



Second Quarter 2016 Financial Statement Highlights

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2Q16 Balance Sheet Highlights – Assets

<i>(dollars in millions)</i>	6/30/16 Balance	12/31/15 Balance	Change	
			\$	%
Deposits on hand ⁽¹⁾	1,462	1,143	319	28
Operating cash ⁽²⁾	114	172	(58)	(34)
Accounts receivable ⁽³⁾	33	22	11	50

- (1) Increase in deposits on hand is a result of some members switching their collateral from letters of credit to cash during the first half of 2016 as well as higher credit requirements due to the cyclical nature of volumes being higher at June 30, 2016 as compared to December 31, 2015.
- (2) Decrease in operating cash is primarily due to a decrease in member prepayments at June 30, 2016 as compared to December 31, 2015. The remaining difference is due to the timing of collections vs. expenditures.
- (3) Increase in accounts receivable is due to an increase in Schedule 9 charges at June 30, 2016 as compared to December 31, 2015. This was driven principally by higher volumes.



2Q16 Balance Sheet Highlights – Liabilities

<i>(dollars in millions)</i>	6/30/16 Balance	12/31/15 Balance	Change	
			\$	%
Accounts payable and accrued expenses ⁽¹⁾	49	23	26	113
Due to members ⁽²⁾	146	198	(52)	(26)
Current portion of long-term debt ⁽³⁾	7	13	(6)	(46)
Deferred regulatory liability – non-current ⁽⁴⁾	4	7	(3)	(43)

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

(2) Due to members balance at June 30, 2016 represents \$141 million of member prepayments and \$5 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 June 30, 2016 as defined in the stated rate tariff.



2Q16 Change in Deferred Regulatory Liability

<i>(\$ in millions)</i>	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Service Fees	65	135
Expenses, net	(69)	(138)
Change in Deferred Regulatory Liability	(4)	(3)



2Q16 Income Statement Highlights

<i>(dollars in millions)</i>	2Q16	2Q15	Change	
			\$	%
Other expenses ⁽¹⁾	7	5	2	40

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



2016 Cash Flow Statement Highlights

<i>(dollars in millions)</i>	2Q16	2Q15	Change	
			\$	%
Operating Cash Flows ⁽¹⁾	13	18	(5)	(28)
Investing Cash Flows	(12)	(12)	-	-
Financing Cash Flows ⁽²⁾	261	(38)	299	787

(1) The change in net cash provided by operating activities was principally driven by lower revenues for the first half of 2016 as compared to the first half 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 half of 2016 as compared to the first half of 2015. This was partially offset by a lower due to members balance at June 30, 2016 as compared to June 30, 2015.



2Q16 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. A pre-hearing conference was scheduled for August 2, 2016.