



2015 Audited Financial Statement Highlights

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Finance Committee
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2015 Balance Sheet Highlights - Assets

<i>(dollars in millions)</i>	12/31/15 Balance	12/31/14 Balance	Change	
			\$	%
Operating cash ⁽¹⁾	172	37	135	365
Receivables ⁽³⁾	22	31	(9)	(29)
Deferred recovery of pension and postretirement costs ⁽⁴⁾	12	22	(10)	(46)

- (1) Increase in operating cash is driven by an increase in member prepayments of approximately \$138 million at December 31, 2015 as compared to December 31, 2014. The remaining difference is due to the timing of collections vs. expenditures.
- (2) Decrease in receivables is primarily due to lower December 2015 service fee revenues from mild weather and lower FTR excess congestion revenue billed for December 31, 2015 as compared to December 31, 2014.
- (3) Decrease in deferred recovery of pension and postretirement costs is primarily due to the increase in the discount rate to 4.50% at December 31, 2015 as compared to 4.10% at December 31, 2014.



2015 Balance Sheet Highlights - Liabilities

<i>(dollars in millions)</i>	12/31/15 Balance	12/31/14 Balance	Change	
			\$	%
Accounts payable and accrued expenses ⁽¹⁾	23	36	(13)	(36)
Due to members ⁽²⁾	198	61	137	225
Deferred regulatory liability – non-current ⁽³⁾	7	11	(4)	(36)
Long-term debt ⁽⁴⁾	22	35	(13)	(37)

- (1) Decrease in accounts payable and accrued expenses is due to the timing of vendor activity and lower FERC fee accruals for 2015 as compared to 2014.
- (2) Due to members balance at December 31, 2015 represents \$148 million of member prepayments and \$50 million of FTR excess congestion revenue collected but not yet remitted to members. Fluctuation from prior year is due to the timing of the month-end bill.
- (3) The non-current portion of the deferred regulatory liability represents PJM's financial reserve at December 31, 2015 as defined in the stated rate tariff.
- (4) Decrease in long-term debt reflects the scheduled semi-annual debt payments under the seven-year private placement and the term loan. These payments are due March 15th and September 15th through 2016 for the private placement and through 2021 for the term loan.



2015 Change in Deferred Regulatory Liability

<i>(\$ in millions)</i>	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2015
Service Fees	62	269
Expenses, net	(70)	(273)
Change in Deferred Regulatory Liability	(8)	(4)



2015 Income Statement Highlights

<i>(dollars in millions)</i>	2015	2014	Change	
			\$	%
Compensation ⁽¹⁾	124	119	5	4
Pension and postretirement healthcare benefits ⁽²⁾	11	7	4	57
Other ⁽³⁾	12	9	3	33
Outside Services ⁽³⁾	50	53	(3)	(6)

(1) Increase in compensation expense is a result of year-over-year benefit premium and merit increases.

(2) Increase in pension and postretirement healthcare benefits is due to the decrease in the discount rate and revised mortality tables used to measure the associated liabilities at December 31, 2014.

(3) Increase in other expense is due to the estimated cost of Monitoring Analytics' planned withdrawal from PJM's pension plan.

(4) Decrease in outside services is due to a reduction in consulting services in 2015 as compared to 2014.



2015 Cash Flow Statement Highlights

<i>(dollars in millions)</i>	2015	2014	Change	
			\$	%
Operating Cash Flows ⁽¹⁾	42	95	(53)	(56)
Investing Cash Flows	(32)	(34)	2	6
Financing Cash Flows	180	187	(7)	(4)

(1) The change in net cash provided by operating activities is driven by lower revenues for 2015 as compared 2014. Also, it is impacted by the timing of vendor payments.



Footnotes:

- Footnote 11 provides a summary of ongoing legal and regulatory matters.
 - Lehman Brothers Commodities Services Default – Cumulative \$16.8 million (99%) recovery to date against \$17 million claim.
 - 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.
 - 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.