



Second Quarter 2021 Financial Statement Highlights

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MC Webinar
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Balance Sheet Highlights – Assets

(dollars in millions)

	Jun. 30, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
Deposits on hand ⁽¹⁾	2,013	1,801	212	12
Operating cash ⁽²⁾	20	103	(83)	(81)

- (1) Increase in deposits on hand reflects an increase in Interconnection Planning deposits, reflecting a higher number of study and agreement projects, and collateral posted in support of the RPM auction held in Apr. / May 2021. The increase period over period also reflects collateral calls in the second half of Jun. 2021 resulting from higher market invoices due to warmer than normal weather.
- (2) Decrease in operating cash is primarily due to a \$119 million decrease in member prepayments for market settlements at Jun. 30, 2021, as compared to Dec. 31, 2020.



Balance Sheet Highlights – Assets

(dollars in millions)

	Jun. 30, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
Receivables ⁽¹⁾	30	25	5	20
Projects in development ⁽²⁾	48	53	(5)	(9)

(1) Receivables balance at Jun. 30, 2021 includes \$15.9 million of service fee billing (net \$3.3 million of Jun. 2021 refunds), \$12.7 million of unbilled recovery of pass-through charges and \$1.0 million of excess congestion collections.

(2) Decrease in projects in development is driven by 2021 placement of assets into service, including the following significant projects: application resilience program, eDart refresh, market design engine, parallel flow visualization and Access Manager. The decrease in projects in development was partially offset by work performed on projects during the first six months of the year, including the next generation market system and energy management system upgrade.



Balance Sheet Highlights – Liabilities

(dollars in millions)

	Jun. 30, 2021	Dec. 31, 2020	CHANGE	
			Dollar	Percentage
Due to members ⁽¹⁾	33	151	(118)	(78)
Deferred regulatory liability – current	5	-	5	100
Deferred regulatory liability – noncurrent ⁽²⁾	19	18	1	6
Revolving line of credit ⁽³⁾	12	-	12	100

- (1) Due to members balance at Jun. 30, 2021, includes \$32 million of member prepayments for market settlements and \$1 million of excess congestion revenue collected but not yet remitted to members.
- (2) At Jun. 30, 2021, the current portion of the deferred regulatory liability reflects the amount to be refunded to members by PJM Interconnection, LLC and PJM Settlement, Inc. during the third quarter of 2021. At Jun. 30, 2021, the noncurrent deferred regulatory liability balance represents PJM Interconnection, LLC’s allowable reserve balance, up to 6 percent of annual stated-rate revenues.
- (3) \$12 million was outstanding on the revolving line of credit at Jun. 30, 2021.



Contribution to Deferred Regulatory Liability Balance

(dollars in millions)

	3 Months Ended Jun. 30, 2021	6 Months Ended Jun. 30, 2021
Service fees	76	159
Expenses	61	133
Refunds	10	10
Change to the deferred regulatory liability balance	5	16



Income Statement Highlights

(dollars in millions)

	6-months ended Jun. 30, 2021	6-months ended Jun. 30, 2020	CHANGE	
			Dollar	Percentage
Deferred regulatory expense ⁽¹⁾	(16)	(17)	1	6
Compensation expense ⁽²⁾	75	71	4	5

(1) For the 6-month period ended Jun. 30, 2021, expenses were less than service fees, resulting in a contribution to the deferred regulatory liability balance.

(2) Increase in compensation expense is primarily due to COVID-19 related costs and normal merit increases year over year.

(dollars in millions)

	6-months ended Jun. 30, 2021	6-months ended Jun. 30, 2020	CHANGE	
			Dollar	Percentage
Operating cash flows ⁽¹⁾	38	50	(12)	(24)
Financing cash flows ⁽²⁾	104	7	97	(1385)

- (1) The primary driver in the change in net cash provided by operating activities at Jun. 30, 2021 is a change in employee benefit expense greater than funding associated with the PJM pension and postretirement plans and changes in the accounts receivables and accounts payable positions period over period.
- (2) The primary driver in the change in net cash provided by financing activities is a decrease in due to members and an increase in member deposits. Due to members decreased period over period primarily due to lower prepayments for market settlement. Member deposits increased in support of Interconnection Planning, the RPM auction held in Apr. / May 2021 and higher market settlement invoice balances in Jun. 2021.

Footnote 11 provides a summary of ongoing legal and regulatory matters, including:

- Credit matter
- Old Dominion Electric Cooperative v. PJM 2014 Polar Vortex complaint
- Radford's Run complaint
- Illinois Municipal Electric Agency v. PJM complaint