benefits liability	45,633	45,282
Postretirement health care benefits liability	47,838	47,617
Other employee benefits	30,031	31,206
	148,292	147,041
Total liabilities	**4,588,862**	**4,370,860**
Commitments and contingencies (Note 9)		
Paid in capital	722	722
Retained earnings	22,692	21,026
Accumulated other comprehensive income	25	28
Total paid-in capital, retained earnings and accumulated other comprehensive income	**23,439**	**21,776**
Total liabilities, paid-in capital, retained earnings and accumulated other comprehensive income	**$ 4,612,301**	**$ 4,392,636**

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) (Unaudited) ($ in thousands)

	Three months ended March 31:	
	2026	2025
Income		
Operating revenue:		
Service fees	$ 104,800	$ 94,787
FERC fees reimbursement	21,056	27,926
Study and interconnection fees	6,482	4,746
Membership fees	941	902
Other	2,451	1,962
Total operating revenue	135,730	130,323
Operating expenses:		
Compensation	61,550	54,852
FERC fees	21,056	27,926
Outside services	19,777	16,072
Depreciation and amortization	11,457	9,588
Software licenses and fees	7,618	7,285
Study and interconnection services	6,482	4,746
Computer maintenance and office supplies	3,837	4,353
Other expenses	3,244	2,565
Pension benefits - service cost	2,352	2,095
Postretirement health care benefits - service cost	410	373
Lease expenses	83	367
Total operating expenses	137,866	130,222
Operating (loss) income	(2,136)	101
Other income:		
Interest income	39,018	34,207
Interest expense	34,707	31,963
Pension and postretirement health care benefits (benefit) expense - other components of net benefit cost	(441)	292
Total other income	4,752	1,952
Income before income taxes	2,616	2,053
Income tax expense	950	717
Net income	$ 1,666	$ 1,336
Paid-in capital, retained earnings and accumulated other comprehensive (loss)		
Beginning balance	$ 21,776	$ 20,104
Net income	1,666	1,336
Other comprehensive (loss)	(3)	(9)
Ending balance	**$ 23,439**	**$ 21,431**

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

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

	Three months ended March 31: 2026	2025
Cash flows from operating activities:		
Net income	$ 1,666	$ 1,336
Adjustments:		
Depreciation and amortization expense	11,457	9,588
Deferred income taxes, net of valuation allowance	(66)	(1,341)
Deferred recovery of pension and postretirement costs	(281)	(375)
Employee benefit expense greater than funding	1,672	283
Changes in assets and liabilities:		
Decrease in receivables	14,195	6,821
Decrease in study and interconnection receivables	20,105	30,287
(Increase) decrease in prepaid expenses and other	(7,013)	2,844
Change in deferred FERC fee position	2,271	893
Increase in accounts payable and accrued expenses	3,286	31,696
(Decrease) in study and interconnection payables	(7,092)	(30,450)
(Decrease) in accrued payroll and benefits	(30,990)	(30,005)
(Decrease) in deferred revenue	(908)	(875)
Net cash provided by operating activities	8,302	20,702
Cash flows from investing activities:		
Cost of projects in development	(10,299)	(10,428)
Note receivable	698	1,103
Net cash (used in) investing activities	(9,601)	(9,325)
Cash flows from financing activities:		
Borrowings under line of credit	-	32,569
Repayments under line of credit	-	(32,005)
Payments under finance lease	(358)	(427)
Repayments of long-term debt	-	(722)
Increase (decrease) in due to members	411,282	(51,874)
(Decrease) increase in deposits	(160,042)	591,271
Net cash provided by financing activities	250,882	538,812
Net increase in cash and cash equivalents	**249,583**	**550,189**
Cash and cash equivalents balance (including customer deposits), beginning of year	4,011,826	3,320,222
Cash and cash equivalents balance (including customer deposits), end of period	$ 4,261,409	$ 3,870,411
Noncash activity:		
Projects in development additions included in ending accounts payable and accrued expenses	1,024	1,136

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, 2026, and for the 3-month periods ended March 31, 2026 and 2025 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 2025 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 May 7, 2026, 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).

SERVICE FEE REVENUE

	Three months *ended March 31:*	
PJM service fee revenue	**2026**	**2025**
Control area administration service	$ 63,150	$ 57,384
Market support service	24,237	21,377
Capacity resource and obligation management service	7,527	6,728
FTR administration service	4,588	4,503
	99,502	89,992
PJM Settlement, Inc. service fee revenue	5,298	4,795
Total service fee revenue	**$ 104,800**	**$ 94,787**

For the 3-month periods ended March 31, 2026 and 2025, PJM Connext, LLC (PJM Connext) recorded consolidated revenue of $2.9 million and $2.2 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).

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, 2026 balance of deferred revenue resulting from contracts with customers was $3.7 million. The March 31, 2026 balance of deferred revenue resulting from contracts with customers was $2.8 million. The amount of revenue recognized in the 3-month period ended March 31, 2026, which was included in the opening contract liability balance, was $0.9 million. PJM expects to recognize $2.8 million of membership fees revenue during the remaining nine months of 2026.

There were no material contract assets as of March 31, 2026.

PJM's member companies are billed on a monthly basis for recovery of PJM and PJM Settlement Inc.'s administrative costs under the Tariff. Billed and unbilled receivables for market settlement include fluctuations in excess congestion.

All study and interconnection receivables were billed at March 31, 2026.

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, 2026, the interest rate on the revolving loan agreement between PJM and MA was 6.75%. 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, 2026 and December 31, 2025, the outstanding balance due from MA recorded by PJM as a note receivable was $2.6 million and $3.3 million, respectively. At March 31, 2026, $1.3 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

PJM maintains with PNC Bank (PNC) a Federal Energy Regulatory Commission (FERC) approved $250 million revolving line of credit agreement. PJM received authorization from FERC on May 23, 2025 to borrow under this facility through May 29, 2027. The associated line of credit agreement 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 March 31, 2026.

At both March 31, 2026 and December 31, 2025, 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, 2026, the interest rate was 4.355%.

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 | 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, 2026, and December 31, 2025, by level within the fair value hierarchy.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	March 31, 2026				December 31, 2025
	Level 1	Level 2	Level 3	Carrying Value	Carrying Value
Cash and cash equivalents	$ 4,261	$ -	$ -	$ 4,261	$ 4,012
Deposit liabilities	3,586	-	-	3,586	3,746

6 | Income Taxes

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

INCOME TAX EXPENSE

	Three months ended March 31:	
	2026	2025
Income tax expense at the federal statutry rate	$ 549	$ 431
Increase (decrease) resulting from:		
Permanent differences	85	72
State income taxes, net of federal tax benefit	149	189
State income taxes, effect of rate change	302	272
Other	(135)	(247)
Income tax expense	$ 950	$ 717

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 2019 remain open to examination by the United States Internal Revenue Service, and generally, the tax years subsequent to 2021 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.

7 | Benefit Plans

The components of net periodic pension and postretirement health care costs for the 3-month periods ended March 31, 2026 and 2025 were as follows:

NET PERIODIC PENSION AND POSTRETIREMENT HEALTH CARE COSTS

Components of Net Periodic Benefit Costs:	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
January 1 to March 31:	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Service cost	$ 1,856	$ 1,690	$ -	$ -	$ 410	$ 373
Interest cost	3,904	3,497	45	44	945	925
Expected return on assets	(4,237)	(3,437)	-	-	(319)	(252)
Prior service cost (gain)	-	-	-	-	(109)	(137)
Actuarial loss (gain)	36	-	(1)	(3)	(207)	(235)
Total net periodic benefit cost	**$ 1,559**	**$ 1,750**	**$ 44**	**$ 41**	**$ 720**	**$ 674**

PJM sponsors a defined contribution supplemental executive retirement plan (SERP). For the 3-month periods ended March 31, 2026 and 2025, PJM recognized $0.5 million and $0.4 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).

For the 3-month periods ended March 31, 2026 and 2025, $0.4 million and $0.2 million of total pension and postretirement benefits expense were included in capitalized project costs, respectively.

The following schedule shows the assumptions used to calculate the pension and postretirement benefit expense for the periods ended March 31, 2026 and 2025.

PENSION AND POSTRETIREMENT BENEFIT EXPENSE: ACTUARIAL ASSUMPTIONS

	Pension Benefits		SERP		Other Postretirement Benefits	
	2026	**2025**	**2026**	**2025**	**2026**	**2025**
Discount Rate	5.76%	5.89%	5.43%	5.70%	5.60%	5.78%
Expected return on plan assets	7.50%	6.50%	N/A	N/A	7.50%	6.50%
Rate of compensation increase	4.42%	3.98%	N/A	N/A	N/A	N/A
Medical care cost trend rate						
Current					6.75%	7.00%
Ultimate					5.00%	5.00%
Years to ultimate					7	8

8 | Commitments and Contingencies

Leases

PJM leases office space and telecommunications equipment under operating and finance leases. These leases expire during the period 2027-2042 and have been recorded as right-of-use assets, with associated lease liabilities, on the PJM Statement of Financial Position at March 31, 2026 and December 31, 2025.

In March 2026, 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. Prior to and after modification, the lease met the definition of an operating lease.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	March 31, 2026		December 31, 2025	
	Right-of-use assets	Lease Liabilities	Right-of-use assets	Lease Liabilities
Operating leases	$ 2,344	$ 2,345	$ 494	$ 1,022
Finance leases	23,166	23,412	23,525	23,138
	$ 25,510	$ 25,757	$ 24,019	$ 24,160

At March 31, 2026, the current portions of the operating lease liabilities and the finance lease liabilities were $0.3 million and $0.6 million, respectively.

Lease expense associated with PJM's operating leases for the 3-month periods ended March 31, 2026 and 2025 was $0.1 million and $0.4 million, respectively.

Amortization and interest expense associated with PJM's finance leases for the 3-month period ended March 31, 2026 were $0.4 million and $0.5 million. Amortization and interest expense associated with PJM's finance lease for the 3-month period ended March 31, 2025 were $0.5 million and $0.02 million, respectively.

Other Items

Energy Efficiency Complaints

Three complaints remain outstanding regarding the participation of energy efficiency in PJM's capacity market. PJM has filed responses to all of these complaints. Specifically, in Docket No. EL24-126, the Market Monitor alleges 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. The Market Monitor filed a motion to withdraw this complaint on November 20, 2024, but FERC has not yet acted on this motion to date. In Docket No. EL24-113, the Market Monitor filed a complaint against various providers of Energy Efficiency Resources alleging that they did not meet the requirements of PJM's governing documents. 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 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. Most recently, FERC denied a complaint filed by Affirmed Energy in Docket No. EL24-124, which found that PJM reasonably held collateral for the Energy Efficiency Provider.

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.

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 U.S. Court of Appeals (D.C. Cir). PJM intervened in the appeal which remains pending.

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 which remain pending. In addition to answering these complaints, PJM has made several Section 205 filings that were accepted by FERC and that mitigate many of the issues raised in these complaints including: (i) counting qualifying resources subject to reliability must run agreements as capacity and institution of uniform Non-Performance Charge; (ii) facilitating expedited interconnection of critical capacity resources that meet certain criteria); (iii) extending the capacity must offer requirement to all Generation Capacity Resources; and (iv) updating capacity

market parameters as part of its quadrennial review). In addition, PJM filed and FERC accepted a price collar in the capacity market the 2026/2027 and 2027/2028 Delivery Years. PJM recently filed seeking to further extend the price collar for two more years (i.e., through the 2028/2029 and 2029/2030 Delivery Years), which FERC accepted on April 28, 2026.

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 $104.8 million for the 3-month period ended March 31, 2026, an increase of $10.0 million or 11% as compared with service fees for the 3-month period ended March 31, 2025. 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, 2026.

PJM reported an increase in compensation expense in 2026 results due to a higher staffing level period-over-period and normal merit increases and an increase in outside services reflecting higher consulting expense.

Net income is derived from PJM's non-FERC-regulated subsidiaries. Net income was $1.6 million and $1.3 million for each of the 3-month periods ended March 31, 2026 and 2025, 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. On March 31, 2026, 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 3-month period ended March 31, 2026, approximately 60 percent of PJM's operating expenses were billed to 16 of its members. PJM had approximately 1,100 members at March 31, 2026. 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, 2026, 327 members are financial transmission right (FTR) holders related to 10.9 million megawatt hours. The estimated fair value of the FTR portfolio at March 31, 2026, under a mark-to-auction model, was $1.5 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.