First Quarter 2017
Financial Statement Highlights

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May 15, 2017

1Q17 Balance Sheet Highlights – Assets

(dollars in millions)	3/31/17 Balance	12/31/16 Balance	Change $	Change %
Operating Cash (1)	357	393	(36)	(9)
Receivables (2)	30	39	(9)	23
Note receivable (3)	4	5	(1)	(20)

(1) Decrease in operating cash is primarily due to a $61 million decrease in member prepayments at March 31, 2017 as compared with December 31, 2016. The remaining difference is due to the timing of collections vs. expenditures.

(2) Decrease in receivables is primarily due to a $15 million decrease in the FTR excess congestion revenue billed at March 31, 2017 as compared to December 31, 2016, partially offset by an $8 million increase in market-to-market activity between PJM and MISO.

(3) Decrease in note receivable represents scheduled first quarter 2017 payments from Monitoring Analytics' (MA) on its project and working capital loans from PJM.

1Q17 Balance Sheet Highlights – Liabilities

(dollars in millions)	3/31/17 Balance	12/31/16 Balance	Change	
			$	%
Accounts payable and accrued expenses [1]	47	30	17	57
Due to members [2]	385	438	(53)	(12)
Deferred regulatory liability – non-current [3]	14	5	9	180

(1) Increase in accounts payable and accrued expenses is due to the FERC fee accrual for the first quarter of 2017, an increase in market-to-market activity with MISO and timing of vendor activity.

(2) Due to members balance at March 31, 2017 represents $309 million of member prepayments and $76 million of FTR excess congestion revenue collected but not yet remitted to members.

(3) The non-current portion of the deferred regulatory liability represents PJM's financial reserve at March 31, 2017 as defined in the stated rate tariff. The increase from the end of 2016 is due primarily to the revised stated rates effective January 1, 2017 that are designed to replenish PJM's financial reserve to $18 million during 2017.

1Q17 Change in Deferred Regulatory Liability

($ in millions)	Three Months Ended March 31, 2017
Service Fees	78
Expenses, net	(69)
Contribution to Deferred Regulatory Liability (Reserve) Balance	9

1Q17 Income Statement Highlights

(dollars in millions)	1Q17	1Q16	Change	
			$	%
Outside services [1]	13	12	1	8

(1) Increase in Outside Services due to the timing of expenditures for projects.

1Q17 Cash Flow Statement Highlights

(dollars in millions)	1Q17	1Q16	Change	
			$	%
Operating Cash Flows (1)	27	9	18	200
Financing Cash Flows (2)	(88)	48	(136)	(283)

(1) The increase in net cash provided by operating activities is primarily due to higher revenues resulting from an increased stated rate tariff rate effective January 1, 2017, the timing of vendor payments, and timing of receivables.

(2) The change in net cash provided (used) by financing activities is driven by a decrease in customer deposits for the first quarter of 2017 and a decrease in the amount due to members for first quarter 2017 as compared to first quarter 2016.

Footnotes:

Footnote 11 provides a summary of ongoing legal and regulatory matters.

- 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 hearing is scheduled for September 5, 2017 with an initial decision scheduled for December 22, 2017.