



# 2021 Financial Statement Highlights

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Finance Committee  
March 30, 2022



## Balance Sheet Highlights – Assets

(dollars in millions)

	Dec. 31, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
<b>Deposits on hand <sup>(1)</sup></b>	2,524	1,801	723	40
<b>Projects in development <sup>(2)</sup></b>	45	53	(8)	(15)
<b>Deferred pension and postretirement costs<sup>(3)</sup></b>	47	91	(44)	(48)

- (1) Increase in deposits on hand is due to an increased number of collateral calls during the year, higher market prices in the later part of 2021 driving collateral requirements higher at Dec. 31, 2021, and an increase in deposits held related to study and interconnection projects.
- (2) Decrease in projects in development is driven by placement of assets in service during the period, most significantly the data center switch replacement project, server upgrades to support capacity market tools, refresh of the eDart application, energy price formation, market design engine project and the Milford computer room air conditioning replacement. The decrease in projects in development was partially offset by work on capital projects during the period, including the energy management system upgrade project, the next generation energy management system project and reserve market price formation.
- (3) Deferred recovery of pension and postretirement costs represent the underfunding of the Company's benefit plans. Decrease in deferred recovery of pension and postretirement costs is attributable to the year-end actuarial valuation of the PJM benefit plans, driven by an increase in the discount rate actuarial assumption. The pension plan discount rate increased from 2.76 percent at Dec. 31, 2020, to 3.19 percent at Dec. 31, 2021.



## Balance Sheet Highlights – Liabilities

(dollars in millions)

	Dec. 31, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
<b>Due to members <sup>(1)</sup></b>	154	151	3	2
<b>Deferred regulatory liability – current</b>	15	-	15	100
<b>Deferred regulatory liability – noncurrent <sup>(2)</sup></b>	-	18	(18)	(100)
<b>Pension benefits liability<sup>(3)</sup></b>	37	64	(27)	(42)

(1) Due to members balance at Dec. 31, 2021 represents \$154 million of member prepayments for market settlements.

(2) At Dec. 31, 2021, the current deferred regulatory liability balance represents PJM Interconnection, LLC's accrued reserve under stated rates, to be refunded to members in the first quarter of 2022.

(3) Decrease in the pension benefits liability is attributable to the year-end actuarial valuation of the PJM benefit plan, driven by an increase in the discount rate actuarial assumption. The pension plan discount rate increased from 2.76 percent at Dec. 31, 2020, to 3.19 percent at Dec. 31, 2021.



## Change to Deferred Regulatory Liability Balance

*(dollars in millions)*

	12 Months Ended Dec. 31, 2021
<b>Service fees</b>	326
<b>Expenses</b>	298
<b>Refunds</b>	(31)
Change to the deferred regulatory liability balance	(3)



## Income Statement Highlights

(dollars in millions)

	Dec. 31, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
<b>Compensation expense<sup>(1)</sup></b>	154	145	9	6
<b>Pension and postretirement healthcare benefits<sup>(2)</sup></b>	15	7	8	114

- (1) Increase in compensation expense is primarily due to normal merit increases reflected in 2021 results, higher head count period over period and COVID-19 related costs.
- (2) Increase in pension and postretirement health benefits reflects a lower discount rate applied in 2021 actuarial calculations of benefit expense as compared to 2020.



## Cash Flow Statement Highlights

(dollars in millions)

	Dec. 31, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
<b>Financing cash flows</b> <sup>(1)</sup>	723	249	474	190

(1) The increase in cash provided by financing activities is primarily due to an increase in member deposits, partially offset by a decrease in due to members. Deposits increased \$722 million during 2021 versus an increase of \$203 million. Increase in deposits during 2021 is due to an increased number of collateral calls during the year, higher market prices in the latter part of 2021 driving collateral requirements higher at Dec. 31, 2021, and an increase in deposits held related to study and interconnection projects.

- PJM's October 1, 2021, administrative rate filing with FERC is discussed in Footnote 1 and Footnote 2
- Details of 2021 income tax expense is disclosed in Footnote 9
- Footnote 11 provides a summary of ongoing legal and regulatory matters