



# Third Quarter 2023 Financial Review

Members Committee Webinar

December 18, 2023

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Protocol Section Reference	Topic	Slide(s)
8.a.	Intercompany charges or credits between PJM’s non-FERC regulated subsidiaries and the FERC-regulated RTO	3
8.b.	Description of financial categories	4
8.c.	Material variances in net operating expense and capital budget vs. actual results	5 - 8 and 13 – 16
8.d.	Material variances in net operating expense and capital forecast vs. actual results	9 - 12 and 17 – 20
8.e.	Summary of trends from the previous quarterly statements	21 - 22
8.f.	Status update on open major projects	N/A
8.g.	Forecast of net operating expenses and capital for the full fiscal year	Provided as separate presentation

- For the nine-month period ended September 30, 2023, 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, 2023, revenues and expenses of PJM's non-FERC regulated subsidiaries totaled \$4.7 million and \$2.3 million, respectively, resulting in \$2.3 million of net income for the period.



# 3Q23 YTD Expense Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Compensation <sup>(1)</sup>	139	140	(1)	(0)
Non-Employee Labor <sup>(2)</sup>	40	40	---	---
Technology <sup>(1)</sup>	26	28	(2)	(7)
Depreciation / Interest <sup>(1)</sup>	22	28	(6)	(21)
Other <sup>(1)</sup>	17	20	(3)	(15)
Income Taxes <sup>(2)</sup>	---	---	---	---
<b>Total Expenses <sup>(3)</sup></b>	<b>244</b>	<b>256</b>	<b>(12)</b>	<b>(5)</b>

(1) See additional information on expense variances on slide 10.  
 (2) For this period, there were no material variances in this expense category in total or within the components of this expense category.  
 (3) Excludes expenses related to Tariff Schedule 9-FERC.



# 3Q23 YTD Material Expense Variances – Actual vs. Budget

- **Compensation**– savings from updated pension expense projections (-\$2.3M), partially offset by higher staffing levels (+\$0.7M)
- **Technology** – savings of software licenses & subscriptions (-\$1.4M) and telecommunications expense (-\$0.6M)
- **Depreciation / Interest** – savings resulting from higher interest income on operating cash balances (-\$5.3M)
- **Other** – timing and savings of employee related expenses (-\$1.5M), and savings of member training (-\$0.4M) and utilities and maintenance costs (-\$0.5M)



# 3Q23 YTD Capital Variances – Actual vs. Budget

<i>(dollars in millions)</i>	Actual	Budget	Variance	
			\$	%
Application Replacements/Retrofit <sup>(2)</sup>	6	6	---	---
Current Applications & System Reliability <sup>(1)</sup>	14	17	(3)	(17)
Facilities and Technology Infrastructure <sup>(1)</sup>	6	10	(4)	(40)
Interregional Coordination <sup>(2)</sup>	1	1	---	---
New Products / Services <sup>(1)</sup>	1	2	(1)	(50)
<b>Total Capital</b>	<b>28</b>	<b>36</b>	<b>(8)</b>	<b>(22)</b>
<p><sup>(1)</sup> See additional information on capital variances on slide 18.</p> <p><sup>(2)</sup> For this period, there were no material variances in this capital expenditure category in total or within the components of this capital expenditure category.</p>				

- **Current Applications and System Reliability**

- Project scope deferred due to work on higher priority initiatives (-\$4.7M)
- Savings, scope consolidation (-\$0.7M)
- Timing, project work shifting into 2023 (+\$2.6M)

- **Facilities and Technology Infrastructure**

- Scope shifting into 2024 due to supply chain issues (-\$1.9M)
- Scope deferred to 2024 due to higher priority initiatives and resource constraints (-\$1.5M)
- Scope accelerated into 2022 to take advantage of year-end discounts (-\$1.5M)
- Increase due to additional unplanned equipment needs (+\$0.7M)

- **New Products / Services**

- Scope deferred to 2024 due to extended stakeholder discussions (-\$0.6M)
- Timing, project work shifting out due to resource constraints (-\$0.4M)



# Summary of Quarterly Expense Trends



