



Second Quarter 2018 Financial Statement Highlights

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2Q18 Balance Sheet Highlights – Assets

<i>(dollars in millions)</i>	6/30/18 Balance	12/31/17 Balance	Change	
			\$	%
Deposits on hand ⁽¹⁾	1,702	1,458	244	17
Operating cash ⁽²⁾	386	308	78	25
Receivables ⁽³⁾	47	94	(47)	(50)

- (1) Increase in deposits on hand is driven by higher member credit deposits resulting from higher volume during the first six months of 2018.
- (2) Increase in operating cash is driven by (1) a \$116 million increase in member prepayments at June 30, 2018 as compared with December 31, 2017, and (2) a \$10 million year-to-date 2018 increase in the deferred regulatory liability. Offsetting the increase is the effect of (1) \$50 million of pension plan contributions made during the first quarter of 2018, and (2) a \$16 million decrease in the excess congestion cash position (at June 30, 2018, PJM had not yet collected any excess congestion for the 2018/2019 planning year versus \$16 million held at December 31, 2017). The remaining difference is due to the timing of collections versus expenditures.
- (3) The receivables balance at June 30, 2018 includes approximately \$25 million of monthly stated rate charges. The period over period receivables balance decrease is primarily due to a \$51 million decrease in excess congestion revenue billed at June 30, 2018 as compared to December 31, 2017 (\$10 million billed, but not collected from members at June 30, 2018 versus \$61 million billed, but not collected from members at December 31, 2018). Offsetting the decrease in receivables is an approximately \$7 million increase in market-to-market activity.



2Q18 Balance Sheet Highlights – Liabilities

<i>(dollars in millions)</i>	6/30/18 Balance	12/31/17 Balance	Change	
			\$	%
Accounts payable and accrued expenses ⁽¹⁾	55	29	26	89
Due to members ⁽²⁾	445	397	48	12
Deferred regulatory liability – current ⁽³⁾	2.4	0.1	2.3	2300
Deferred regulatory liability – non-current ⁽³⁾	17	9	8	88
Pension ⁽⁴⁾	13	61	(48)	(78)

(1) Increase in accounts payable and accrued expenses is primarily due to the year-to-date FERC fee accrual and timing of vendor activity.

(2) Due to members balance at June 30, 2018 primarily represents \$405 million of member prepayments and \$10 million of excess congestion revenue accrued but not due to be remitted to members until the end of the current planning year.

(3) At June 30, 2018, the current portion of the deferred regulatory liability balance was \$2.4 million to be refunded to members during the third quarter of 2018. The \$17 million non-current portion of the deferred regulatory liability balance represents PJM's stated rate financial reserve (capped at 6% of annual stated rate revenues).

(4) Decrease in pension liability represents the impact of \$50 million of pension plan funding completed in the first quarter 2018.



2Q18 Change in Deferred Regulatory Liability

<i>(\$ in millions)</i>	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Service Fees	73	151
Expenses, net	(71)	(141)
Contribution to the Deferred Regulatory Liability Balance	2	10



2Q18 Income Statement Highlights

<i>(dollars in millions)</i>	2Q18	2Q17	Change	
			\$	%
Service fees ⁽¹⁾	73	74	(1)	(1)
Deferred regulatory expense ⁽¹⁾	(2)	(3)	1	(20)

(1) In second quarter 2018, service fees exceeded actual expenses resulting in a \$2 million contribution to the deferred regulatory liability balance.



2Q18 Cash Flow Statement Highlights

<i>(dollars in millions)</i>	2Q18	2Q17	Change	
			\$	%
Financing Cash Flows ⁽¹⁾	291	(183)	474	259

(1) The change in net cash provided by (used in) financing activities period over period is driven by (1) an increase in customer deposits during the six month period ended June 30, 2018 resulting from higher volume during the period, and (2) and increase in the due to members balance during the first six months of 2018 due to higher member prepayments.



2Q18 Key Financial Disclosure Highlights

Footnote 11 provides a summary of ongoing legal and regulatory matters.

- Marginal Line Loss Surplus Payment Re-allocation – DC Circuit Court of Appeals remand order in August 2013 directed FERC to provide additional support for its determination to recoup the previously ordered refunds. FERC issued an order in November 2015 reaffirming previous recoupment order. No activity on this matter so far in 2018.
- TranSource Matter – In February 2016, TranSource filed a complaint at FERC asserting it incurred \$72 million of lost profit opportunities from monthly Incremental Auction Revenue Rights during 2015. On January 19, 2018, TranSource was granted limited relief and PJM was ordered to restore TranSource's original queue position and refund the \$0.15 million paid by TranSource for the study of its upgrade request. All other requests for relief were denied. PJM filed a brief on exceptions on February 20, 2018. A final decision will be issued by the Commission after considering all exception briefs filed.