

There may be periods when PSEG Power generation may not operate and/or may not be able to meet its commitments under forward sale obligations and PJM rules at a reasonable cost or at all.

A portion of PSEG Power's nuclear generation output has been sold forward under fixed price financial power sales contracts. Forward financial sales offset physical sales in the PJM RTO spot market. Our forward sales of energy and capacity assume sustained, acceptable levels of operating performance. Operations at any of our plants could degrade to the point where the plant has to shut down or operate at less than full capacity. Some issues that could impact the operation of our facilities are:

- breakdown or failure of equipment, IT, processes or management effectiveness;
- disruptions in the transmission of electricity;
- labor disputes or work stoppages;
- fuel supply interruptions;
- limitations which may be imposed by environmental or other regulatory requirements; and
- operator error, acts of war or terrorist attacks (including physical or cybersecurity breaches) or catastrophic events such as fires, earthquakes, explosions, floods, severe weather or other similar occurrences.

Identifying and correcting any of these issues may require significant time and expense. Depending on the materiality of the issue, we may choose to close a plant rather than incur the expense of restarting it or returning it to full capacity.

Because the obligations under most of these forward sale agreements are not contingent on a unit being available to generate power, PSEG Power's results of operations and cash flows are at risk even in the event of a plant outage, or a reduction in the available capacity of the unit. To the extent that PSEG Power does not meet its expected nuclear generation output, PSEG Power would be required to pay the difference between the market price and the contract price on its financial contracts without receiving the physical spot energy revenue or be required to purchase energy at higher prices to cover its shortfall. In addition, as capacity performance resources in PJM, PSEG's nuclear units have been and will in the future be required to pay penalties if a forced outage at a plant occurs during a declared emergency event within PJM and that plant's expected performance exceeds its actual performance during such event. The amount of such payments could be substantial and could have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, changing market design rules, including capacity performance rules and timing of capacity market auctions, and/or failure to follow existing rules – by PJM or market participants – creates regulatory uncertainty and reliability risk.

REGULATORY, LEGISLATIVE AND LEGAL RISKS

PSE&G's revenues, earnings and results of operations are dependent upon state laws and regulations that affect distribution and related activities.

PSE&G is subject to regulation by the BPU. Such regulation affects almost every aspect of its businesses, including its retail rates. Failure to comply with these regulations could have a material adverse impact on PSE&G's ability to operate its business and could result in fines, penalties or sanctions. The retail rates for electric and gas distribution services are established in a distribution base rate proceeding and remain in effect until a new distribution base rate proceeding is filed and concluded. PSE&G's base rates were most recently approved in October 2024. In addition, our utility has received approval for several clause recovery mechanisms, some of which provide for recovery of costs and earn returns on authorized investments. These clause mechanisms require periodic financial reviews to update rates charged to customers which are independent of base rate proceedings and are subject to prudence reviews by the BPU. Inability to obtain fair or timely recovery of all our costs pursuant to the distribution base rate case and/or these clause recovery mechanisms, including a return of, or on, our investments in rates, could have a material adverse impact on our results of operations and cash flows. In addition, if legislative and regulatory structures were to evolve in such a way that PSE&G's exclusive rights to serve its regulated customers were eroded, its future earnings could be negatively impacted.