First Quarter 2016
Financial Statement Highlights

Suzanne Daugherty
SVP, CFO & Treasurer
Finance Committee
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1Q16 Balance Sheet Highlights – Assets

(dollars in millions)	3/31/16 Balance	12/31/15 Balance	Change	
			$	%
Deposits on hand [1]	1,200	1,143	57	4
Accounts receivable [2]	21	22	(1)	(4)

(1) Increase in deposits on hand is primarily a result of some members switching their collateral from letters of credit to cash in the first quarter of 2016.

(2) Decrease in accounts receivable is due to the return of a portion of FTR excess congestion revenue in the March 2016 month-end bill. PJM is still holding approximately $55 million in FTR excess congestion revenue at March 31, 2016 that will be remitted to members by the end of June 2016.

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1Q16 Balance Sheet Highlights – Liabilities

(dollars in millions)	3/31/16 Balance	12/31/15 Balance	Change	
			$	%
Accounts payable and accrued expenses (1)	36	23	13	56
Due to members (2)	196	198	(2)	(1)
Current portion of long-term debt (3)	7	13	(6)	(46)
Deferred regulatory liability – non-current (4)	8	7	1	14

(1) Increase in accounts payable and accrued expenses is primarily due to the FERC fee accrual for the first quarter of 2016.

(2) Due to members balance at March 31, 2016 represents $141 million of member prepayments and $55 million of FTR excess congestion revenue collected but not yet remitted to members.

(3) Decrease in the current portion of long-term debt reflects the scheduled semi-annual debt payments under the seven-year private placement and the term loan. These payments are due March 15th and September 15th through 2016 for the private placement and through 2021 for the term loan.

(4) The non-current portion of the deferred regulatory liability represents PJM's financial reserve at March 31, 2016 as defined in the stated rate tariff.

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1Q16 Change in Deferred Regulatory Liability

($ in millions)	Three Months Ended March 31, 2016
Service Fees	70
Expenses, net	(69)
Contribution to Deferred Regulatory Liability	1

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1Q16 Income Statement Highlights

(dollars in millions)	1Q16	1Q15	Change	
			$	%
Depreciation and amortization [1]	13	14	(1)	(7)
Other expenses [2]	3	2	1	50

(1) Decrease in depreciation and amortization is due to the timing of normal depreciation offset by new assets being placed into service.

(2) Increase in other expense is primarily due to the timing of member training and travel costs.

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1Q16 Cash Flow Statement Highlights

(dollars in millions)	1Q16	1Q15	Change	
			$	%
Operating Cash Flows (1)	9	31	(22)	(70)
Investing Cash Flows	(6)	(5)	1	20
Financing Cash Flows (2)	49	20	29	145

(1) The change in net cash provided by operating activities was principally driven by lower revenues for the first quarter of 2016 as compared to the first quarter of 2015.

(2) The change in net cash provided by financing activities is primarily due to higher customer deposits as a result of a shift from letters of credit to cash collateral during the first quarter of 2016 as compared to the first quarter of 2015. This was partially offset by a lower due to members balance at March 31, 2016 as compared to March 31, 2015.

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1Q16 Key Financial Disclosure Highlights

Footnotes:

- Footnote 11 provides a summary of ongoing legal and regulatory matters.
  - Lehman Brothers Commodities Services Default – Cumulative $16.8 million (99%) recovery to date against $17 million claim. Additional bankruptcy payments anticipated.
  - Marginal Line Loss Surplus Payment Re-allocation – DC Circuit Court of Appeals remand order in August 2013 directed FERC to provide additional support for its determination to recoup the previously ordered refunds. FERC issued an order in November 2015 reaffirming previous recoupment order.
  - TranSource Matter – In February 2016, TranSource filed a complaint at FERC asserting it incurred $72 million of lost profit opportunities from monthly Incremental Auction Revenue Rights during 2015. PJM is currently awaiting FERC's decision on the outcome of the motions to dismiss this complaint.

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