
Finance Committee Update

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Highlights from the March 24, 2015 PJM Finance Committee Meeting

- Monitoring Analytics (MA) 2014 Financial Results
- NERC/RFC budget process and timing of the 2016 budget cycle
- Review highlights from the 2014 PJM Financial Statement
- Review the operating expenses, service category charges, and capital spending for the quarter ended December 31, 2014



Highlights from the March 24, 2015 PJM Finance Committee Meeting (cont.)

Monitoring Analytics (MA) 2014 Financial Results:

- Actual revenues for 2014 = \$8.7M (including \$1M booked as deferred)
- Expenses in 2014 = \$7.6M
- Revenues less actual expenses = \$1.1M
- Deferred balance on 12/31/14 = \$3.3M
- MA's total expenses in 2014 (\$7.6M) were 10% lower than in 2013 (\$8.4M)
 - Main driver was the decrease in the Compensation expenses category due to pension income reported in 2014, and decrease in medical costs due to ACA rate adjustments and demographics of MA employees



Highlights from the March 24, 2015 PJM Finance Committee Meeting (cont.)

NERC/RFC budget process and timing of the 2016 budget cycle:

- Complete first drafts of the NERC, Regional Entity draft 2016 BP&B and consolidated ERO Enterprise 2016 budget projection will be posted on the NERC website on May 19th
- Comments on the 1st draft of the NERC budget will be due on June 30th
- The schedule includes several webinars and informal input sessions to review the drafts and obtain additional input
- The schedule preserves the two open Finance and Audit Committee conference calls during which the drafts are reviewed with the committee, with an opportunity for public input
- Reliability First has a parallel process in place to obtain stakeholder input on their BP&B



Highlights from the March 24, 2015 PJM Finance Committee Meeting (cont.)

Review highlights from the 2014 PJM Financial Statement:

- Balance Sheet Highlights
 - Assets: Deposits on hand of \$1,088M were 26% higher at end of 2014 than 2013, primarily driven by higher customer credit deposits for peak market activity during 2014 as compared with 2013
 - Liabilities: \$61M were due to members at end of 2014 caused primarily by FTR excess congestion revenue collected but not yet remitted to members at end of 2014
- Income Statement Highlights
 - Compensation increased by \$5M (4%) as a result of year-over-year benefit premium and merit increases as well as the timing of labor being capitalized into projects
 - Pension and post retirement benefit decreased by \$7M (50%) due to strong pension plan asset performance in 2013
- Cash Flow Statement Highlights
 - Operating Cash Flow increased by \$43M (83%) as compared to 2013 but that was principally driven by congestion revenue collected during 2014 that has not been distributed to members yet
 - Financing Cash Flow increased by \$448M (172%) as compared to 2013, which was primarily due to higher customer deposits as a result of increased market activity during 2014 as compared to 2013



Highlights from the March 24, 2015 PJM Finance Committee Meeting (cont.)

Review the operating expenses, service category charges, and capital spending for the quarter ended December 31, 2014:

- During the fourth quarter of 2014, actual expenses exceeded the \$67M budgeted by \$3M (4%) due mainly to non-employee labor (i.e., additional projects and timing of legal fees), technology (i.e., computer hardware purchases and software licenses), and facilities related expenses
- For the full year, actual expenses ended up \$9M (3%) below the \$276M budget, driven mostly by lower pension & post retirement (-\$7.4M) based on actuarial projections
- Actual capital spend during the fourth quarter of 2014 was \$5M more than the \$3M budgeted, due mostly to acceleration of 2015 hardware purchases for system reliability and eMKT application enhancements.
- For the full year, total capital spend was exactly as budgeted (\$30M)

