



December 31, 2023 Financial Statement Highlights

Finance Committee
March 27, 2024

Megan Heater
Controller – Finance



Balance Sheet Highlights – Assets

	Dec. 31, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
<i>(dollars in millions)</i>				
Operating cash⁽¹⁾	370	1,013	(643)	(63)
Receivables⁽²⁾	39	131	(92)	(70)

(1) Decrease in operating cash is primarily driven by a combination of:

- A decrease in member prepayments at Dec. 31, 2023, as compared to Dec. 31, 2022. Year-end 2022 member prepayments were higher than normal due to a high invoice amount resulting from Winter Storm Elliott. Additionally, at year-end 2022, market participants took advantage of the ability to pay invoices early as a strategy to reduce future credit exposure related to Peak Market Activity credit requirements.
- A decrease in excess congestion held at Dec. 31, 2023, as compared to Dec. 31, 2022. Excess congestion for the 2022/2023 planning year was returned to members in June 2023.
- An increase associated with performance assessment interval (PAI) billing holdback.

(2) The Dec. 31, 2022, balance in receivables was higher than normal, reflecting an increased recovery of excess congestion and higher pass through charges, specifically market to market under Joint Operating Agreements for the Dec. 21–27 billing period. The decrease in receivables period over period reflects the absence of year-end 2022 unique items in Dec. 2023 results.



Balance Sheet Highlights – Assets

<i>(dollars in millions)</i>	Dec. 31, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
Fixed assets⁽¹⁾	94	77	17	22
Projects in development⁽¹⁾	44	57	(13)	(23)

(1) Increase in fixed assets, and associated decrease in projects in development, primarily reflects the completion and placement into service of PJM's Energy Management System upgrade project in May 2023.



Balance Sheet Highlights – Liabilities

<i>(dollars in millions)</i>	Dec. 31, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
Accounts payable⁽¹⁾	24	75	(51)	(68)
Due to members⁽²⁾	432	1,124	(692)	(62)

- (1) Decrease in Accounts Payable primarily reflects lower joint operating agreement payments at Dec. 31, 2023 compared to Dec. 31, 2022 and change in the accrual of the annual FERC electric program charge.
- (2) The impact of: (1) timing of market settlement in relation to the calendar, (2) excess congestion held, and (3) PAI holdback, resulted in a \$432 million due to members balance at Dec. 31, 2023.
- \$375 million represents member prepayments associated with the Dec. 20th month-to-date market settlement bill (paid Jan. 2024).
 - \$28 million of excess congestion accumulated planning period to date, to be returned to members at the end of the planning period.
 - \$29 million of PAI holdback represents an assessment of the risk of nonpayment of the nonperformance charges, offsetting PAI billing defaults.



Income Statement Highlights

<i>(dollars in millions)</i>	Dec. 31, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
Pension and Postretirement health care benefits⁽¹⁾	11	14	(3)	(21)
Compensation expense⁽²⁾	183	165	18	11

- (1) The decrease in benefit plan expense in 2023 results from higher discount rates used to calculate 2023 pension and other postretirement benefit expense. Discount rates across PJM's benefit plans are approximately 250 basis points higher in 2023 versus 2022.
- (2) Increase in compensation expense reflects higher head count period over period and normal merit increases reflected in 2023 results. In line with higher headcount and employee base salaries, the employer cost of benefits increased during 2023.

Financial results for the year ended December 31, 2023 included accounting for the impact of a dividend from PJM Connex, LLC to PJM Interconnection, LLC. The \$1.0 million dividend was made in accordance with the dividend agreement in place between the entities. While the dividend eliminates upon consolidation, the dividend resulted in lower collections from PJM members.



Income Statement Highlights

<i>(dollars in millions)</i>	Dec. 31, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
Interest income⁽¹⁾	140	44	96	218
Interest expense	133	42	91	216
Income tax expense⁽²⁾	1	4	(3)	(75)

(1) Interest income and interest expense is primarily attributable to the cash collateral held at PNC Bank for member credit. The increase year over year is a result of rising interest rates. The interest rate on the PNC cash collateral accounts rose to an average of 4.79% for 2023 as compared to an average of 1.49% for 2022.

Approximately \$5 million of interest income reflects interest earned on operational cash balances. Average cash balances increased year over year due to higher member market settlement invoice prepayments, higher excess congestion collected and not yet remitted to members, and Performance Assessment Interval (PAI) hold-back funds collected. The net interest rate on operational cash balances at December 31, 2023, was 3.65%.

(2) In third quarter 2022, the Commonwealth of Pennsylvania amended the state's tax code to reduce the corporate income tax rate. At the time of enactment, PJM revalued the company's deferred tax balances, resulting in \$4.2 million of state income tax expense.



Cash Flow Statement Highlights

<i>(dollars in millions)</i>	Dec. 31, 2023	Dec. 31, 2022	CHANGE	
			Dollar	Percentage
Operating cash flows⁽¹⁾	96	(38)	134	(353)
Financing cash flows⁽²⁾	(661)	1,400	(2,061)	(147)

(1) Operating cash flow increased primarily due to the change in receivable position from Dec. 2022 to Sept. 2023. Additionally, 2022 results included \$14.7 million of refunds to members associated with the transition to formula rates in 2022.

(2) The decrease in cash provided by financing activities in 2023 is primarily due to the change (decrease) in the due to members position from Dec. 2022 to Sept. 2023. In 2022, PJM reported an increase in cash provided by financing activities due to an increase in the due to members position from Dec. 2021 to Sept. 2022 and an increase in member deposits.



Key Financial Disclosure Highlights

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