



Third Quarter 2022 Financial Review

MC Informational Webinar

December 19, 2022

Jim Snow



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3Q22 Intercompany Charges / Credits

- For the nine-month period ended September 30, 2022, the employees of the FERC-regulated RTO charged \$0.3 million of billing, collections and accounting services to PJM's non-FERC regulated subsidiaries. The credit for these services provided was recorded as a reduction in the compensation expense under PJM Tariff allocated to Schedules 9-1 through 9-5.
- For the nine-month period ended September 30, 2022, revenues and expenses of PJM's non-FERC regulated subsidiaries totaled \$3.7 million and \$2.1 million, respectively, resulting in \$1.6 million of net income for the period.
- In 2Q 2022, PJM Connex, LLC paid a dividend to PJM Interconnection, LLC 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 in the second quarter.



3Q22 YTD Expense Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Compensation ⁽²⁾	129	130	(1)	(1)
Non-Employee Labor ⁽¹⁾	35	39	(4)	(10)
Technology ⁽²⁾	26	26	---	---
Depreciation / Interest ⁽²⁾	26	28	(2)	(7)
Other ⁽¹⁾	16	19	(3)	(16)
Income Taxes ⁽¹⁾	5	1	4	400
Total Expenses ⁽³⁾	237	243	(6)	(2)
<p>⁽¹⁾ See additional information on expense variances on slide 8.</p> <p>⁽²⁾ For this period, there were no material variances in this expense category in total or within the components of this expense category.</p> <p>⁽³⁾ Excludes expenses related to Tariff Schedule 9-FERC.</p>				



3Q22 YTD Material Expense Variances – Actual vs. Budget

- **Non-Employee Labor** – timing and savings of cost center initiatives (-\$1.4M) and outside legal fees (-\$0.8M); timing of project expense (-\$1.3M) and contractors (-\$0.4M)
- **Other** - timing and savings of employee related expenses (-\$1.0M): savings of interest rate swap (-\$0.6M) and insurance expense (-\$0.5M); timing of annual meeting expense (-\$0.4M), dues & subscriptions (-\$0.2M) and meetings expense (-\$0.3M)
- **Income Taxes** - Pennsylvania state income tax rate change implemented in third quarter of 2022 (+\$4.0M)



3Q22 YTD Capital Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Application Replacements/Retrofit ⁽¹⁾	7	8	(1)	(12)
Current Applications & System Reliability ⁽¹⁾	8	15	(7)	(46)
Facilities and Technology Infrastructure ⁽¹⁾	7	10	(3)	(30)
Interregional Coordination ⁽²⁾	1	1	---	---
New Products / Services ⁽¹⁾	3	2	1	50
Total Capital	26	36	(10)	(27)
⁽¹⁾ See additional information on capital variances on slide 16. ⁽²⁾ For this period, there were no material variances in this capital expenditure category in total or within the components of this capital expenditure category.				



3Q22 YTD Material Capital Variances – Actual vs. Budget

Application Replacements/Retrofit

- (-\$1.0M) Timing, project work shifting out due to vendor resource constraints

Current Applications and System Reliability

- (-\$2.8M) Timing, project work shifting to the right due to refinement of requirements and resource constraints
- (-\$2.0M) Project scope deferred due to work on higher priority initiatives
- (-\$1.5M) Savings, assumed capital software purchases, result was subscription based software
- (-\$0.6M) Hardware purchase accelerated into 2021
- Remainder comprised of project variances less than \$200K

Facilities and Technology Infrastructure

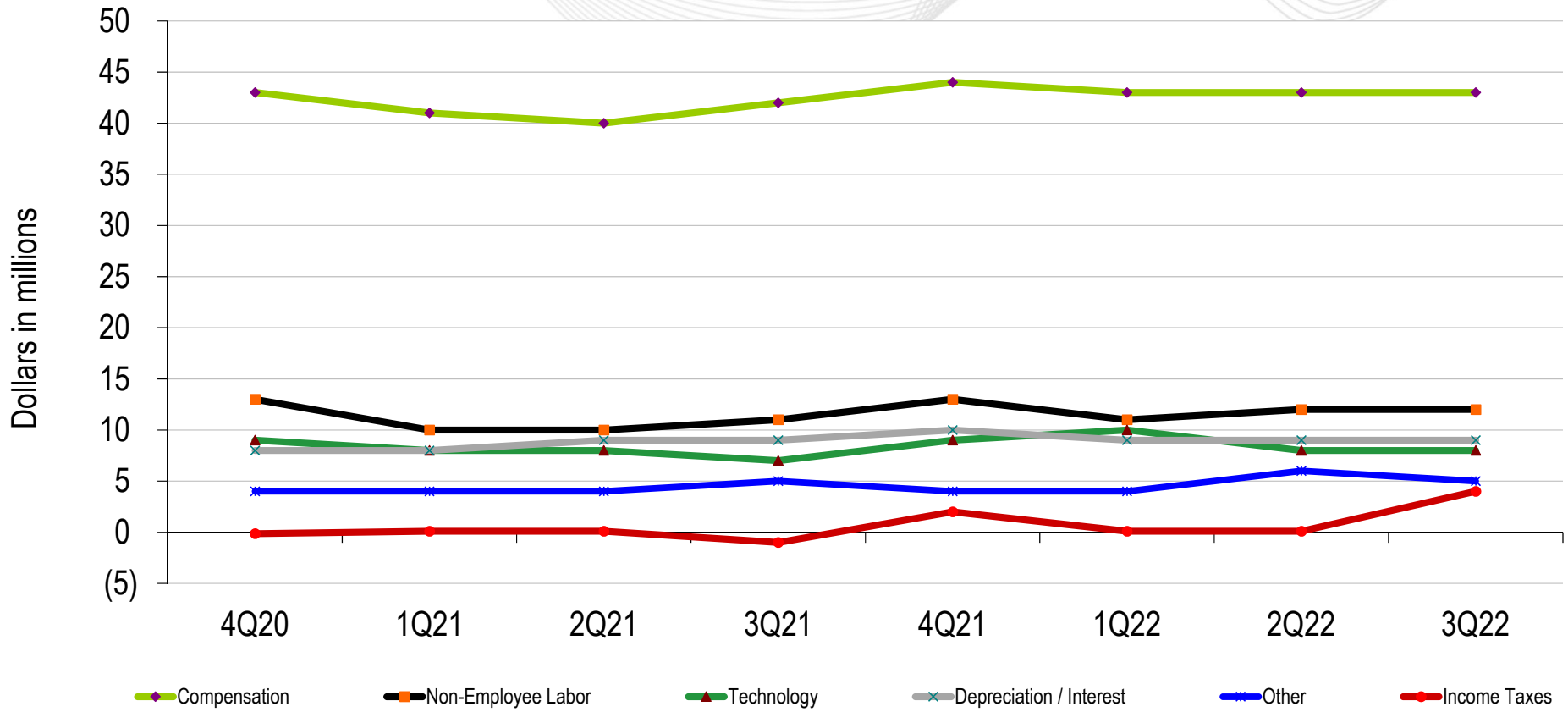
- (-\$1.8M) Equipment purchases accelerated into 2021
- (-\$1.5M) Equipment purchases shifting to 2023 due to supply chain issues and resource constraints
- (-\$0.4M) Timing, hardware purchases shifted to later in 2022

New Products and Services

- \$1.0M Reserve Market Price Formation scope shifted into 2022

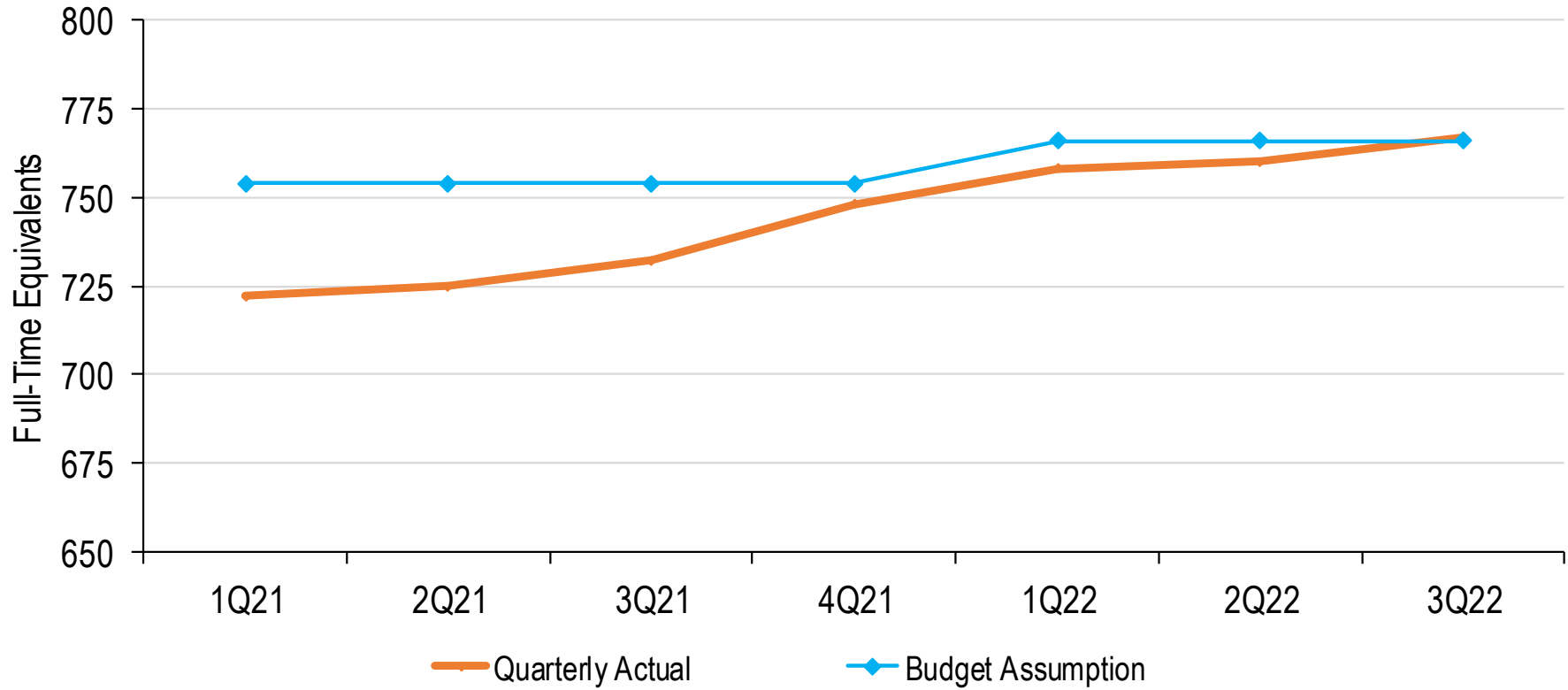


Summary of Quarterly Expense Trends





Quarterly Trends – Staffing



SME/Presenter:
Jim Snow,

james.snow@pjm.com

Second Quarter 2022 Financial Review



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com