



2022 Financial Statement Highlights

Finance Committee
March 29, 2023
Megan Heater, Controller – Finance



Balance Sheet Highlights – Assets

<i>(dollars in millions)</i>	Dec. 31, 2022	Dec. 31, 2021	CHANGE	
			Dollar	Percentage
Deposits on hand⁽¹⁾	2,959	2,524	435	17
Receivables⁽²⁾	131	26	105	404
Projects in development⁽³⁾	57	45	12	26

- (1) Deposits on hand balances have increased due to increased credit requirements for financial transmission rights, historical simulation initial margining and peak market activity (due to high energy prices). There is an equal increase in Deposits liabilities.
- (2) Increase in Receivables primarily reflects recovery of excess congestion and higher pass through charges, specifically market to market under Joint Operating Agreements for the Dec. 21-27 billing period.
- (3) Increase in projects in development is driven by 2022 capital project spend, including work performed on the following projects: (1) nGem, (2) energy management system, (3) Milford cooling project, and (4) eCap server replacement. The increase in capital project spend was partially offset during the period by the placement of assets into service, including reserve market price formation and the Valley Forge and Milford control center chillers replacement.



Balance Sheet Highlights – Liabilities

<i>(dollars in millions)</i>	Dec. 31, 2022	Dec. 31, 2021	CHANGE	
			Dollar	Percentage
Accounts payable⁽¹⁾	75	30	45	150
Due to members⁽²⁾	1,124	154	970	629

(1) Increase in Accounts Payable reflects higher vendor payables, notably higher pass through charges related to market to market under Joint Operating Agreements for the Dec. 21-27 billing period, and changes in FERC fee accrual year over year.

(2) The impact of: (1) timing of market settlement in relation to the calendar, (2) member management of peak market activity collateral requirements, and (3) excess congestion held resulted in a \$1.1 million Due to members balance at Dec. 31, 2022.

- \$667 million represents member prepayments associated with the Dec. 21, month-to-date market settlement bill (paid Jan. 3).
- \$321 million represents payments made by market participants in anticipation of high bills due to Winter Storm Elliott. Early payments can be utilized by market participants as a strategy to reduce future credit exposure related to Peak Market Activity credit requirements.
- \$136 million of excess congestion accumulated planning period to date, to be returned to members at the end of the planning period.



Balance Sheet Highlights – Benefit Plan Accounts

<i>(dollars in millions)</i>	Dec. 31, 2022	Dec. 31, 2021	CHANGE	
			Dollar	Percentage
Deferred pension and postretirement asset	-	47	(47)	(100)
Deferred pension and postretirement liability	2	-	2	100
Pension liability	14	37	(23)	(62)
Other postretirement healthcare benefits liability	48	61	(13)	(21)
SERP liability, component of Other benefits	3	4	(1)	(25)

PJM utilizes a measurement date of Dec.31 for all of its pension and postretirement benefit plans. The improvement in balances year over year are primarily driven by measurement at Dec. 2022 utilizing prevailing discount rates, offset by 2022 actual return on plan assets, and to a lesser extent, the impact of lump-sum payments made from the pension plan in 2022.

- Prevailing discount rates: 5.68%, 5.53% and 5.58% for the pension, SERP and OPEB plans in 2022 as compared with 3.19%, 3.01% and 3.06% for the pension, SERP and OPEB plans in 2021



Income Statement Highlights

<i>(dollars in millions)</i>	12-months ended	12-months ended	CHANGE	
	Dec. 31, 2022	Dec. 31, 2021	Dollar	Percentage
Compensation expense⁽¹⁾	165	154	11	7
Software licenses and fees⁽²⁾	25	20	5	25
Other expense⁽³⁾	12	10	2	20

- (1) Increase in compensation expense, which is in line with budget, reflects higher head count period over period, normal merit increases reflected in 2022 results and higher recruiting fees for skilled resources.
- (2) Increase in software licenses and fees reflects inflation and a larger software subscription base to support.
- (3) Increase in other expense primarily reflects increased training costs (member and internal), increased cost of insurance premiums and higher travel expense.



Income Statement Highlights – cont.

<i>(dollars in millions)</i>	12-months ended	12-months ended	CHANGE	
	Dec. 31, 2022	Dec. 31, 2021	Dollar	Percentage
Interest income	44	1	43	4300
Interest expense⁽²⁾	42	1	41	4100
Income tax expense⁽³⁾	4	3	1	33

- (1) Interest income and Interest expense is primarily attributable to the cash collateral held for member credit. The increase year over year is a result of rising interest rates and a significant increase in average member credit balances year over year. The interest rate on the cash collateral accounts rose to 3.87% at Dec. 2022 as compared to 0.01% at Dec. 2021.
- (2) 2022 Income tax expense reflects recognition of an amendment to the Commonwealth of Pennsylvania’s corporate income tax rate (which required PJM to revalue Pennsylvania deferred tax assets and liabilities in 2022 to account for the change in tax code), partially offset by recording of the results of a research and development tax credit analysis.



Cash Flow Statement Highlights

<i>(dollars in millions)</i>	12-months ended	12-months ended	CHANGE	
	Dec. 31, 2022	Dec. 31, 2021	Dollar	Percentage
Operating cash flows⁽¹⁾	(37)	48	(85)	(177)
Financing cash flows⁽²⁾	1,399	723	676	93

- (1) Operating cash flow decreased primarily due to the return of the deferred regulatory liability accumulated under stated rates in first quarter 2022 and changes in receivable, prepaid expense and payable positions period over period.
- (2) The increase in cash provided by financing activities is primarily due to an increase in due to members and an increase in member deposits.



Key Financial Disclosure Highlights

- Footnote 9 provides details related to income taxes
- Footnote 10 provides details related to PJM's benefit plans
- Footnote 11 provides a summary of ongoing legal and regulatory matters