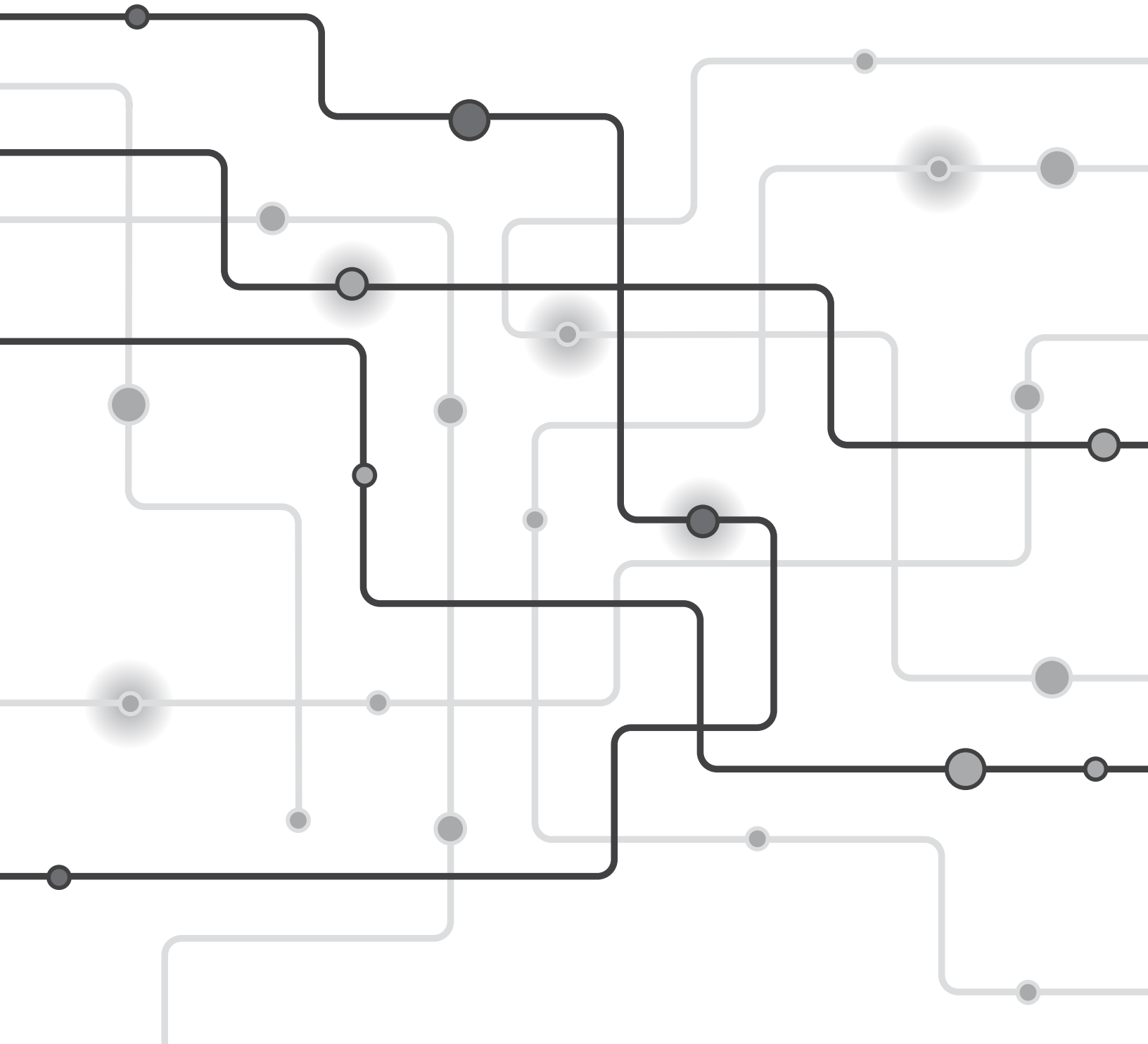


Meeting Each **Moment**

PJM 2025 FINANCIAL REPORT



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PJM 2025 FINANCIAL REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

In addition to the historical information presented throughout this report, there are forward-looking statements that reflect management's expectations for the future. Sometimes the words "estimate," "plan," "expect," "believe" or similar expressions will be used to identify such forward-looking statements. These forward-looking statements are based on current expectations. These statements are not guarantees of future performance and are subject to certain risks and uncertainties.

Many factors could cause actual results to differ materially from these statements. These factors include, but are not limited to, the results of regulatory proceedings, the conditions of the capital markets, inflation, interest rates, actuarial assumptions, availability of credit, liquidity and general economic conditions; tax policies; changes in accounting principles and practices; acts of terrorists; cybersecurity risks, including security breaches; the actions of adjacent control areas and other regional transmission organizations (RTOs); extreme weather; and other operational conditions that could arise on the power system. For a description of these and other factors that may cause actual results to differ, reference is made hereby to PJM Interconnection L.L.C.'s (PJM or the Company) Consolidated Financial Statements, notes thereto and other documents filed by the Company from time to time with the Federal Energy Regulatory Commission (FERC).

These forward-looking statements represent PJM's estimates and assumptions only as of the date of this report, and PJM assumes no responsibility to update these forward-looking statements.

SIGNIFICANT ACCOUNTING POLICIES

Preparation of the financial statements and related disclosures in compliance with generally accepted accounting principles (GAAP) in the United States requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. PJM's application of those principles involves judgments regarding many factors, which, in and of themselves, could materially affect the financial statements and disclosures. A future change in the assumptions or judgments applied in determining the following matters, among others, could have a material impact on future financial results.

Benefit Plan Accounting

PJM accrues the costs of providing future employee benefits based on assumptions made regarding the valuation of benefit obligations and performance of plan assets. Delayed recognition of differences between actual results and those assumed allows for a relatively even recognition of the effects of changes in benefit obligations and plan performance over the working lives of the employees who benefit under the plans.

In addition to recognizing the underfunded or overfunded pension benefit obligation of the PJM defined benefit pension plan (PJM Pension Plan), PJM Supplemental Executive Retirement Plan (PJM SERP) and PJM Other Postretirement Employee Benefit Plan (PJM OPEB Plan) as an asset or liability in the Consolidated Statements of Financial Position, PJM recognizes annual changes in gains or losses, prior service costs or other credits that have otherwise not been recognized as a part of the liability for pension and other postretirement benefits in the Consolidated Statements of Financial Position. A corresponding regulatory asset or liability, deferred recovery of pension and postretirement costs, has been recognized in the Consolidated Statements of Financial Position.

PJM's selection of the discount rate, expected rate of return on assets and health care cost-trend rate is based on its review of available current, historical and projected rates, as applicable.

In selecting the discount rate assumption for the PJM retirement plans at December 31, 2025, the Company used a method that matches projected payouts from the plan with a yield curve that was produced from a universe containing high-quality corporate bonds, all of which have a fixed or zero coupon and are rated AA or equivalent. The method excludes the 10% of the bonds with the highest yields and the 40% with the lowest yields. The discount rate was then developed as a level equivalent rate that would produce the same present value as would result using spot rates to discount the projected pension or postretirement benefit payments. Based on this analysis, at December 31, 2025, the discount rates for the PJM Pension Plan, PJM SERP and PJM OPEB Plan were 5.76%, 5.43% and 5.60%, respectively.

The results during 2025 for the PJM Pension Plan, PJM SERP and PJM OPEB Plan were derived using discount rates of 5.89%, 5.70% and 5.78%, respectively.

In selecting an expected return on plan assets, PJM considers past performance and economic forecasts for the types of investments held by the plans. For the period from December 1, 2025, through December 31, 2025, and at December 31, 2025, the assumption for the expected rate of return on assets was 6.50%. The assumption for the expected rate for which compensation will increase was 3.98% during 2025 and 4.42% at December 31, 2025. In selecting health care cost-trend rates, PJM considers past performance and forecasts of health care costs. The rate selected at December 31, 2025, for both pre-65 and post-65 plan participants, was 6.75%, declining to 5.00% over the next 8 years.

RESULTS OF OPERATIONS

REVENUES AND EXPENSES

PJM's service fees were \$377.1 million for the year ended December 31, 2025, an increase of \$17.3 million, or 5%, as compared with service fees for the year ended December 31, 2024. Service fees reflect actual costs, billed under a formula rate mechanism included in the Company's Open Access Transmission Tariff for PJM Interconnection, L.L.C. and PJM Settlement, Inc.

Total PJM Interconnection, L.L.C expenses, excluding FERC fees, study and interconnection services, and interest income and interest expense associated with customer credit, increased in line with the increase in service fees for the years ended December 31, 2025 and 2024.

PJM reported an increase in compensation expense in 2025 due to a higher staffing level period-over-period and normal merit increases reflected in 2025 results. Higher computer maintenance and office supplies expense reflect higher maintenance costs along with higher dues and subscription expenses.

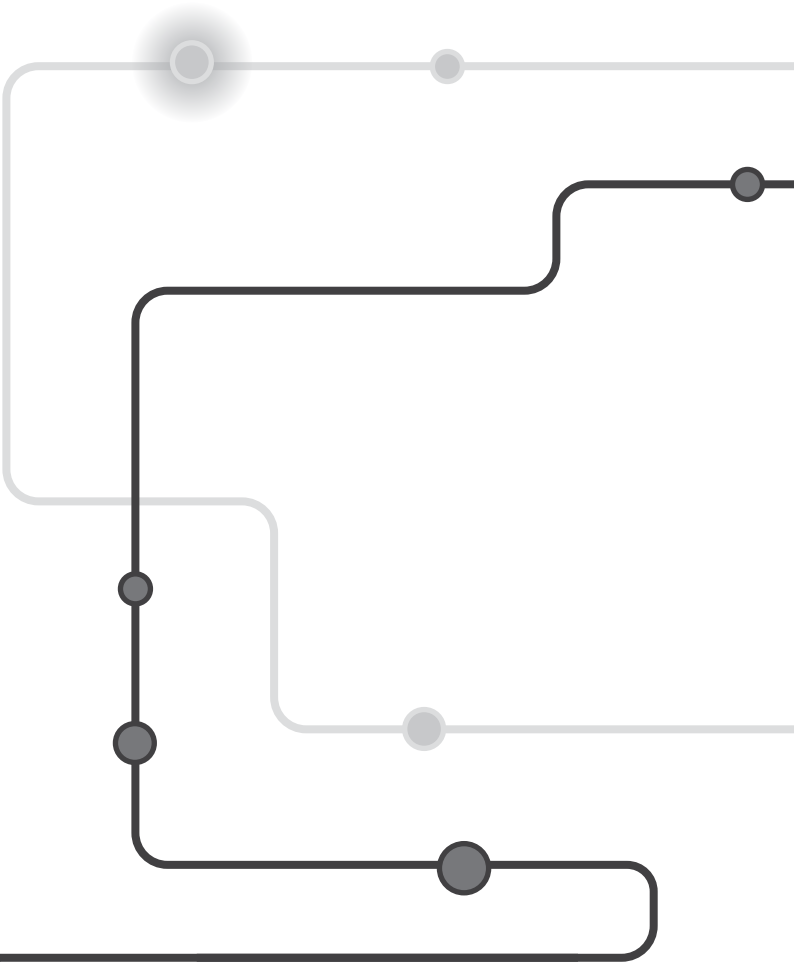
Financial results for the years ended December 31, 2025 and 2024, included accounting for the impact of dividends from PJM Connex, L.L.C. to PJM Interconnection, L.L.C. The dividends were made in accordance with the dividend agreement in place between the entities. While the dividends eliminate upon consolidation, the dividends resulted in lower collections from PJM members.

Net income is derived from PJM's non-FERC-regulated subsidiaries. Net income was \$1.7 million and \$2.2 million for each of the years ended December 31, 2025 and 2024, respectively.

For both of the years ended December 31, 2025 and 2024, outside services included amounts paid to PJM's independent auditor, PricewaterhouseCoopers LLP, totaling \$1.3 million, which were predominantly for audits of the PJM Consolidated Financial Statements and examination of certain internal controls related to PJM's market settlements and associated information technology systems and processes.

Key information systems, system enhancements and capital investments completed by PJM in 2025 include:

- *Market System Enhancements:* Developing the next generation of energy market systems, Regulation Market redesign, market-to-market applications and demand response enhancement
- *Operations and Planning System Enhancements:* Enhancing operations and planning applications, including the energy management system, model forecasting, and transmission and generation interconnection project databases, applications and systems
- *Technology Infrastructure and Visualization:* Upgrading security monitoring, intrusion detection, servers, storage, network, cloud capabilities and data protection
- *Facilities Infrastructure:* Replacing the Valley Forge Control Room backup generators
- *Information Technology:* Expanding the data tool for providing PJM members with markets and operations information, data analytics capability, and dispatcher software tool refresh
- *Credit and Risk Monitoring:* Enhancing risk simulation, credit modeling and credit monitoring



BILLINGS FOR SERVICES

PJM had approximately 1,116 members at December 31, 2025. The billings presented below are administered on behalf of the members; however, the associated receivables and payables are presented net in PJM's Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income. The only billings included in PJM's consolidated financial statements are PJM Scheduling, System Control and Dispatch, PJM Settlement, Inc. and FERC annual charge recovery. For 2025 and 2024, settlements processed by PJM under the Tariff, Operating Agreement and Reliability Assurance Agreement, which are non-generally accepted accounting principles measures, were as follows:

(\$ in millions)	2025 Amount Billed	2024 Amount Billed
Energy markets	\$ 40,194	\$ 25,669
Network transmission service	12,446	11,556
Capacity	10,392	2,695
Transmission congestion	7,289	4,084
Financial Transmission Rights (FTR) auction revenues	2,804	2,362
Transmission enhancement	2,188	2,012
Transmission losses	2,185	1,342
Operating reserves	764	268
Point-to-point transmission service	435	243
PJM scheduling, system control and dispatch (operating expense reimbursement)	358	341
Reactive supply	357	379
Regulation Market	309	183
Synchronized Reserve Market	176	87
FERC annual charge recovery	106	114
Generation deactivation	108	65
Load response program	87	11
RTO scheduling, system control and dispatch (transmission owners' control center expenses)	77	72
Distribution facilities	57	60
ReliabilityFirst Corporation (RFC)	21	20
Black start service	51	74
PJM Settlement, Inc.	19	17
Monitoring Analytics, LLC	15	14
North American Electric Reliability Corporation (NERC)	15	14
Miscellaneous	9	11
Midcontinent Independent System Operator Transmission Expansion Planning (MTEP) cost recovery	7	7
Emergency energy	6	—
Inadvertent interchange	1	10
Reactive Services	1	2
Organization of PJM States, Inc. (OPSI) Fees	1	1
Consumer Advocates of PJM States, Inc. (CAPS) fees	1	—
Total	\$ 80,479	\$ 51,713

LIQUIDITY AND CAPITAL RESOURCES

PJM maintains with PNC Bank (PNC) a FERC-approved unsecured revolving line of credit agreement to fund short-term cash obligations. The revolving line of credit agreement has a capacity amount of \$250 million. PJM received approval from FERC on May 23, 2025, to borrow under this facility through May 2027. On December 31, 2025, no amount was outstanding under the revolving line of credit agreement.

Under the loan covenants for each facility, PJM is required to provide unaudited financial statements 45 days after each quarter and audited financial statements 120 days after year-end. PJM is in compliance with these covenants.

At December 31, 2025, PJM and PJM Settlement were assigned an Aa2 issuer rating by Moody's Ratings.

For study and interconnection work performed, PJM obtains liquid collateral from the transmission customer for the estimated costs of the transmission system modifications. PJM's study and interconnection receivables comprise billings to transmission customers for services performed under these interconnection service agreements. PJM's study and interconnection payables represent amounts due to the transmission owners for services performed under these interconnection service agreements. PJM held deposits related to study and interconnection activity totaling \$1.3 billion and \$1.0 billion at December 31, 2025 and 2024, respectively.

PJM Settlement requires deposits from various parties in connection with services to be performed or as collateral for market activity. PJM Settlement held credit deposits of \$2.4 billion and \$2.2 billion at December 31, 2025 and 2024, respectively. These deposits are maintained in separate cash accounts that are not legally restricted. At December 31, 2025, PJM Settlement also held approximately \$4.5 billion in letters of credit as collateral for market activity.

For 2026, PJM's Board of Managers has approved a capital budget of \$65 million. These capital expenditures will be used for application replacements, system reliability applications, new products and services for PJM's membership, risk management and interregional coordination. 2026 expenditures also include the anticipated fair market value purchase of two buildings occupied by PJM, which are owned by a subset of PJM's members. Actual expenditures may differ from these amounts as PJM continues to assess its capital needs.

RISKS AND UNCERTAINTIES

PJM does not provide forecasts for future financial performance. While PJM management is optimistic about the Company's long-term prospects, the following issues and uncertainties, among others, should be considered in evaluating its outlook.

Third-Party Relationships

PJM engages third parties as suppliers in arrangements to provide services in areas other than core competencies to ensure the service and support of members and timely product development. Although PJM seeks to establish strong working relationships with parties that share PJM's industry goals and have adequate resources to fulfill their responsibilities, these relationships lead to a number of risks. These suppliers may suffer financial or operational difficulties that may affect their performance, which could lead to delays in product development or timely completion of projects. Also, major companies from which PJM purchases components or services may be in high demand, which could affect pricing, new product development or future performance. Finally, difficulties in coordinating activities may lead to gaps in delivery and performance of PJM services.

Credit Risks

PJM bills and collects its operating expenses monthly from its members. Payment of all operating expense bills is due from PJM's members three business days after the month-end bill is issued by PJM, generally within the first two weeks of each month. During 2025, approximately 60% of PJM's operating expenses were billed to 16 of its members. PJM had approximately 1,116 members at December 31, 2025. In the event of a default of any PJM members, PJM has the right to bill the remaining PJM members a ratable portion of the operating expenses previously billed to the defaulting member.

In accordance with PJM's credit policy, PJM obtains collateral from certain members in order to secure their credit positions. The collateral can be in the form of a cash deposit or letter of credit. Corporate guaranties are also accepted from creditworthy affiliates to fulfill certain credit requirements.

At December 31, 2025, 313 members are FTR holders related to 15.1 million megawatt-hours. The estimated fair value of the FTR portfolio at December 31, 2025, under a mark-to-auction model, was \$2.4 billion. PJM held \$2.9 billion in collateral related to these FTR transactions. The collateral is based on the calculated net value of the positions held in each member's FTR portfolio. The collateral can be in the form of cash or a letter of credit.

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PJM 2025 FINANCIAL REPORT



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of PJM Interconnection, L.L.C. is responsible for the preparation and objectivity of the following consolidated financial statements and for their integrity. These financial statements have been prepared to conform with GAAP and, where required, include amounts that represent management's best judgments and estimates. PJM's management is responsible for the preparation of other information in this annual report and for its accuracy and consistency with the financial statements.

PJM has established a system of internal accounting and financial controls and procedures designed to provide reasonable assurance as to the integrity and reliability of financial reporting. Management continually reviews the effectiveness and efficiency of this system, and takes actions when opportunities for improvement are identified.

This system includes a separate Internal Audit Department, which monitors internal controls and reports directly to the Risk and Audit Committee of the Board of Managers. Management views the purpose of internal auditing to be an independent examination and assessment of PJM's activities related to compliance with policy, procedures and the law, as well as safeguarding of assets. The Risk and Audit Committee meets with management, internal auditors and the independent auditors on a regular basis to review financial information, internal controls and the internal audit process.

PJM's independent auditors, PricewaterhouseCoopers LLP, are engaged to conduct an independent audit of PJM's consolidated financial statements in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants.

David E. Mills
Interim President & CEO

Lisa M. Drauschak
Sr. Vice President, Chief Financial Officer and Treasurer

REPORT OF INDEPENDENT AUDITORS

To the Management and Board of Managers of PJM Interconnection, L.L.C.

Opinion

We have audited the accompanying consolidated financial statements of PJM Interconnection, L.L.C. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income and paid-in capital, retained earnings and accumulated other comprehensive (loss) income, and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Management's Discussion & Analysis and Management's Responsibility for Financial Reporting, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Philadelphia, Pennsylvania
March 9, 2026

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$ in thousands)	2025	2024
Assets		
Current assets:		
Deposits on hand	\$ 3,746,246	\$ 3,229,615
Operating cash	265,580	90,607
Receivables	15,068	8,489
Study and interconnection receivables	71,481	56,965
Prepaid expenses and other	20,158	19,718
Deferred FERC fee asset	1,949	—
Note receivable	1,650	3,961
	4,122,132	3,409,355
Noncurrent assets:		
Fixed assets, net of accumulated depreciation and amortization of \$561,330 and \$620,040	111,867	87,475
Land	1,420	1,420
Projects in development	43,962	57,833
Right-of-use assets – Finance lease	23,525	4,125
Right-of-use assets – Operating leases	494	2,087
Deferred pension and postretirement costs	8,289	—
Deferred income taxes, net of valuation allowance	44,064	43,926
Prepaid expenses	3,810	3,807
Note receivable	1,629	380
Other	31,444	29,292
	270,504	230,345
Total assets	\$ 4,392,636	\$ 3,639,700
Liabilities, paid-in capital, retained earnings and accumulated other comprehensive income		
Current liabilities:		
Accounts payable and accrued expenses	\$ 63,059	\$ 53,579
Due to members	273,526	94,637
Study and interconnection payables	72,008	57,018
Accrued payroll and benefits	61,055	55,296
Current portion of long-term debt	—	2,163
Current portion of lease liabilities – Finance leases	348	2,186
Current portion of lease liabilities – Operating leases	876	1,131
Deferred FERC fee liability	—	2,665
Deferred revenue	3,737	3,595
Postretirement healthcare benefits liability	2,509	2,388
Other employee benefits	455	469
Deposits	3,746,246	3,229,615
	4,223,819	3,504,742
Noncurrent liabilities:		
Lease liabilities – Finance leases	22,790	3,173
Lease liabilities – Operating leases	146	956
Deferred pension and postretirement costs	—	9,158
Pension benefits liability	45,282	26,606
Postretirement health care benefits liability	47,617	45,895
Other employee benefits	31,206	29,066
	147,041	114,854
Total liabilities	4,370,860	3,619,596
Commitments and contingencies (Note 10)		
Paid-in capital	722	722
Retained earnings	21,026	19,341
Accumulated other comprehensive income	28	41
Total paid-in capital, retained earnings and accumulated other comprehensive income	21,776	20,104
Total liabilities, paid-in capital, retained earnings and accumulated other comprehensive income	\$ 4,392,636	\$ 3,639,700

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND PAID-IN CAPITAL, RETAINED EARNINGS AND ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

(\$ in thousands)	2025	2024
Income		
Operating revenue:		
Service fees	\$ 377,108	\$ 360,069
FERC fees reimbursement	106,187	111,446
Study and interconnection fees	24,854	12,968
Membership fees	3,576	3,579
Other	5,111	4,958
Total operating revenue	516,836	493,020
Operating expenses:		
Compensation	219,642	201,850
FERC fees	106,187	111,446
Outside services	70,024	70,554
Depreciation and amortization	38,962	38,659
Software licenses and fees	27,426	28,906
Study and interconnection services	24,854	12,968
Other expenses	12,104	13,754
Computer maintenance and office supplies	11,677	7,762
Pension benefits – service cost	8,631	9,117
Postretirement health care benefits – service cost	1,562	1,537
Lease expenses	928	1,566
Total operating expenses	521,997	498,119
Operating (loss) income	(5,161)	(5,099)
Other income:		
Interest income	142,530	148,950
Interest expense	134,047	140,837
Pension and postretirement health care benefits expense (benefit) – other components of net benefit cost	823	(366)
Total other income	7,660	8,479
Income before income taxes	2,499	3,380
Income tax expense	814	1,155
Net income	\$ 1,685	\$ 2,225
Other comprehensive (loss) income:		
Unrealized (loss) gain on securities, net	(13)	14
Comprehensive income, net	\$ 1,672	\$ 2,239
Paid-in capital, retained earnings and accumulated other comprehensive (loss) income		
Beginning balance	\$ 20,104	\$ 17,865
Net income	1,685	2,225
Other comprehensive (loss) income	(13)	14
Ending balance	\$ 21,776	\$ 20,104

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)	2025	2024
Cash flows from operating activities:		
Net income	\$ 1,685	\$ 2,225
Adjustments:		
Depreciation and amortization expense	38,962	38,659
Deferred income taxes, net of valuation allowance	(138)	(4,287)
Deferred recovery of pension and postretirement costs	(17,447)	9,383
Employee benefit expense greater than funding	20,268	2,830
Changes in assets and liabilities:		
(Increase) decrease in receivables	(6,579)	30,543
(Increase) in study and interconnection receivables	(14,516)	(25,548)
Decrease (increase) in prepaid expenses and other	491	(1,348)
Change in deferred FERC fee position	(4,614)	(1,161)
Increase in accounts payable and accrued expenses	8,752	23,010
Increase in study and interconnection payables	14,990	25,771
Increase in accrued payroll and benefits	5,759	6,831
Increase in deferred revenue	142	14
Net cash provided by (used in) operating activities	47,755	106,922
Cash flows from investing activities:		
Cost of projects in development	(48,754)	(45,554)
Note receivable	1,062	959
Net cash (used in) investing activities	(47,692)	(44,595)
Cash flows from financing activities:		
Borrowings under line of credit	288,900	721,570
Repayments under line of credit	(288,900)	(721,570)
Payments under finance lease	(1,816)	(1,707)
Repayments of long-term debt	(2,163)	(2,886)
Increase (decrease) in due to members	178,889	(337,430)
Increase in deposits	516,631	235,227
Net cash provided by (used in) financing activities	691,541	(106,796)
Net increase (decrease) in cash and cash equivalents	691,604	(44,469)
Cash and cash equivalents balance (including customer deposits), beginning of year	3,320,222	3,364,691
Cash and cash equivalents balance (including customer deposits), end of period	\$ 4,011,826	\$ 3,320,222
Cash paid during the year for:		
Interest	\$ 154	\$ 441
Income taxes	6,588	11,571
Noncash activity:		
Projects in development additions included in ending accounts payable and accrued expenses	\$ 729	\$ 1,223

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025
(\$ in tables in thousands, unless otherwise noted)

1. COMPANY OVERVIEW

Background

PJM Interconnection, L.L.C. (PJM or the Company) is a regional transmission organization (RTO) responsible for the operation of wholesale electric markets and for centrally dispatching electric systems in the PJM region. PJM's services and the markets PJM operates are subject to regulation by the Federal Energy Regulatory Commission (FERC).

PJM is a limited liability, nonstock company incorporated in the state of Delaware. PJM's Board of Managers is constituted as an independent body, and PJM operates independently from its members.

Nature of Operations

The Company currently coordinates a pooled generating capacity of more than 185,989 megawatts (MW) and operates wholesale electricity markets with approximately 1,116 members. PJM enables the delivery of electric power to more than 67 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

PJM manages a sophisticated regional planning process for generation and transmission expansion to ensure continued reliability of the electric system. Using information technology, PJM provides real-time information to market participants to support their daily transactions and business decision-making. In addition to ensuring the reliable supply of electricity, PJM administers internet-based bid markets in which participants buy and sell day-ahead and spot-market energy, financial transmission rights, synchronized reserves and regulation services.

PJM Settlement, Inc. (PJM Settlement) is a wholly owned subsidiary of PJM, organized as a Pennsylvania nonprofit corporation, and is a FERC-regulated entity. PJM Settlement was formed to handle all of the credit, billing and settlement functions for PJM's members' transactions in the PJM markets and for transmission service.

PJM Settlement acts as a counterparty to members' pool transactions in the PJM markets. For the pool transactions in the PJM markets, a flash title passes through PJM Settlement immediately prior to passing to the ultimate buyer and seller of the product. This arrangement reinforces PJM's authority to continue to net a member's offsetting financial position in PJM markets for credit and billing purposes, provides clarity in PJM Settlement's legal standing to pursue collection from a bankrupt member, and complies with FERC's recommendation on credit policy requirements for competitive wholesale electricity markets.

PJM Connex, L.L.C. (PJM Connex) is a wholly owned subsidiary of PJM and is not a FERC-regulated entity. PJM Connex was formed to provide service and technology solutions to existing and emerging energy markets, system operators, RTOs and other entities.

PJM Technologies, Inc. (PJM Tech) is a wholly owned subsidiary of PJM Connex and is not a FERC-regulated entity. PJM Tech provides international consulting services, including training, program planning and implementation advice regarding development of wholesale electric market design and market rules.

PJM Environmental Information Services, Inc. (PJM EIS) is a wholly owned subsidiary of PJM Connex formed to provide environmental and emissions attributes reporting and tracking services to its subscribers in support of renewable portfolio standards and other disclosure requirements that may be implemented by governmental agencies. PJM EIS is not a FERC-regulated entity.

Tariff Cost Recovery

PJM recovers its administrative costs through a formula rate mechanism under the Company's Open Access Transmission Tariff (Tariff). PJM's formula rate mechanism, approved by FERC on December 1, 2021, and effective January 1, 2022, provides for monthly rates based on that month's costs and that month's billing determinants.

PJM Settlement recovers its administrative costs under a separate schedule under the Tariff. Recovery of PJM Settlement's cost allocation was approved by FERC on November 9, 2022, and was effective and implemented on February 1, 2023.

Summary of Service Fees

	2025	2024
PJM service fee revenue	\$ 357,838	\$ 342,773
PJM Settlement revenue	19,270	17,296
Total service fee revenue	\$ 377,108	\$ 360,069

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SELECTED FINANCIAL INFORMATION

Basis of Presentation

The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) in the United States of America and include the accounts of PJM. All intercompany transactions and balances have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures.

The following accounting policies are particularly important to PJM's financial position or results of operations, and some require estimates or other judgments of matters of uncertainty. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future.

Certain reclassifications have been made to conform previously reported data to the current presentations.

Significant Accounting Policies

Net Presentation of Member Activity

The Company has determined that although PJM has a flash title to pooled transactions through its wholly owned subsidiary PJM Settlement, all activity for which PJM Settlement is the central counterparty should be recorded on a net basis. The Company's determination is based on these facts: (1) the member company, not PJM Settlement, is the primary obligor in each transaction; (2) PJM Settlement earns a fixed amount per transaction; and (3) the member company has the credit risk, not PJM Settlement. As such, the Company presents member activity for which PJM Settlement is the central counterparty, including accounts receivable, accounts payable, revenue and expense, on a net basis in its consolidated financial statements.

Lease Transactions

The Company has operating and financing leases involving real property and equipment, which are recognized as right-of-use assets and lease liabilities on the Consolidated Statements of Financial Position. Right-of-use assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments arising from the lease.

The Company determines if an arrangement is a lease at inception. The discount rates utilized to measure PJM's leases are risk-free rates matched to lease duration.

Study and Interconnection Activity

Under the Tariff, PJM's transmission provider role is to direct the operation and coordinate the maintenance of the transmission system and indicate, based on studies conducted by PJM, necessary enhancements or modifications to the transmission system. The modifications that are performed on the transmission system, such as network upgrades and generation additions, are conducted principally by third-party vendors at the request of transmission customers. In its system planning capacity as a transmission service provider, PJM provides billing and collection services in the interconnection service agreement process. Billings and collections by PJM for work it performs on behalf of the counterparties to the specific interconnection agreements are reported on a net basis in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

Cash Equivalents

Highly liquid investments with original maturities of three months or less when purchased are considered cash equivalents.

Concentration of Credit Risk

Financial instruments that subject PJM to credit risk consist primarily of accounts receivable relating to monthly service fee billings. As provided in PJM's Operating Agreement, members are required either to maintain approved credit ratings or to post specified financial security to obtain credit within the PJM markets. During 2025, approximately 60% of PJM's operating expenses were billed to approximately 16 of its members. PJM had approximately 1,116 members at year-end 2025.

Under the terms of the PJM Operating Agreement, any payment defaults may be billed to and collected from PJM's other member companies.

Fixed Asset Capitalization

PJM's fixed assets principally comprise software and capitalized software development costs, leasehold improvements, computer hardware and buildings. The costs incurred to acquire and develop computer software for internal use, including financing costs, are capitalized. However, costs incurred prior to the determination of feasibility of developed software and costs incurred following the in-service date of developed software are expensed. Fixed assets are depreciated or amortized using the straight-line method over the useful lives of the assets as follows.

Software and capitalized software development costs	3 to 10 years
Computer hardware	3 to 5 years
Vehicles	5 years
Furniture and fixtures	10 years
Building and leasehold improvements	10 to 15 years
Buildings	25 years

Deferred Recovery of Pension and Postretirement Costs

The Company recognizes the funding status of the projected benefit obligation (PBO) of the PJM defined benefit pension plan (PJM Pension Plan) and the PJM Other Postretirement Employee Benefit Plan (PJM OPEB Plan) as liabilities in the Consolidated Statements of Financial Position. The PBO represents the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future salary increases. At December 31, 2025 and 2024, PJM recorded the underfunded PBO as a liability.

At December 31, 2025, PJM recorded an \$8.3 million regulatory asset to reflect the anticipated future recovery of the amounts expected to be funded in the future through the Company's rate structure. At December 31, 2024, PJM recorded a \$9.2 million regulatory liability to reflect net over recovery of amounts funded through the Company's rate structure.

Deferred FERC Fees and Deferred FERC Fee Liability

FERC charges an annual assessment to all public utilities based on kilowatt-hours of interstate transmission service provided. PJM recovers from its members the annual charges from FERC, which are reported on a gross basis in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

At December 31, 2025, PJM had a \$1.9 million deferred FERC fee asset. The asset represents the difference between amounts collected from PJM members and amounts ultimately assessed by FERC during the year and is a factor considered in determining the FERC fee charges billed to PJM members during the subsequent year. At December 31, 2024, PJM had a \$2.6 million deferred FERC fee liability that resulted from over-collections during 2024.

Deferred Revenue

PJM membership fees, which are billed and collected in advance of the year for which they apply, are amortized ratably over the related annual membership period.

Deposits

At December 31, 2025, the deposits balance comprised \$1.3 billion received for study and interconnection fees and \$2.4 billion for customer credit. At December 31, 2024, the deposits balance comprised \$1.0 billion received for study and interconnection fees and \$2.2 billion for customer credit. These deposits are maintained in separate cash accounts that are not legally restricted.

Due to Members

At December 31, 2025, the \$273.5 million due-to-members balance comprised \$72.6 million held by PJM related to market settlement billing, primarily the December 1–24, 2025, month-to-date market settlement billing statements, paid to market participants by PJM on January 6, 2026; and \$200.9 million of settled and unbilled excess congestion.

At December 31, 2024, the \$94.6 million due-to-members balance comprised \$92.6 million held by PJM related to market settlement billing, primarily the December 1–25, 2024, month-to-date market settlement billing statements, paid to market participants by PJM on January 2, 2025; \$1.4 million of settled and unbilled excess congestion; and \$0.6 million of Winter Storm Elliott Performance Assessment Interval (PAI) bonus holdback, net of PAI nonpayments.

Income Tax Accounting

PJM has elected to be taxed as a corporation for both federal and state income tax purposes. PJM and its subsidiaries file a consolidated federal income tax return. The consolidated financial statements include prepaid income taxes, accrued income taxes and deferred income taxes. Prepaid income taxes relate to federal and state overpayments on deposit with taxing authorities. These overpayments will be applied to future federal and state income tax liabilities. Deferred income taxes represent the temporary differences between the Company's financial statement basis and tax basis in existing assets and liabilities measured using presently enacted tax rates. A valuation allowance has been provided against certain deferred tax assets for which management has concluded it is more likely than not the Company will be unable to recognize the income tax benefit associated with those future tax deductions.

Fair Values of Financial Instruments

The carrying amounts reported in the Consolidated Statements of Financial Position for current financial assets and liabilities generally approximate their fair values.

Benefit Plan Accounting

PJM accrues the costs of providing future employee benefits based on assumptions made regarding the valuation of benefit obligations and performance of plan assets. Delayed recognition of differences between actual results and those assumed allows for a relatively even recognition of the effects of changes in benefit obligations and plan performance over the working lives of the employees who benefit under the plans.

In addition to recognizing the underfunded or overfunded PBO of the PJM Pension Plan, PJM Supplemental Executive Retirement Plan (PJM SERP) and PJM OPEB Plan as assets or liabilities in the Consolidated Statements of Financial Position, PJM recognizes annual changes in gains or losses, prior service costs or other credits that have otherwise not been recognized as a part of the liability for pension and other postretirement benefits in the Consolidated Statements of Financial Position. A corresponding regulatory asset or liability, deferred recovery of pension and postretirement costs, has been recognized in the Consolidated Statements of Financial Position.

PJM's selection of the discount rate, health care cost-trend rate and expected rate of return on assets is based on its review of available current, historical and projected rates, as applicable.

Revenue Recognition

PJM recognizes as revenue amounts both billed and unbilled under PJM and PJM Settlement's Tariff rate schedules.

Revenues recorded as study and interconnection fees arise from billing and collection services in the Interconnection Service Agreement process performed by PJM. These revenues are presented on a gross basis in the Company's Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income, and are offset directly by the corresponding interconnection expenses.

PJM Connex, PJM Tech and PJM EIS recognize as revenue amounts both billed and unbilled.

Subsequent Events

PJM has performed an evaluation of subsequent events through March 9, 2026, which is the date the consolidated financial statements were issued.

3. REVENUE AND ACCOUNTS RECEIVABLE

Disaggregated Revenues

The table below provides disaggregation of PJM service fee revenues as defined in Schedule 9 of the Company's Tariff.

PJM Service Fee Revenue	2025	2024
Control area administration service	\$ 229,005	\$ 219,487
Market support service	84,445	80,842
Capacity resource and obligation management service	27,204	25,898
FTR administration service	17,184	16,546
	357,838	342,773
PJM Settlement service fee revenue	19,270	17,296
Total service fee revenue	\$ 377,108	\$ 360,069

For the years ended December 31, 2025 and 2024, PJM Connex recorded consolidated revenue of \$6.9 million and \$6.8 million, respectively, which is included in membership fees and other operating revenue in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

Contract Balances

PJM membership fees, which are billed and collected in advance of the year for which they apply, are recognized as revenue ratably over the related annual membership period. Membership fees – recorded as deferred revenue – are considered contract liabilities. At December 31, 2025 and 2024, the balances of deferred revenue resulting from contracts with customers were \$3.7 million and \$3.6 million, respectively. During years 2025 and 2024, PJM recognized \$3.6 million of revenue for PJM membership fees.

There were no material contract assets as of December 31, 2025.

PJM's receivables balance at December 31, 2025, included unbilled service fees, unbilled recovery of pass-through charges and billed PJM Connex receivables, offset by excess congestion returned in the December market settlement billing statements and the financial settlement of week-to-date monthly market settlement billing statements for the period December 1–17, 2025.

PJM's member companies are billed on a monthly basis for recovery of PJM and PJM Settlement's administrative costs under the Tariff.

All study and interconnection receivables were billed at December 31, 2025.

4. FIXED ASSETS

A summary of fixed assets by classification as of December 31, 2025 and 2024, follows:

	2025	2024
Buildings	\$ 18,812	\$ 18,812
Leasehold improvements	75,004	68,768
Software development	458,279	499,034
Computer hardware	115,095	114,894
Furniture and fixtures	5,866	5,866
Vehicles	141	141
Subtotal	673,197	707,515
Accumulated depreciation and amortization	(561,330)	(620,040)
Total fixed assets, net of accumulated depreciation and amortization	\$ 111,867	\$ 87,475

Amortization of software development costs for the years ended December 31, 2025 and 2024, was \$26.9 million and \$24.4 million, respectively.

Amortization of finance lease costs was \$0.9 million and \$1.7 million for the years ended December 31, 2025 and 2024, respectively.

Total interest costs incurred, excluding interest on deposits for study and interconnection fees and customer credit, for the years ended December 31, 2025 and 2024, were \$0.9 million and \$1.0 million, respectively. For the years ended December 31, 2025 and 2024, interest capitalized for assets under development was \$0.2 million and \$0.5 million, respectively.

5. NOTE RECEIVABLE

The external firm Monitoring Analytics, L.L.C. (MA) serves as PJM's Independent Market Monitor. MA operates independently of PJM management and the Board of Managers.

PJM and MA have entered into a revolving loan agreement, which was most recently extended in February 2025 to March 31, 2032. The purpose of the PJM revolving loan to MA is to fund capital needs associated with MA's technology systems and working capital needs related to MA's responsibilities per Attachment M of the Tariff to monitor the markets administered by PJM. The revolving loan has a capacity of \$11.0 million and is secured by MA's accounts receivable and future collections of accounts receivable. At December 31, 2025, the interest rate on the revolving loan agreement between PJM and MA was 6.75%. The interest rate on all loan advances is equal to the PNC Bank Base Rate. The PNC Bank Base Rate is the highest of: (1) the Prime Rate; (2) the sum of the Federal Funds Rate plus 50 basis points (0.50%); or (3) the sum of the Daily Secured Overnight Financing Rate (SOFR) plus one hundred basis points (1.00%).

The Company's revolving note receivable is accounted for in accordance with authoritative guidance governing receivables and is classified as held for investment. At December 31, 2025, and December 31, 2024, the outstanding balance due from MA recorded by PJM as a note receivable was \$3.3 million and \$4.3 million, respectively. At December 31, 2025, \$1.6 million of the MA note receivable balance was current, representing scheduled repayments on the outstanding balance in the next 12 months.

6. SHORT-TERM DEBT

Through May 29, 2025, PJM maintained with PNC Bank (PNC) a FERC-approved \$200 million revolving line of credit agreement. PJM received authorization from FERC on May 23, 2025, to continue to borrow under this agreement through May 29, 2027, and to increase the capacity on the line of credit by \$50 million. The loan amendment increasing the capacity on the existing facility to \$250 million, and term through May 29, 2027, was executed with PNC on May 30, 2025. The revolving line of credit is unsecured and available to fund short-term cash obligations.

Under the loan covenants for the revolving line of credit agreement, PJM is required to meet certain financial and nonfinancial covenants. PJM was in compliance with these covenants as of December 31, 2025.

At both December 31, 2025 and 2024, there were no amounts outstanding under the revolving line of credit agreement. The interest rate on borrowings under this facility is interest at a rate per annum equal to daily SOFR, plus a 10 basis point (0.10%) credit spread adjustment, plus a margin of 62.5 basis points (0.625%). At December 31, 2025, the interest rate was 4.495%.

The line of credit facility has a commitment fee of 6 basis points (0.06%) on the unused balance. This fee is calculated daily and paid quarterly.

7. FAIR VALUE DISCLOSURES

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (exit price). In determining fair values, PJM utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. The authoritative guidance pertaining to fair value establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by this guidance are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Pricing inputs are other-than-quoted prices in active markets included in Level 1 that are directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using broker quotes in liquid markets and other observable pricing data. Level 2 also includes those financial instruments that are valued using internally developed methodologies that have been corroborated by observable market data through correlation or by other means. Significant assumptions are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 Pricing inputs include significant inputs that are generally less observable than those from objective sources.

PJM utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. PJM is able to classify fair value balances based on the observability of the inputs. In accordance with the authoritative guidance, financial assets and liabilities are classified in their entirety based on the lowest level of observability for an input that is significant to the fair value measurement. PJM’s assessment of the significance of a particular input to the fair value measurement requires the exercise of judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents PJM’s cash and cash equivalents as well as financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2025, and December 31, 2024, by level within the fair value hierarchy.

(\$ in millions)	Dec. 31, 2025			Dec. 31, 2024	
	Level 1	Level 2	Level 3	Carrying Value	Carrying Value
Cash and cash equivalents	\$ 4,012	\$ —	\$ —	\$ 4,012	\$ 3,320
Deposit liabilities	3,746	—	—	3,746	3,229

8. INCOME TAXES

Income tax expense shown on the Consolidated Statements of Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income consisted of the following:

	2025	2024
Federal income taxes		
Current	\$ 496	\$ 4,073
Deferred	410	(4,073)
Change in valuation allowance	—	—
	906	—
State income taxes		
Current	(116)	1,375
Deferred	24	(220)
Change in valuation allowance	—	—
	(92)	1,155
Income tax expense	\$ 814	\$ 1,155

The effects of temporary differences giving rise to deferred income tax assets at December 31, 2025 and 2024, consisted of the following:

	2025	2024
Deferred tax liabilities		
Deferred pension and postretirement costs	\$ 2,071	\$ —
	2,071	—
Deferred tax assets		
Accrued expenses	20,181	17,966
Postretirement health care	12,523	12,063
Pension	10,944	6,367
Net operating loss carryforwards	2,031	2,062
Fixed assets and other capitalized costs	3,015	5,739
Deferred pension and postretirement costs	—	2,288
	48,694	46,485
Net deferred income tax assets	46,623	46,485
Valuation allowance	(2,559)	(2,559)
Deferred income tax assets, net	\$ 44,064	\$ 43,926

The income tax rate on PJM's operating activities differed from the federal statutory rate as follows:

	2025	2024
Income tax expense at the federal statutory rate	\$ 525	\$ 710
Income resulting from:		
Permanent differences	258	260
State income taxes, net of federal tax benefit	48	653
State income taxes, effect of rate change	298	264
Research and development tax credits	(254)	(750)
Other	(61)	18
Income tax expense	\$ 814	\$ 1,155

PJM and its subsidiaries file a U.S. consolidated federal income tax return and consolidated or separate company tax returns in various states, including the Commonwealth of Pennsylvania. The tax years subsequent to 2019 remain open to examination by the United States Internal Revenue Service, and generally, the tax years subsequent to 2021 remain open to examination by various state taxing authorities. There are no ongoing audits at this time.

PJM recorded a \$0.3 million and \$0.8 million tax benefit in December 31, 2025, and December 31, 2024, related to research and development tax credit analysis for the tax years ended December 31, 2025 and 2024, respectively.

PJM has net operating loss carryforwards of \$58.6 million for Pennsylvania state tax purposes that begin expiring in 2030. PJM has concluded that it is more likely than not, due to enacted statutory restrictions, that certain Pennsylvania net operating loss carryforwards will expire. The total valuation allowance recorded against these net operating loss carryforwards and state deferred tax assets was \$64.0 million at December 31, 2025.

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was enacted. The OBBBA includes significant changes to U.S. tax law, including making bonus depreciation permanent, enabling domestic research cost expensing and adjusting the business interest expense limitation. PJM evaluated the impact of the OBBBA on the Consolidated Financial Statements in third quarter 2025, determining no material financial impact.

9. BENEFIT PLANS

Pension Plan

PJM sponsors a defined benefit pension plan (PJM Pension Plan) that covers all regular full-time employees and part-time employees hired prior to January 1, 2014. Benefits under the PJM Pension Plan are based on years of service and the employee's compensation. PJM's funding of the plan is determined according to the funding requirements set forth by the Employee Retirement Income Security Act of 1974 (ERISA). Plan assets are invested primarily in stocks and bonds and are monitored by PJM's Benefits Administration Committee. This plan was closed to new participants beginning January 1, 2014. Employees hired on or after January 1, 2014, are given a supplemental benefit in their 401(k) Savings Plan (the Savings Plan) based on their age and years of service.

PJM SERP

The Company sponsors the PJM SERP to provide certain members of executive management with benefits in excess of normal pension benefits. PJM invested \$4.2 million in equity securities in prior years, with the intention to use the proceeds to offset future obligations under the PJM SERP. There were no contributions made during the years ended December 31, 2025 and 2024. The investment is included in other noncurrent assets in the Consolidated Statements of Financial Position at its market value of \$0.2 million as of both December 31, 2025 and 2024.

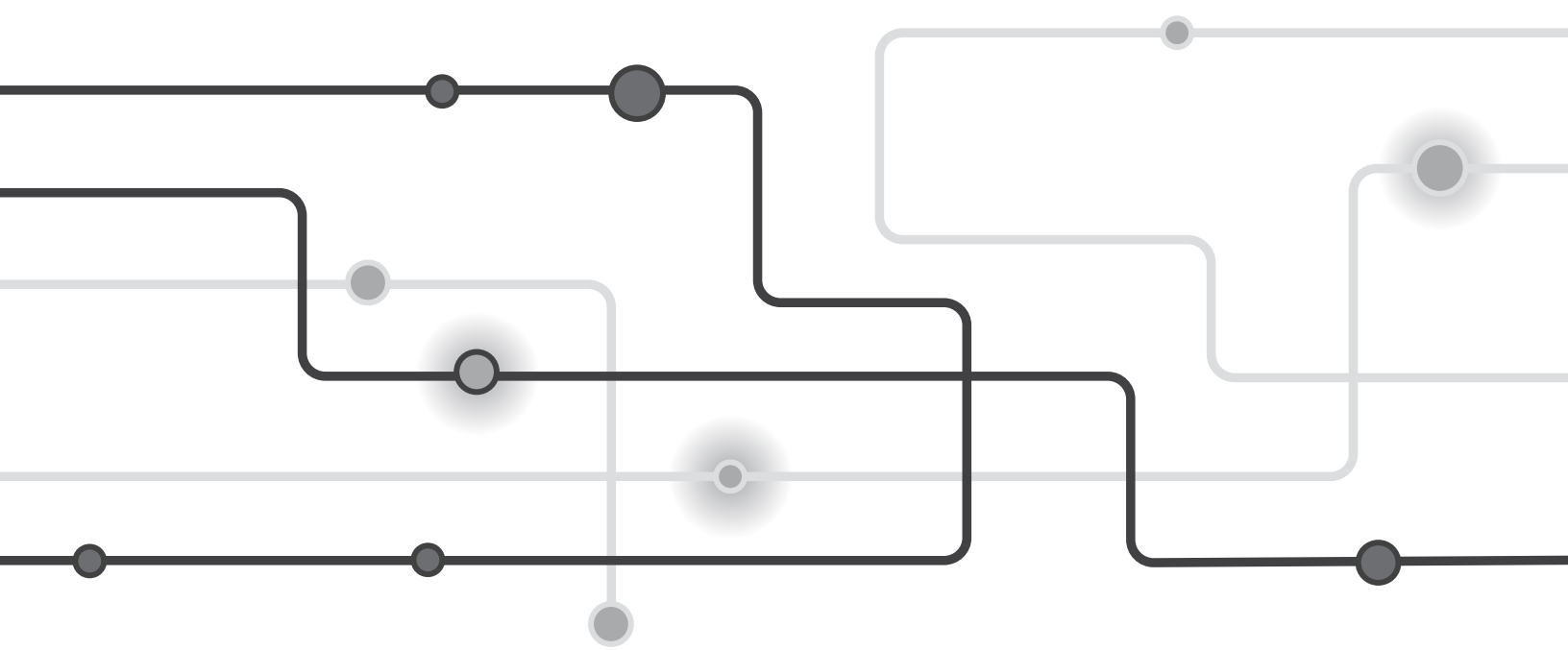
PJM recognized \$1.7 million and \$1.5 million in expense related to the defined contribution PJM SERP during 2025 and 2024, respectively. This expense is included as a component of pension expense in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

Deferred Compensation Plan

PJM sponsors a deferred compensation plan to provide an opportunity to certain members of executive management and the PJM Board of Managers to defer a portion of compensation. At December 31, 2025 and 2024, the value of this plan for current and retired employees and Board members amounted to \$31.3 million and \$29.1 million, respectively. This amount is included in other employee benefits in the Consolidated Statements of Financial Position.

Postretirement Benefits

The PJM OPEB Plan provides certain health care and other benefits to retired employees and their spouses and dependents. The amount of the pre-65 benefit is dependent upon the employee's years of service at retirement. The amount of post-65 benefit at retirement is dependent upon the employee's age and years of service as of January 1, 2016. The post-65 OPEB Plan was closed to new hires as of January 1, 2010.



The schedules that follow show the changes in the benefit obligations, plan assets and funded status of the respective plans as of December 31, 2025 and 2024, and components of net periodic pension and postretirement health care costs of these plans for the years ended December 31, 2025 and 2024.

	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
CHANGE IN BENEFIT OBLIGATION						
Net benefit obligation at beginning of year	\$ 236,802	\$ 239,661	\$ 3,300	\$ 3,395	\$ 63,820	\$ 66,236
Service cost	6,921	7,657	—	—	1,562	1,566
Interest cost	14,108	13,065	171	164	3,723	3,512
Plan participants' contributions	—	—	—	—	94	83
Actuarial loss (gain)	21,387	(17,600)	183	(192)	557	(5,172)
Gross benefits paid	(9,439)	(5,981)	(67)	(67)	(2,634)	(2,405)
Net obligation at end of year	\$ 269,779	\$ 236,802	\$ 3,587	\$ 3,300	\$ 67,122	\$ 63,820

PJM uses a measurement date of December 31 for all of its pension and postretirement benefit plans. Discount rates of 5.76%, 5.43% and 5.60% were used to calculate year-end 2025 pension, SERP and other postretirement benefit obligations, respectively.

	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	\$ 214,631	\$ 218,378	\$ —	\$ —	\$ 15,537	\$ 15,373
Actual return on plan assets	19,368	2,234	—	—	1,459	164
Employer contributions	5,000	—	67	67	2,541	2,322
Plan participants' contributions	—	—	—	—	94	83
Gross benefits paid	(9,439)	(5,981)	(67)	(67)	(2,635)	(2,405)
Fair value of plan assets at end of year	\$ 229,560	\$ 214,631	\$ —	\$ —	\$ 16,996	\$ 15,537
Funded status at end of year	(40,219)	(22,171)	(3,587)	(3,300)	(50,126)	(48,283)
Net amount recognized at end of year and amounts recognized in the Statements of Financial Position	\$ (40,219)	\$ (22,171)	\$ (3,587)	\$ (3,300)	\$ (50,126)	\$ (48,283)

	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
AMOUNTS RECOGNIZED IN DEFERRED PENSION AND POSTRETIREMENT COSTS						
Net actuarial loss (gain)	\$ 28,405	\$ 12,734	\$ (419)	\$ (614)	\$ (19,258)	\$ (20,290)
Prior service (credit)	—	—	—	—	(439)	(988)
	\$ 28,405	\$ 12,734	\$ (419)	\$ (614)	\$ (19,697)	\$ (21,278)
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF						
Current liability	\$ —	\$ —	\$ 455	\$ 469	\$ 2,509	\$ 2,388
Noncurrent liability	40,219	22,171	3,132	2,831	47,617	45,895
Net amount recognized at end of year	\$ 40,219	\$ 22,171	\$ 3,587	\$ 3,300	\$ 50,126	\$ 48,283

At the end of 2025 and 2024, the PBO, the accumulated benefit obligation and the fair value of plan assets for all of PJM's pension and postretirement benefit plans are as follows:

	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
Projected benefit obligation/ accumulated benefit obligation	\$ 269,779	\$ 236,802	\$ 3,587	\$ 3,300	\$ 67,122	\$ 63,820
Fair value of plan assets	229,560	214,631	—	—	16,996	15,537

Expected Cash Flows

Information about expected cash flows for the pension and postretirement benefit plans follows:

	Qualified Benefits		SERP Benefits		Other Postretirement Benefits	
Employer contributions						
Expected employer contributions for 2026 to plan trusts	\$	5,000	\$	—	\$	—
Expected employer contributions in form of direct benefit payments for 2026		—		467		2,579
Expected benefit payments						
2026		12,199		467		2,579
2027		13,792		400		2,844
2028		14,802		363		3,133
2029		16,754		640		3,395
2030		17,027		370		3,682
2031–2035		99,757		1,143		22,694

The table above reflects the benefits expected to be paid from the plan or from PJM's assets for PJM's share of the benefit cost. The participants' share of the cost, which is funded by participant contributions to the plan, is not included in this table. Expected contributions to plan trusts reflect expected amounts to be contributed by PJM to the fund.

	Pension Benefits				Other Postretirement Benefits	
	Qualified		SERP			
	2025	2024	2025	2024	2025	2024
COMPONENT OF NET PERIODIC BENEFIT COST						
Service cost	\$ 6,921	\$ 7,657	\$ —	\$ —	\$ 1,562	\$ 1,566
Interest cost	14,108	13,065	171	164	3,722	3,512
Expected return on assets	(13,651)	(13,768)	—	—	(1,010)	(999)
Prior service (gain)	—	—	—	—	(549)	(1,208)
Actuarial loss (gain)	—	—	(12)	(3)	(925)	—
Total net periodic benefit cost	\$ 7,378	\$ 6,954	\$ 159	\$ 161	\$ 2,800	\$ 2,871

For the years ended December 31, 2025 and 2024, \$1.0 million and \$1.1 million of total pension and postretirement benefits expense were included in capitalized project costs, respectively.

The following schedule shows the assumptions used to calculate the pension and postretirement benefit expense for the years ended December 31, 2025 and 2024.

	Pension Benefits		SERP		Postretirement Benefits	
	2025	2024	2025	2024	2025	2024
Discount rate	5.89%	5.35%	5.70%	5.17%	5.78%	5.25%
Expected return on plan assets	6.50%	6.50%	N/A	N/A	6.50%	6.50%
Rate of comparison increase	3.92%	3.98%	N/A	N/A	N/A	N/A
Medical care cost trend rate						
Current					7.00%	6.25%
Ultimate					5.00%	5.00%
Years to ultimate					8	4

The expected return on plan assets assumption has been determined based on PJM's investment objectives and is supported by analysis of simulated investment return using capital market assumptions published by the Company's independent actuaries for the PJM Pension Plan and PJM OPEB Plan's target asset mix, net of an adjustment for expense to be paid from the plan assets.

The target allocation for the PJM Pension Plan and PJM OPEB Plan in 2025 was 50% return seeking assets and 50% liability hedging and cash asset classes. PJM's asset allocation was in line with investment strategies at December 31, 2025.

The assets of PJM's benefit plans are invested in accordance with all relevant legislation and regulation in a manner consistent with fiduciary standards of ERISA and other applicable laws. Specifically, the investment program includes such safeguards and diversity to which a prudent investor would adhere, and all transactions undertaken on behalf of the plans are in the sole interest of plan participants and their beneficiaries.

The assets of PJM's benefit plans are invested to provide a source of retirement income for participants and beneficiaries of the plan. The financial objectives of the plans have been established in conjunction with the comprehensive review of the current and projected financial requirements of the plans. The financial objectives are to maximize assets in order to consistently and materially exceed the accumulated benefit obligation under the plans and to reduce contributions over time.

Fair Value Measurements

The following table presents PJM's benefit plan assets measured at fair value and their respective levels within the fair value hierarchy as of December 31, 2025 and 2024:

As of December 31, 2025 (a)	Level 1		Level 2		Level 3	Carrying Value
Plan assets:						
Cash and cash equivalents	\$	1,130	\$	—	\$	1,130
Commingled funds		—		161,872		161,872 (b)
Mutual funds		—		83,554		83,554 (c)
Total plan assets	\$	1,130	\$	245,426	\$	246,556
As of December 31, 2024 (a)	Level 1		Level 2		Level 3	Carrying Value
Plan assets:						
Cash and cash equivalents	\$	2,085	\$	—	\$	2,085
Commingled funds		—		151,556		151,556 (b)
Mutual funds		—		76,527		76,527 (c)
Total plan assets	\$	2,085	\$	228,083	\$	230,168

(a) See Note 7 for a description of levels within the fair value hierarchy.

(b) The benefit plans own commingled funds that invest in equity and fixed-income securities.

(c) This category predominantly represents diverse issues of domestic investment-grade fixed-income securities.

Valuation Techniques Used to Determine Fair Value

Cash equivalents – Investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash equivalents and are included in the recurring fair value measurements hierarchy as Level 1.

Commingled funds – Commingled funds are maintained by investment companies that hold certain investments in accordance with a stated set of fund objectives that are consistent with PJM's overall investment strategy. The values of the majority of commingled funds are not publicly quoted and must trade through a broker. For equity and fixed-income commingled funds traded through a broker, the fund administrator values the fund using the net asset value per fund share, derived from quoted prices in active markets of the underlying securities. These funds are valued at Net Asset Value (NAV) and have been categorized as Level 2.

Mutual funds – Mutual funds are pooled instruments that hold certain investments in accordance with a stated set of fund objectives that are consistent with PJM's overall investment strategy. These funds consist of fixed income, developing markets and indexed securities. Fidelity Investments, the fund manager, monitors prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the portfolio managers challenge an assigned price and Fidelity determines that another price source is considered to be preferable. These funds are valued at NAV and have been categorized as Level 2.

Savings Plan

PJM sponsors the Savings Plan for all eligible employees of the Company. The Savings Plan permits employees to contribute up to 75% of their gross compensation on a pretax basis, subject to limitations as described in the Savings Plan. For all eligible employees of the Company, PJM makes matching contributions equal to 100% of the employee's first 5% of gross salary contributed. Employees hired on or after January 1, 2014, are given a supplemental benefit in the savings plan based on their age and years of service.

PJM contributions to the Savings Plan were \$9.5 million and \$8.8 million for the years ended December 31, 2025 and 2024, respectively. In 2025, \$5.8 million and \$3.7 million of contributions to the Savings Plan represented employer matching and nonelective contributions, respectively. In 2024, \$5.7 million and \$3.3 million of contributions to the Savings Plan represented employer matching and nonelective contributions, respectively. This expense is included in compensation in the Consolidated Statements of Income, Comprehensive Income and Paid-in Capital, Retained Earnings and Accumulated Other Comprehensive (Loss) Income.

10. COMMITMENTS AND CONTINGENCIES

Leases

PJM leases office space and telecommunications equipment under operating and finance leases. These leases expire during the period 2027–2042 and have been recorded as right-of-use assets, with associated lease liabilities, on the PJM Statement of Financial Position at December 31, 2025 and 2024.

In June 2025, PJM extended the term of an existing lease agreement for office space located in Audubon, Pennsylvania. The Company evaluated the amended lease agreement in accordance with authoritative accounting guidance and determined the amendment represented a lease modification. Based on revised terms, the lease no longer qualifies as an operating lease and has been reclassified as a finance lease.

In October 2025, PJM extended the term of an existing lease agreement for office space located in Audubon, Pennsylvania. The Company evaluated the amended lease agreement in accordance with authoritative accounting guidance and determined the amendment represented a lease modification. Prior to and after modification, the lease met the definition of a finance lease. PJM derecognized the remaining right-of-use asset and lease liability for the terminated lease and recognized an immaterial gain on termination.

		Right-of-Use Assets		Lease Liabilities
December 31, 2025				
Operating leases	\$	494	\$	1,022
Finance leases		23,525		23,138
	\$	24,019	\$	24,160
December 31, 2024				
Operating leases	\$	2,087	\$	2,087
Finance leases		4,125		5,359
	\$	6,212	\$	7,446

At December 31, 2025, the current portions of the operating lease liabilities and the finance lease liabilities were \$0.9 million and \$0.4 million, respectively.

Lease expense associated with PJM's operating leases for the years ended December 31, 2025 and 2024, was \$0.7 million and \$1.5 million, respectively.

Amortization and interest expense associated with PJM's finance leases for the year ended December 31, 2025, were \$0.9 million and \$0.6 million, respectively. Amortization and interest expense associated with PJM's finance lease for the year ended December 31, 2024, were \$2.1 million and \$0.1 million, respectively.

Future minimum rentals under noncancelable lease agreements are as follows:

Year ended December 31,	Operating	Finance
2026	\$ 348	\$ 2,732
2027	236	2,216
2028	—	2,457
2029	—	2,512
2030	—	2,733
2031–2042	—	34,313

Other Items

Energy Efficiency Complaints

During 2024 and 2025, six complaints were filed regarding the participation of energy efficiency in PJM's capacity market, two of which contain allegations that PJM has been improperly administering the participation of energy efficiency for several years by adding back demand offset by energy efficiency to the load forecast. PJM has filed responses to all of these complaints. On September 27, 2024, PJM and one of the complainants, Enerwise Global Technologies, LLC, filed a joint motion to dismiss and stipulated a satisfaction agreement, which has been accepted, resolving one of the six complaints (Docket No. EL24-128). On September 30, 2024, the Independent Market Monitor for PJM filed a partial offer of settlement of one of its complaint proceedings that remains pending (Docket No. EL24-113). On November 5, 2024, in Docket No. ER24-2995, FERC accepted PJM's proposed Tariff and Reliability Assurance Agreement revisions to sunset Energy Efficiency Resources' participation in capacity market auctions starting with the 2026/2027 Delivery Year as just and reasonable and not unduly discriminatory or preferential. On February 10, 2026, the U.S. Court of Appeals (D.C. Cir) rejected the appeal Affirmed Energy, L.L.C. and affirmed FERC's decision to sunset Energy Efficiency's participation in the PJM capacity market. FERC has dismissed the complaint filed by the Joint Consumer Advocates in Docket No. EL24-118 on April 21, 2025. One of the pending complaints, filed by Affirmed Energy in Docket No. EL24-124, asserts, among other things, that PJM is improperly holding excess collateral for the Energy Efficiency Provider. PJM filed its answer to the complaint on November 11, 2024. On November 26, 2024, PJM and Affirmed Energy filed a joint motion for extension to stay the credit proceeding until January 20, 2025. The matter remains pending. On May 29, 2025, in Docket EL25-87-000, the Independent Market Monitor for PJM filed a complaint against Affirmed Energy LLC, Enel X North America Inc. and Enerwise Global Technologies, LLC, who are providers of Energy Efficiency Resources, alleging that the post-installation measurement and verification reports for the 2025/2026 Delivery Year did not meet the requirements set forth in PJM's governing documents. PJM was not identified as a party in the Independent Market Monitor's complaint.

Designated Entity Agreements

On July 25, 2024, FERC issued an order addressing: (1) a complaint filed by American Municipal Power, Inc., the Office of the People's Counsel for the District of Columbia and the PJM Industrial Customer Coalition against PJM regarding PJM's issuance of Designated Entity Agreements (DEAs) to entities designated to construct Regional Transmission Expansion Plan (RTEP) projects in PJM (Complaint) (Docket No. EL22-80) and (2) a Federal Power Act Section 206 filing by PJM requesting that FERC revise limited provisions of Operating Agreement, Schedule 6, section 1.5.8 regarding the process and associated requirements for DEAs (PJM Section 206 Filing). FERC granted both the Complaint and the PJM Section 206 Filing, in part, and denied them, in part.

On March 20, 2025, the Commission issued an order denying the request for rehearing of the July 25, 2024, Commission Order submitted by the Indicated PJM Transmission Owners. The Indicated PJM Transmission Owners have filed a petition to review the Commission's orders in the U.S. Court of Appeals (D.C. Cir). PJM intervened in the appeal which remains pending.

Capacity Market Complaints and 205 Filings

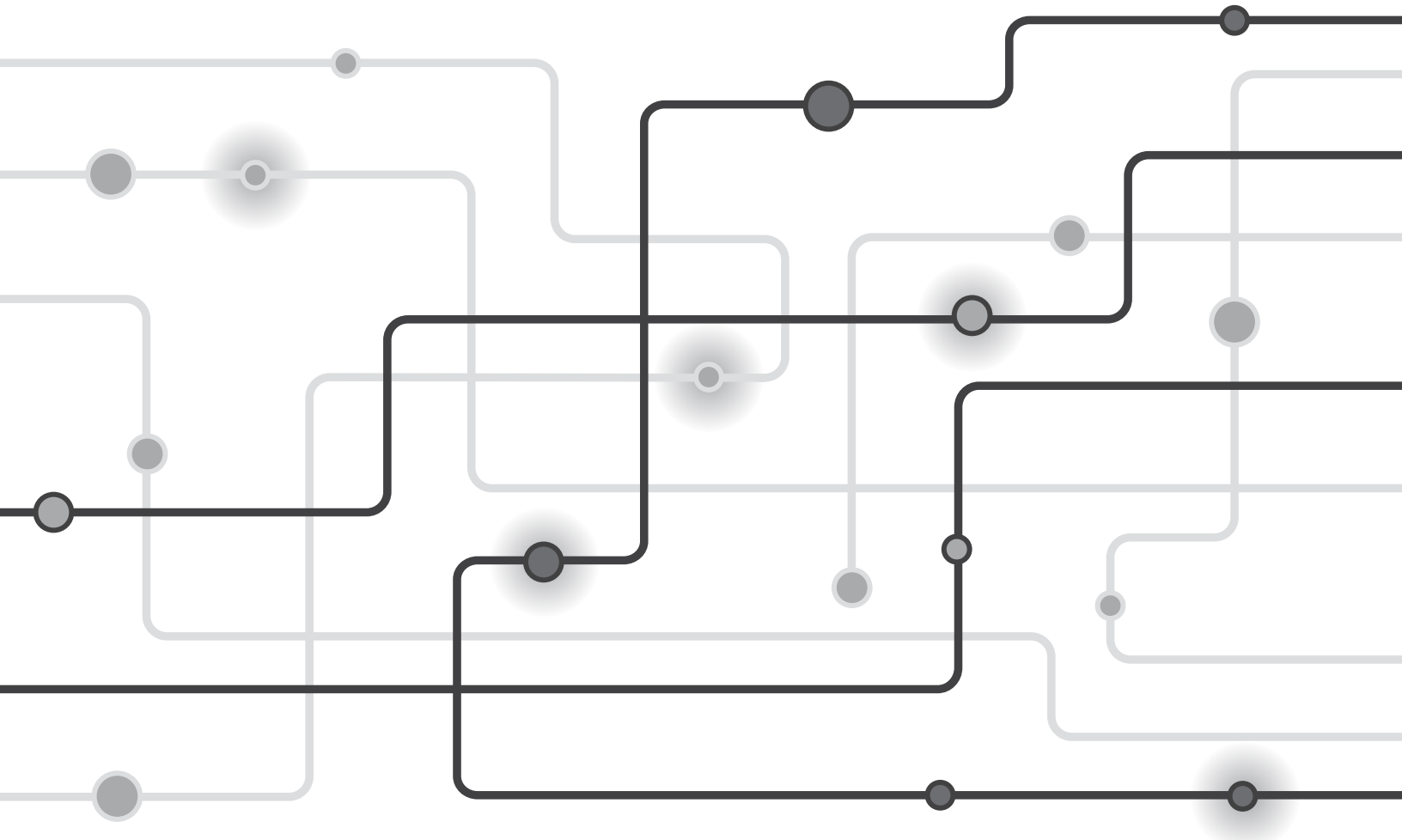
Two complaints that were filed at the end of 2024 remain pending against PJM alleging that various rules relating to PJM's capacity market were unjust and unreasonable (Docket Nos. EL24-148 and EL25-18). In particular, the complaints allege, among other things, that: (1) the existing capacity market demand curve cap will result in prices that are too high; (2) the categorical capacity market must offer exemption for intermittent and demand response allows for the exercise of market power; and (3) resources retained for reliability purposes should be counted as capacity supply. These complaints do not allege any wrongdoing by PJM and are limited to arguing that the existing market rules as previously approved by FERC were unjust and unreasonable. PJM has answered both complaints which remain pending. In addition to answering these complaints, PJM has made several Section 205 filings that were accepted by FERC and that mitigate many of the issues raised in these complaints including: (i) counting qualifying resources subject to reliability must run agreements as capacity and institution of uniform Non-Performance Charge; (ii) facilitating expedited interconnection of critical capacity resources that meet certain criteria; (iii) extending the capacity must offer requirement to all Generation Capacity Resources; and (iv) updating capacity market parameters as part of its quadrennial review). In addition, PJM filed and FERC accepted a price collar in the capacity market the 2026/2027 and 2027/2028 Delivery Years. PJM recently filed seeking to further extend the price collar for two more years.

11. RELATED-PARTY TRANSACTIONS

PJM occupies two buildings that are owned by a subset of PJM's members. One of the buildings was purchased in 1992 at a cost of \$2.9 million. This building was subsequently renovated at a cost of \$2.9 million. A second building occupied by PJM and used as one of PJM's control centers was purchased in July 1995 at a cost of \$4.8 million. PJM pays a nominal rent of two dollars per year for the use of these facilities. PJM is responsible for facility maintenance, property taxes, insurance and other related costs associated with these two buildings.

Meeting Each **Moment**

PJM 2025 FINANCIAL REPORT



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