Risk Factors Comparison 2024-02-26 to 2023-02-22 Form: 10-K

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The following factors should be considered when reviewing our business. These factors could have a material adverse impact on our business, prospects, financial position, results of operations or cash flows and could cause results to differ materially from those expressed elsewhere in this report. GENERAL OPERATIONAL AND FINANCIAL RISKS Inability to successfully develop, obtain regulatory approval for, or construct T & D, and ~~other~~ **our nuclear** generation projects could adversely impact our businesses. Our business plan calls for extensive investment in capital improvements and additions, including the construction of T & D facilities, modernizing **and expanding** existing infrastructure pursuant to investment programs that provide for current recovery in rates, and our CEF programs, which include providing incentives for customers to install high-efficiency equipment at their premises, constructing EV infrastructure, and implementing our smart meter program. Currently, we have several significant projects underway or being contemplated. The successful construction and development of these projects will depend, in part, on our ability to: • obtain necessary governmental and regulatory approvals; • obtain environmental permits and approvals; • obtain community support for such projects to avoid delays in the receipt of permits and approvals from regulatory authorities; • obtain customer support for investments made at their premises; • obtain property / land rights in property- constrained areas and at a reasonable cost; • complete such projects within budgets and on commercially reasonable terms and conditions; • complete supporting **information technology (** IT **), cybersecurity and physical security** upgrades; • obtain any necessary debt financing on acceptable terms and / or necessary governmental financial incentives; • ensure that contracting parties, including suppliers, perform under their contracts in a timely and cost **-** effective manner; and • **timely** ~~recover~~ **recovery of** ~~the~~ **these investments** ~~related costs~~ through rates. ~~Any~~ **Failure to obtain regulatory or other approvals,** delays, cost escalations or otherwise unsuccessful construction and development could materially affect our financial position, results of operations and cash flows. Macroeconomic considerations, including inflationary levels, gas and electric supply prices that are passed through to customers and other pressures could factor into our regulators' assessment in approving the size, duration and timing of cost recovery of certain of these programs. Further, certain negative public and political views on natural gas could result in diminishing political support for utility investments in gas infrastructure. In addition, the successful operation of new facilities or transmission or distribution projects is subject to risks relating to supply interruptions; labor availability, work stoppages and labor disputes; weather interferences; unforeseen engineering and environmental problems, including those related to climate change; opposition from local communities, and the other risks described herein. Any of these risks could cause **the amounts of our investments and / or** our return on these investments to be lower than expected ~~or they could cause these facilities to operate below intended targets~~, which could adversely impact our financial condition and results of operations through ~~lost revenue~~ **lower investment opportunities** and / or ~~increased expenses~~ **lower returns** . We are subject to physical, financial and transition risks related to climate change, including potentially increased legislative and regulatory burdens and changing customer preferences, and we may be subject to lawsuits, all of which could impact our businesses and results of operations, as well as our ability to implement our clean energy strategy. Climate change may increasingly drive change to existing or additional legislation and regulation that may impact our business and shape our customers' energy preference and sustainability goals. While the CIP protects **PSE & G' s** margin variances against changes in customer usage of gas and electricity, customer demand for natural gas could decrease as a result of changing customer preferences favoring electrification and advanced technologies that offer energy efficient options. Electric usage could also be impacted by greater adoption of EVs, installation of distributed energy resources, such as behind the meter solar, installation of more energy efficient equipment, flexible load and / or energy storage, and other advances in technology. Further, climate change may adversely impact the economy and reduced economic and consumer activity in our service areas could lower demand for electricity and gas we deliver. Any one or all of these factors could impact the need to invest in our electric and gas T & D systems and, therefore, the rate of growth of our company. Severe weather or acts of nature, including hurricanes, winter storms, earthquakes, floods **, wildfires** and other natural disasters can stress systems, disrupt operation of our facilities and cause service outages, ~~production delays~~ and property damage that require incurring additional expenses. These and other physical changes could result in changes in customer demand, increased costs associated with repairing and maintaining generation facilities and T & D systems, resulting in increased maintenance and capital costs (and potential increased financing needs), increased regulatory oversight, and lower customer satisfaction. Where recovery of costs to restore service and repair damaged equipment and facilities is available, any determination by the regulator not to permit timely and full recovery of the costs incurred could have a material adverse effect on our businesses, financial condition, results of operations and prospects. To the extent financial markets view climate change and greenhouse gas (GHG) emissions as a financial risk, our ability to access capital markets could be negatively affected or cause us to receive less than favorable terms and conditions. Climate change- related political action and state and federal policy goals, including but not limited to those related to energy efficient targets, solar targets, energy storage targets, encouragement of electrification through EV adoption, policies to restrict the use of natural gas in new or existing homes and businesses, or encourage electrification of end use equipment currently fueled by natural gas, and the associated legislative and regulatory responses, may create financial risk as our operations may be subject to additional regulation at either the state or federal level in the future. Increased regulation of GHG emissions could impose significant additional costs on our electric and natural gas operations, ~~and~~ our suppliers **and ultimately, our customers** . Developing and implementing plans for compliance with GHG emissions reduction, clean / renewable energy requirements, or for achieving voluntary climate commitments can lead to additional capital, personnel, and Operation and Maintenance (O & M) expenditures and could significantly affect the economic position of existing operations and proposed projects. If our regulators do not allow us to recover all or a part of the cost of capital investment or the O & M costs incurred to comply **with** increasingly rigorous regulatory mandates, it could have a material adverse effect on our results of operations, financial condition or cash flows. On the other hand, in the event that the political, policy, regulatory or legislative support for clean energy projects declines, the benefits or feasibility of certain investments we may have made in such projects, including those in the development stage, may be reduced. We may be subject to climate change lawsuits that may seek injunctive relief, monetary compensation, **penalties,** and punitive damages, including but not limited to, for liabilities for ~~personal injuries and property damage~~ **damages related to mitigate harm** caused by climate change. An adverse outcome could require substantial capital expenditures and possibly require payment of substantial penalties or damages. Defense costs associated with such litigation can also be significant and could affect results of operations, financial condition or cash flows if such costs are not recovered through regulated rates. Further, our business is subject to policy, regulatory, technology and economic uncertainties and contingencies, including regulatory approvals required for various of our clean energy initiatives, many of which are beyond our control and may affect our ability to implement our clean energy strategy and initiatives and achieve our goal of net zero GHG emissions by 2030 **for Scopes 1 and 2 emissions** , or other GHG emissions reduction or climate- related goals that we may set from time to time, in a cost- effective manner or at all. We may be adversely affected by asset and equipment failures, **accidents,** critical operating technology or business system failures ~~, accidents~~ , natural disasters, severe weather events, acts of war or terrorism or other acts of violence, sabotage, physical attacks or security breaches, cyberattacks, or other incidents, including pandemics such as the coronavirus pandemic, that impact our ability to provide safe and reliable service to our customers and remain competitive and could result in substantial financial losses. The success of our businesses is dependent on our ability to continue providing safe and reliable service to our customers while minimizing service disruptions. We are exposed to the risk of asset and equipment failures, gas explosions, accidents, natural disasters, severe weather events, acts of war or terrorism or other acts of violence, including active shooter situations ~~(such as the shooting incident involving an employee and a former employee which occurred in February 2023 outside of a PSE & G field facility in Somerset County, New Jersey)~~ , sabotage, physical attacks or security breaches ~~(as have been experienced recently by certain other utilities)~~ , cyberattacks or other incidents, which could result in damage to or destruction of our substations or other facilities or infrastructure, or damage to persons or property and to electric and gas supply interruptions. Further, a major failure of availability or performance of a critical operating technology or business system, and inadequate preparation or execution of business continuity or disaster recovery plans for the loss of one or several critical systems, could result in extended disruption to operations or business processes, damage to systems and / or loss of data. We have historically benefited from access to mutual aid, a voluntary and reciprocal arrangement with other utilities that provides access to a trained and flexible labor force which has helped to reduce outage restoration times during extreme weather events. There is no guarantee that we will have continued access to mutual aid as the utility industry consolidates and the frequency of severe weather events rises. We are also exposed to the risk of pandemics, such as the coronavirus pandemic, which could result in service disruptions and ~~delay~~ **delays** or otherwise impair our ability to timely provide service to our customers or complete our investment projects. **In response to the coronavirus pandemic, New Jersey and the BPU implemented a number of expanded customer protection measures, such as an extended moratorium on shut- offs of residential service for non-payment, and more extensive processes to be taken prior to any shut- off of service. These actions negatively affected customer payment patterns, leading to an elevated aged accounts receivable balance. Our ability to manage our accounts receivable balance, and obtain recovery in rates for our carrying costs and any associated bad debts could have a material impact on our business.** These events could result in increased political, economic, financial and insurance market instability **, a lack of available insurance** and volatility in power and fuel markets, which could materially adversely affect our business and results of operations, including our ability to access capital on terms and conditions acceptable to us. In addition, the effects of climate change will have increased the physical risks to our facilities and operations resulting from such climate hazards as more severe weather events (extreme wind, rainfall and flooding), such as experienced from Superstorm Sandy and Tropical Storms Isaias and Ida, sea level rise, and extreme heat. Any of the issues described above, if experienced at our facilities **or otherwise in our business** , or by others in our industry, could adversely impact our revenues; increase costs to repair and maintain our systems; subject us to potential litigation and / or damage claims, fines or penalties; and increase the level of oversight of our utility and generation operations and infrastructure through investigations or through the imposition of additional regulatory or legislative requirements. Such actions could adversely affect our costs, competitiveness and future investments, which could be material to our financial position, results of operations and cash flow. For our T & D business, the cost of storm restoration efforts may not be fully recoverable through the regulatory process. In addition, the inability to restore power to our customers on a timely basis could result in negative publicity and materially damage our reputation. Any inability to recover the carrying amount of our long- lived assets could result in future impairment charges which could have a material adverse impact on our financial condition and results of operations. Long- lived assets represent approximately ~~74~~ **75** % and 82 % of the total assets of PSEG and PSE & G, respectively, as of December 31, ~~2022~~ **2023** . Management evaluates long- lived assets for impairment whenever events or changes in circumstances, such as significant adverse changes in regulation, including a disallowance of certain costs **, a potential sale or disposition of an asset significantly before the end of its useful life** , business climate or market conditions, including prolonged periods of adverse commodity and capacity prices, could potentially indicate an asset' s or group of assets' carrying amount may not be recoverable. Significant reductions in our expected revenues or cash flows for an extended period of time resulting from such events could result in future asset impairment charges, which could have a material adverse impact on our financial condition and results of operations. Disruptions or cost increases in our supply chain, including labor shortages, could materially impact our business. The supply chain of goods and services is currently being negatively impacted by several factors, including manufacturing labor shortages, domestic and international shipping constraints, increases in demand, and shortages of raw materials and specialty components. As a result, we are seeing price increases in some areas and delivery delays of certain goods. These factors have increased our costs and have the potential to impact our operations. We cannot currently estimate the potential impact of continued supply chain disruptions but they could materially impact our business and results of operations. Inability to maintain sufficient liquidity in the amounts and at the times needed or access sufficient capital at reasonable rates or on commercially reasonable terms could adversely impact our business. Funding for our investments in capital improvement and additions, scheduled payments of principal and interest on our existing indebtedness and the extension and refinancing of such indebtedness has been provided primarily by internally-generated cash flow and external debt financings. We have significant capital requirements and depend on our ability to generate cash in the future from our operations and continued access to capital and bank markets to efficiently fund our cash flow needs. Our ability to generate cash flow is dependent upon, among other things, industry conditions and general economic, financial, competitive, legislative, regulatory and other factors. The ability to arrange financing and to refinance existing debt and the costs of such financing or refinancing depend on numerous factors including, among other things: • general economic and capital market conditions, including but not limited to, prevailing interest rates; • the availability of credit from banks and other financial institutions; • tax, regulatory and securities law developments; • for PSE & G, our ability to obtain necessary regulatory approvals for the incurrence of additional indebtedness; • investor confidence in us and our industry; • our current level of indebtedness and compliance with covenants in our debt agreements; • the success of current projects and the quality of new projects; • our current and future capital structure; • our financial performance and the continued reliable operation of our business; and • maintenance of our investment grade credit ratings. Market disruptions, such as economic downturns experienced in the U. S. and abroad, the bankruptcy of an unrelated energy company or a systemically important financial institution, changes in market prices for electricity and gas, and actual or threatened acts of war or terrorist attacks, may increase our cost of borrowing or adversely affect our ability to access capital. As a result, no assurance can be given that we will be successful in obtaining financing for projects and investments, extending or refinancing maturing debt or meeting our other cash flow needs on acceptable terms or at all, which could materially adversely impact our financial position, results of operations and future growth. During periods of rising energy prices, hedged positions could be out- of- the- money, increasing PSEG Power' s collateral requirements. In addition, if PSEG Power were to lose its investment grade credit rating from S & P or Moody' s, it would be required under certain agreements to provide a significant amount of additional collateral in the form of letters of credit or cash, which would have a material adverse effect on our liquidity and cash flows. Cybersecurity attacks or intrusions or other disruptions to our IT, operational or other systems could adversely impact our businesses. Cybersecurity threats to the energy market infrastructure are increasing in sophistication, magnitude and frequency, particularly ~~since~~ **with** the **regularity of** ~~coronavirus pandemic and the resulting shift to~~ virtual operations ~~began~~. Because of the inherent vulnerability of infrastructure and technology and operational systems to disability or failure due to hacking, viruses, malicious or destructive code, phishing and other social engineering attacks, denial of service attacks, ransomware, acts of war or terrorism, or other cybersecurity incidents, we face increased risk of cyberattack. We rely on information and operational technology systems and network infrastructure to operate our generation and T & D systems. We also store sensitive data, intellectual property and proprietary or personally identifiable information regarding our business, infrastructure, employees, shareholders, customers and vendors on our IT systems and conduct power marketing and hedging activities. In addition, the operation of our business is dependent upon the IT systems of third parties, including our vendors, regulators, RTOs and ISOs, among others. Our and third-party operational and IT systems and products may be vulnerable to cybersecurity attacks involving fraud, malice or oversight on the part of our employees, other insiders or third parties, whether domestic or foreign sources **. Further, new types of cyberattacks, whether directed at our own infrastructure and technology and operational systems or that of third parties, may be generated or enhanced through the use of Artificial Intelligence (AI)** . A successful cybersecurity attack may result in unauthorized use of our systems to cause disruptions at a third party. Cybersecurity risks to our operations include: • disruption of the operation of our assets, the fuel supply chain, the power grid and gas T & D, • theft of confidential company, employee, shareholder, vendor or customer information, and critical energy infrastructure information, which may cause us to be in breach of certain covenants and contractual or legal obligations and pose risk to our system and our customers, • general business system and process interruption or compromise, including preventing us from servicing our customers, collecting revenues or the ability to record, process and / or report financial information correctly, and • breaches of vendors' infrastructures where our confidential information is stored. We and our third- party vendors have been and will continue to be subject to cybersecurity attacks, including but not limited to ransomware, denial of service, business email compromises, and malware attacks. ~~While~~ **To date,** there has been no material impact **or reasonably likely material impact** on our business ~~or~~ **strategy, results of** operations **or financial condition** from these attacks ~~to date~~ **or other cybersecurity incidents, including as a result of prior cybersecurity incidents. However** , we may be unable to prevent all such attacks in the future from having such a material impact as such attacks continue to increase in sophistication and frequency. If a significant cybersecurity event or breach occurs within our company or with one of our material vendors, we could be exposed to significant loss of revenue, material repair costs to intellectual and physical property, significant fines and penalties if determined that we were in non-compliance with existing laws and regulations, significant litigation costs, increased costs to finance our businesses, negative publicity, damage to our reputation and loss of confidence from our customers, regulators, investors, vendors and employees. The misappropriation, corruption or loss of personally identifiable information and other confidential data from us or one of our vendors could lead to significant breach notification expenses, mitigation expenses such as credit monitoring, and legal and regulatory fines and penalties. Moreover, new or updated security laws or regulations **, including laws and regulations that respond to evolving application of AI,** or unforeseen threat sources could require changes in current measures taken by us and our business operations, which could result in increased costs and adversely affect our financial statements. Similarly, a significant cybersecurity event or breach experienced by a competitor, regulatory authority, RTO, ISO, or vendor could also materially impact our business and results of operations via enhanced legal and regulatory requirements. The amount and scope of insurance we maintain against losses that result from cybersecurity incidents may not be sufficient to cover losses or adequately compensate for resulting business disruptions. For a discussion of state and federal cybersecurity regulatory requirements and information regarding our cybersecurity program, see Item ~~1~~ **1C** . ~~Business — Regulatory Issues —~~ Cybersecurity. A material shift away from natural gas toward increased electrification and a reduction in the use of natural gas as a result of ~~economic~~ decarbonization measures could adversely impact our **gas** business ~~. Technological advancements enabling customer choice~~ and ~~state climate policy supporting decarbonization are driving transformative change in the electric power industry. New Jersey utilities are experiencing increased usage by customers and third parties of distributed energy resources, such as on- site solar generation, energy storage, fuel cells, EE, and demand response technologies. These developments will require modernization of the electric distribution grid to, among other things, accommodate two- way flows of electricity, increase the grid' s capacity, and interconnect distributed energy resources. In order to enable the New Jersey clean energy economy, sustained investments are required in grid modernization, renewable integration projects, EE programs, energy storage options, EV infrastructure and state infrastructure modernization. If these changes progressed in the near- term, our business model and our~~ ability to execute on our **overall PSE & G business** strategy ~~could be materially impacted~~ . Various jurisdictions outside of New Jersey have enacted prohibitions or restrictions on the use and consumption of natural gas **and** ~~that will reduce~~ the ~~use~~ **BPU has commenced stakeholder proceedings regarding the Future** of ~~natural~~ **Natural Gas as required by the New Jersey governor' s EO issued in 2023. The CIP protects PSE & G' s margin variances against changes in customer usage of** gas **and electricity, but not against a decrease in the gas customer base (number of customers on the system)** . If New Jersey were to enact similar prohibitions or restrictions, a reduction in the use of natural gas could lead to a reduction in the gas customer base, higher customer rates for those customers who remain, and a diminished need for gas infrastructure, which could potentially cause substantial investment value of gas assets to be stranded and removed from our rate base, resulting in a reduction in associated rate recovery. Our inability to recover through rates our investments into the natural gas system, while still ensuring gas system safety and reliability, could materially affect our financial condition, results of operations, liquidity, and cash flows. Further, these industry changes, costs associated with complying with new regulatory developments and initiatives and with technological advancements could materially affect our financial condition, results of operations, liquidity, and cash flows. ~~Our financial condition and results of operations~~ **If the above changes occurred, that** ~~could~~ **would also require investment in the electric T & D system to accommodate higher loads. In addition, in order to enable the New Jersey clean energy economy, sustained grid modernization will** be **required** ~~adversely affected by the coronavirus pandemic. In response~~ to **accommodate increased EE** ~~the global coronavirus pandemic~~ , **EV infrastructure** ~~we have implemented a comprehensive set of actions to help our customers~~ , **increased penetration** ~~communities and employees, and will continue to closely monitor developments and adjust as needed to ensure reliable service while protecting the safety and health~~ of **distributed energy resources** ~~our workforce and the communities we serve. The pandemic' s potential impact will depend~~ on ~~a number of factors outside of our control, including the duration and severity of the outbreak as well as third- party actions, including governmental requirements. Pursuant to a BPU order, we have deferred a significant amount of costs for future recovery. Any inability to obtain timely recovery of these~~ -- **the electric system** ~~costs could have a material adverse effect on our business. Further, a number of expanded customer protection measures have been implemented by the State and the BPU~~ , such as ~~an extended moratorium~~ on ~~shut~~ - **site solar generation** ~~offs of residential service for non- payment, and more extensive processes to be taken prior to any shut- off of service. These actions have negatively affected customer payment patterns, leading to an~~ **and also anticipated increased deployment of energy storage** ~~elevated aged accounts receivable balance. Our ability to manage our accounts receivable balance~~ , **fuel cells,** ~~recover its carrying costs~~ and **DR technologies** ~~any associated bad debts could have a material impact on our business~~ . **If** ~~We currently cannot estimate the~~ **these** ~~potential impact~~ **changes progress rapidly in** the **near** ~~coronavirus pandemic may have on our business, results of operations, financial condition, liquidity and cash flows. The impacts of the pandemic and associated government and regulatory responses, including the long~~ - term ~~impact they may have~~ **, our business model and our ability to execute** on **our overall** ~~the economy, which could extend beyond the duration of the pandemic, could affect, among other things: •~~ PSE & G **business strategy could be** ~~' s residential and C & I customer payment patterns, in part as residential customer non- safety related service disconnections for non- payment were temporarily suspended for an extended period, resulting in adverse impacts to accounts receivable and bad debt expense; • the recovery of incremental costs incurred related to the pandemic, including higher bad debts; and • the availability of materials~~ **materially impacted** ~~and supplies due to supply chain interruptions~~ . Failure to attract and retain a qualified workforce could have an adverse effect on our business. Certain events such as an aging workforce looking to retire without an opportunity to transfer knowledge to a successor, inadequate workforce plans and replacements, lack of skill set to meet current and evolving business needs, a culture that does not foster inclusion leading to turnover, ~~a workforce strike resulting from a failure to successfully negotiate new collective bargaining agreements with our labor unions on mutually acceptable terms or at all, unavailability of resources due to the coronavirus pandemic,~~ acts of violence in the workplace **, inadequate training** and a workforce that is not engaged may lead to operating challenges **, safety concerns** and increased costs. The challenges include loss of knowledge and a lengthy time period associated with skill development, increased turnover, costs for contractors to replace employees, poor productivity, and a lack of innovation. Specialized knowledge and experience are required of employees across PSEG and its affiliates. There is competition for these skilled employees. Failure to hire and adequately train and retain employees, including the transfer of significant historical knowledge and expertise to new employees, may adversely affect our results of operations, financial position and cash flows. Increases in the costs of equipment and materials, fuel, services and labor could adversely affect our operating results. ~~Inflation has recently increased across the economy and is impacting portions of our business.~~ Higher costs from suppliers of equipment and materials, fuel, services and labor costs to attract and retain our workforce, could lead to increased costs, which could reduce our earnings. Also, seeking recovery of higher costs in future **distribution base** rate cases could pressure customer rates, resulting in a potentially adverse outcome of such proceedings, or in other proceedings, including the proposal of certain investment programs or other proceedings that impact customer rates. Covenants in our debt instruments and credit agreements may adversely affect our business. PSEG' s and PSE & G' s ~~fixed income~~ debt instruments contain events of default customary for financings of their type, including cross accelerations to other debt of that entity. PSEG' s, PSE & G' s and PSEG Power' s bank credit agreements contain events of default customary for financings of their type, including cross defaults and accelerations and, in the case of PSEG' s and PSEG Power' s bank credit agreements, certain change of control events. PSEG' s **,** PSE & G' s and PSEG Power' s bank credit agreements, contain certain limitations on the incurrence of liens and PSEG Power' s bank credit agreements also contain limitations on the incurrence of certain subsidiary debt. The PSEG Power term loan agreement contains a change- of- control clause, which includes PSEG Power ceasing to be a wholly owned subsidiary of PSEG. Our ability to comply with these covenants may be affected by events beyond our control. If we fail to comply with the covenants and are unable to obtain a waiver or amendment, or a default exists and is continuing under such debt, the lenders or the holders or trustee of such debt, as applicable, could give notice and declare outstanding borrowings and other obligations under such debt immediately due and payable. We may not be able to obtain waivers, amendments or alternative financing, or if obtainable, it could be on terms that are not acceptable to us. Any of these events could adversely impact our financial condition, results of operations and cash flows. Financial market performance directly affects the asset values of our defined benefit plan trust funds and Nuclear Decommissioning Trust (NDT) Fund. Market performance and other factors could decrease the value of trust assets and could result in the need for significant additional funding. The performance of the financial markets will affect the value of the assets that are held in trust to satisfy our future obligations under our defined benefit plans and to decommission our nuclear generating plants. A decline in the market value of the defined benefit plan trust funds could increase our pension plan funding requirements and result in increased pension costs in future years. The market value of our defined benefit plan trusts could be negatively impacted by adverse financial market conditions that reduce the return on trust assets, decreased interest rates used to measure the required minimum funding levels, and future government regulation. Additional funding requirements for our defined benefit plans could be caused by changes in required or voluntary contributions, an increase in the number of employees becoming eligible to retire and changes in life expectancy assumptions. A decline in the market value of our NDT Fund could increase PSEG Power' s funding requirements to decommission its nuclear plants. An increase in projected costs could also lead to additional funding requirements for our decommissioning trust. Failure to manage adequately our investments in our defined benefit plan trusts and NDT Fund could result in the need for us to make significant cash contributions in the future to maintain our funding at sufficient levels, which would negatively impact our results of operations, cash flows and financial position. **If we are unable to extend certain significant contracts on terms acceptable to us, this may negatively affect our financial condition and operating results We are party to several contracts from which we derive significant revenues. PSEG Power sells wholesale natural gas, primarily through a full- requirements BGSS contract with PSE & G to meet the needs of PSE & G' s default gas supply service customers. In 2022, the BPU approved an extension of the long- term BGSS contract to March 31, 2027, and thereafter the contract remains in effect unless terminated by either party with a two- year notice. PSEG LI has an OSA with LIPA to operate LIPA' s electric T & D system in Long Island. The OSA continues through 2025, but can be extended by mutual agreement of the parties. Further, PSEG Power provides fuel procurement and power management services to LIPA under separate agreements that expire at the end of 2025. It is uncertain whether any of these contracts and agreements will be extended on terms acceptable to us or at all, which may negatively affect our financial condition and operating results. For additional information, see Item 1. Business — PSEG Power & Other. Artificial Intelligence is an emerging area of technology that has the potential to impact various aspects of our business operations and customer interactions. The development, adoption, and use for generative AI technologies are still in their early stages and ineffective or inadequate AI development or deployment practices by PSEG or third- party vendors could result in unintended consequences. We contract third- party vendors that use AI in products and / or services they provide and we may not have full control or visibility over the quality, performance, security or compliance of the products and services that incorporate AI- related technology. AI algorithms that we or our third- party vendors use may be flawed or may be based on datasets that are biased or insufficient. These limitations or failures could result in reputational damage and legal liabilities. Developing, testing, and deploying resource- intensive AI systems may require additional investment and increase our costs. In addition, the evolving nature of AI may cause new laws and regulations to be enacted which may require significant resources to modify and maintain business practices to comply with the new laws and regulations, the nature of which cannot be determined at this time. Further, inaccurate results generated as a result of our employees', contractors' or vendors' use of generative AI technologies could lead to operational interruptions or reputational harm.** RISKS RELATED TO OUR GENERATION BUSINESS Fluctuations in the wholesale power and natural gas markets could negatively affect our financial condition, results of operations and cash flows. In the competitive markets where we operate, natural gas prices have a major impact on the price that generators receive for their output and participants are not guaranteed any specific rate of return on their capital investments. Recently, the natural gas market and, therefore, energy markets have become more volatile due to higher domestic demand, increased natural gas exports and impacts from the global liquefied natural gas market, among other things. The price of natural gas is the primary driver of energy pricing in PJM. As such, the volatility in the natural gas market and potential lower natural gas prices may impact our results of operations and cash flows. Lower natural gas prices result in lower electricity prices, which reduce our margins where our nuclear generation costs may not have declined similarly. Changes in prevailing market prices **below the PTC threshold** could have a material adverse effect on our financial condition and results of operations. Factors that may cause market price fluctuations include: • increases and decreases in generation capacity, including the addition of new supplies of power as a result of the development of new power plants, expansion of existing power plants or additional transmission capacity; • severe weather conditions; • power supply disruptions, including power plant outages and transmission disruptions; • climate change **,** and weather conditions, particularly unusually mild summers or warm winters in our market areas; • seasonal fluctuations; • economic and political conditions that could negatively impact the demand for power **or PTCs on our nuclear generation units** ; • changes in the supply of, and demand for, energy commodities; • development of new fuels or new technologies for the production or storage of power; • incurring penalties due to generation performance failure when called on by PJM during emergency situations; • federal and state regulations and actions of PJM and changing PJM market rules; and • federal and state power, market and environmental regulation and legislation, including financial incentives for new renewable energy generation capacity that could lead to oversupply and price suppression. Our generation business ~~frequently~~ **currently** involves the establishment of forward sale positions in the wholesale energy markets on long- term and short- term bases. To the extent that we have produced or purchased energy in excess of our contracted obligations, a reduction in market prices could reduce profitability. Conversely, to the extent that we have contracted obligations in excess of energy we have produced or purchased, an increase in market prices could reduce profitability. If the strategy we utilize to hedge our exposure to these various risks or if our internal policies and procedures designed to monitor the exposure to these various risks are not effective, we could incur material losses. Our market positions can also be adversely affected by the level of volatility in the energy markets that, in turn, depends on various factors, including weather in various geographical areas, short- term supply and demand imbalances, ~~customer migration~~ and pricing differentials at various geographic locations. These risks cannot be predicted with certainty. Increases in market prices also affect our ability to hedge generation output and fuel requirements as the obligation to post margin increases with increasing prices. In addition, the volatility and potential for higher natural gas prices may have a material impact on collateral requirements related to the forward value of our open futures contracts. Higher collateral requirements reduce available short- term liquidity and increase working capital costs. We may be unable to obtain an adequate **nuclear** fuel supply in the future. We obtain substantially all of our nuclear fuel supply from third parties pursuant to arrangements that vary in term, pricing structure, firmness and delivery flexibility. Our fuel supply arrangements must be coordinated with storage services and other contracts to ensure that the nuclear fuel is delivered to our power plants at the times, in the quantities and otherwise in a manner that meets the needs of our generation portfolio and our customers. We must also comply with laws and regulations governing the transportation of such fuels. We are exposed to increases in the price of nuclear fuel, and it is possible that sufficient supplies to operate our generating facilities profitably may not continue to be available to us. Significant changes in the price of nuclear fuel could affect our future results and impact our liquidity needs. In addition, we face risks with regard to the delivery to, and the use of nuclear fuel by, our power plants including the following: • creditworthiness of third- party suppliers, defaults by third- party suppliers on supply obligations and our ability to replace supplies currently under contract may delay or prevent timely delivery; • market liquidity for physical supplies of such fuels or availability of related services (e. g. **,** fabrication) may be insufficient or available only at prices that are not acceptable to us; • variation in the quality of such fuels may adversely affect our power plant operations; • domestic and foreign legislative or regulatory actions or requirements may increase the cost of such fuels; and • the loss of critical infrastructure, acts of war or terrorist attacks (including cybersecurity breaches) or catastrophic events such as fires, earthquakes, explosions, floods, severe storms or other similar occurrences could impede the delivery of such fuels. Our nuclear units have a diversified portfolio of contracts and inventory that provide a substantial portion of our fuel raw material needs over the next several years. However, each of our nuclear units has contracted with a single fuel fabrication services provider, and transitioning to an alternative provider could take an extended period of time. ~~Certain of our other generation facilities also require fuel or other services that may only be available from one or a limited number of suppliers. The availability and price of this fuel may vary due to supplier financial or operational disruptions, transportation disruptions, force majeure and other factors, including market conditions. At times, such fuel may not be available at any price, or we may not be able to transport it to our facilities on a timely basis. In this case, we may not be able to run those facilities even if it would be profitable. If we had sold forward the power from such a facility, we could be required to supply or purchase power from alternate sources, perhaps at a loss.~~ This could have a material adverse impact on our business, the financial results of specific plants and on our results of operations. Although our fuel contract portfolio provides a degree of hedging against these market risks, such hedging may not be effective and future increases in our fuel costs could materially and adversely affect our liquidity, financial condition and results of operations. ~~While our generation runs on nuclear fuel, an increase in the cost of any particular fuel ultimately used by other generation facilities could impact our results of operations.~~ The introduction or expansion of technologies related to energy generation, distribution and consumption and changes in customer usage patterns could adversely impact us. Federal and state incentives for the development and production of renewable sources of power have facilitated the penetration of competing technologies, such as wind, solar, and commercial- sized power storage. Additionally, the development of **demand side management (** DSM **)** and EE programs can impact demand requirements for some of our markets ~~at certain times during the year~~ . The continued development of ~~subsidized,~~ competing on- site power generation and storage technologies and significant development of DSM and EE programs could alter the market and price structure for power generation and could result in a reduction in load requirements, negatively impacting our financial condition, results of operations and cash flows. ~~Technological advances driven by federal~~ **Federal or state** laws mandating ~~new~~ **higher** levels of ~~EE~~ **efficiency** in end- use electric devices or other improvements in, or applications of, technology could also lead to declines in per capita energy consumption. Advances in distributed generation technologies, such as fuel cells, micro turbines, micro grids, windmills and net- metered solar installations, **coupled with subsidies,** may reduce the cost of alternative methods of ~~producing~~ **delivering** electricity **to customers** to a level that is competitive with that of most central station electric production. Large customers, such as universities and hospitals, continue to explore potential micro grid installation. Certain states ~~, such as Massachusetts and California,~~ are also considering mandating the use of power storage resources to replace uneconomic or retiring generation facilities. Such developments could (i) affect the price of energy, (ii) reduce energy deliveries as customer- owned generation becomes more cost- effective, (iii) require further improvements to our distribution systems to address changing load demands, and (iv) make portions of our transmission and / or distribution facilities obsolete prior to the end of their useful lives. These technologies could also result in further declines in commodity prices or demand for delivered energy. Several states, cities and other stakeholders are also considering bans on ~~new~~ natural gas ~~customers~~ **connections to new buildings** and transitioning away from natural gas in the future. Such actions could have a material adverse effect on our business. Some or all of these factors could result in a lack of growth or decline in customer demand for electricity or ~~number~~ **natural gas or** of customers, and may cause us to fail to fully realize anticipated benefits from significant capital investments and expenditures, which could have a material adverse effect on our financial position, results of operations and cash flows. These factors could also materially affect our results of operations, cash flows or financial positions through, among other things, reduced operating revenues, increased O & M expenses, and increased capital expenditures, as well as potential asset impairment charges or accelerated depreciation and decommissioning expenses over shortened remaining asset useful lives. We are subject to third- party credit risk relating to our sale of nuclear generation output and purchase of nuclear fuel. We sell generation output and buy fuel through the execution of bilateral contracts. We also seek to contract in advance for a significant proportion of our anticipated output capacity and fuel needs. These contracts are subject to credit risk, which relates to the ability of our counterparties to meet their contractual obligations to us. Any failure of these counterparties to perform could require PSEG Power to purchase or sell energy or fuel in the wholesale markets at less favorable prices and incur additional losses, which could have a material adverse impact on our results of operations, cash flows and financial position. In the spot markets, we are exposed to the risks of the default sharing mechanisms that exist in those markets, some of which attempt to spread the risk across all participants. Therefore, a default by a third party could increase our costs, which could negatively impact our results of operations and cash flows. There may be periods when PSEG Power generation ~~output~~ **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 substantial 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; • ~~transportation constraints; •~~ 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 capacity performance rules and / or failure to follow existing rules – by PJM or market participants – creates regulatory uncertainty and reliability risk. In addition,** as market prices for energy and fuel fluctuate, our forward energy sale and forward fuel purchase contracts could require us to post substantial additional collateral, thus requiring us to obtain additional sources of liquidity during periods when our ability to do so may be limited ~~. Certain of our generation facilities rely on transmission facilities that we do not own or control and that may be subject to transmission constraints. Transmission facility owners' inability to maintain adequate transmission capacity could restrict our ability to deliver wholesale electric power to our customers and we may either incur additional costs or forgo revenues. We depend on transmission facilities owned and operated by others to deliver the wholesale power we sell from our generation facilities. If transmission is disrupted or if the transmission capacity infrastructure is inadequate, our ability to sell and deliver wholesale power may be adversely impacted. If a region' s power transmission infrastructure is inadequate, our recovery of wholesale costs and profits may be limited. In addition, in PJM, energy transmission congestion risk and associated costs exist. We may not be able to accurately predict and hedge this risk due to insufficient market data and liquidity. An increase in our congestion costs may adversely affect our financial results~~ . 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 **. In December 2023, we filed a distribution base rate case, as required by the BPU** . 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 **in the periods between distribution base rate proceedings** . These clause mechanisms require periodic updates to be reviewed and approved by the BPU and are subject to prudency reviews. 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. PSE & G also is pursuing a number of opportunities to expand its products and services to customers to support clean energy goals. BPU approval is required for any new endeavor, and is not guaranteed. Rejection or delay of such filings could have an adverse impact on our future growth, or our standing with environmentally conscious investors or other stakeholders. In September 2020, the BPU ordered the commencement of a comprehensive affiliate and management audit of PSE & G. The BPU also conducts periodic combined management / competitive service audits of New Jersey utilities related to affiliate standard requirements, competitive services, cross- subsidization, cost allocation and other issues. A finding by the BPU of non-compliance with these requirements could potentially impact our business, results of operations and cash flows. For information regarding PSE & G' s current affiliate and management audit, see Item 8. Note ~~15~~ **13** . Commitments and Contingent Liabilities. In addition, PSE & G procures the supply requirements of its default service BGSS gas customers through a full- requirements contract with PSEG Power. Government officials, legislators and advocacy groups are aware of the affiliation between PSE & G and PSEG Power. In periods of rising utility rates, those officials and advocacy groups may question or challenge costs and transactions incurred by PSE & G with PSEG Power, irrespective of any previous regulatory processes or approvals underlying those transactions. The occurrence of such challenges may subject PSEG Power to a level of scrutiny not faced by other unaffiliated competitors in those markets and could adversely affect retail rates received by PSE & G in an effort to offset any perceived benefit to PSEG Power from the affiliation. PSE & G' s proposed investment **projects or** programs may not be fully approved by regulators ~~, which could result in lower than desired service levels to customers,~~ and actual capital investment by PSE & G may be lower than planned, which would cause lower than anticipated rate base. PSE & G is a regulated public utility that operates and invests in an electric T & D system and a gas distribution system as well as certain regulated clean energy investments, including solar and EE within New Jersey. PSE & G invests in capital projects to maintain and improve its existing T & D system and to address various public policy goals and meet customer expectations. Transmission projects are subject to a FERC- approved transmission expansion planning process while distribution and clean energy projects are subject to approval by the BPU. The costs of PSE & G' s transmission projects are subject to prudency challenge at FERC and PSE & G' s rates themselves may also be challenged at FERC. **FERC has also proposed elimination of certain transmission rate incentives, including the incentive that PSE & G receives for being a transmission owner member of PJM and accepting the related risk of RTO membership.** We cannot be certain that any proposed project **or program** will be approved as requested or at all. If the **projects or** programs that PSE & G may file from time to time are only approved in part, or not at all, or if the approval fails to allow for the timely recovery of all of PSE & G' s costs, including a return of, or on, its investment, PSE & G will have a lower than anticipated rate base, thus causing its future earnings to be lower than anticipated. ~~If these programs are not approved, that could also adversely affect our service levels for customers.~~ Further, the BPU could take positions to exclude or limit utility participation in certain areas, such as renewable generation, EE, EV infrastructure, **or** energy storage **programs** , renewable natural gas or hydrogen projects, which would limit our relationship with customers and narrow our future growth prospects. We are subject to comprehensive federal regulation that affects, or may affect, our businesses. We are subject to regulation by federal authorities. Such regulation affects almost every aspect of our businesses, including management and operations; the terms and rates of transmission services; investment strategies; the financing of our operations and the payment of dividends. Failure to comply with these regulations could have a material adverse impact on our ability to operate our business and could result in fines, penalties or sanctions. Recovery of wholesale transmission rates — PSE & G' s wholesale transmission rates are regulated by FERC and are recovered through a FERC- approved formula rate. The revenue requirements are reset each year through this formula. In 2021, FERC approved a settlement agreement effective August 1, 2021 that we reached with the BPU and the New Jersey Rate Counsel about the level of PSE & G' s base transmission ROE and other formula rate matters. The settlement ~~reduces~~ **reduced** PSE & G' s base ROE from 11. 18 % to 9. 9 % and made changes to recovery of certain costs. The agreement ~~provides~~ **provided** that the settling parties will not seek changes to our transmission formula rate for three years ~~. We have implemented the terms of the agreement~~ . In April 2021, FERC issued a supplemental notice of proposed rulemaking to eliminate the incentive for RTO membership for transmitting utilities that have already received the incentive for three or more years. PSE & G began receiving a 50 basis point adder for RTO membership in 2008. Elimination of the adder for RTO membership would reduce PSE & G' s annual Net Income and annual cash inflows by approximately $ ~~30 million- $~~ 40 million. Transmission Planning — FERC Order 1000 has generally opened transmission development to competition from independent developers, allowing such developers to compete with incumbent utilities for the construction and operation of transmission facilities in its service territory. While Order 1000 retains limited carve- outs for certain projects that will continue to default to incumbents for construction responsibility, including immediately needed reliability projects, upgrades to existing transmission facilities, **and** projects cost- allocated to a single transmission zone ~~, and projects being built on existing rights- of- way~~ , increased competition for transmission projects could decrease the value of new investments that would be subject to recovery by PSE & G under its rate base, which could have a material adverse impact on our financial condition and results of operations. FERC is currently considering whether to modify Order 1000' s competition rules to further limit competition in an effort to encourage collaborative planning of large regional and interregional transmission projects. FERC is also examining whether additional oversight is needed to control transmission costs **. A significant input into PJM' s transmission planning process is its regional load forecast, which is adjusted on an annual basis. In 2023, PJM adjusted its load forecast in the PSEG zone to reflect New Jersey' s clean energy policies, including electrification requirements and projected EV penetration. Developing an accurate load forecast that reflects the clean energy targets of the state – and other states in PJM – is critical to ensure that transmission is planned and built where it is needed to maintain reliability** . NERC Compliance — NERC, at the direction of FERC, has implemented mandatory NERC Operations and Planning and Critical Infrastructure Protection standards to ensure the reliability of the North American Bulk Electric System, which includes electric transmission and generation systems, and to prevent major system blackouts. NERC Critical Infrastructure Protection standards establish cybersecurity and physical security protections for critical systems and facilities.

We have been, and will continue to be, periodically audited by NERC for compliance with both Operations and Planning and Critical Infrastructure Protection standards and are subject to penalties for non- compliance with applicable NERC standards. NERC is conducting more frequent audits than was the case in the past and we must always be in a state of audit readiness. Failure to comply with applicable NERC standards could result in penalties or increased costs to bring such facilities into compliance. Such penalties and costs could materially adversely impact our business, results of operations and cash flows. Adverse audit findings and / or penalties for non- compliance also pose reputational risk to us. MBR Authority and Other Regulatory Approvals — Under FERC regulations, public utilities that sell power at market rates must receive MBR authority before making power sales, and the majority of our businesses operate with such authority. Failure to maintain MBR authorization, or the effects of any severe mitigation measures that would be required if market power was evaluated differently in the future, could have a material adverse effect on our business, financial condition and results of operations. In December 2022, all of PSEG' s operating companies with MBR authority filed at FERC for acceptance of the companies' updated triennial market power analysis. This filing remains pending at FERC. Oversight by the CFTC relating to derivative transactions — The CFTC has regulatory oversight of the swap and futures markets and options, including energy trading, and licensed futures professionals such as brokers, clearing members and large traders. Changes to regulations or adoption of additional regulations by the CFTC, including any regulations relating to futures and other derivatives or margin for derivatives and increased investigations by the CFTC, could negatively impact PSEG Power' s ability to hedge its portfolio in an efficient, cost- effective manner by, among other things, potentially decreasing liquidity in the forward commodity and derivatives markets or limiting PSEG Power' s ability to utilize non- cash collateral for derivatives transactions. We may also be required to obtain various other regulatory approvals to, among other things, buy or sell assets, engage in transactions between our public utility and our other subsidiaries, and, in some cases, enter into financing arrangements, issue securities and allow our subsidiaries to pay dividends. Failure to obtain these approvals on a timely basis could materially adversely affect our results of operations and cash flows. The markets, PTC and / or ZEC program may not provide sufficient ~~revenue~~ **financial support** for our New Jersey nuclear plants ~~or the PTC and / or ZEC program could be materially adversely modified through legal proceedings, either of~~ which could result in the retirement of all of these nuclear plants. As further described in Item 7. MD & A — Executive Overview of ~~2022~~ **2023** and Future Outlook, in April 2019, PSEG Power' s Salem 1, Salem 2 and Hope Creek nuclear plants were awarded ZECs by the BPU through May 2022. In April 2021, these nuclear plants were awarded ZECs for the three- year period starting June 2022 ~~. In May 2021, the New Jersey Rate Counsel filed an appeal with the New Jersey Appellate Division of the BPU' s April 2021 decision. PSEG cannot predict the outcome of these matters~~ . In August 2022, the IRA was signed into law expanding incentives promoting carbon- free generation. The enacted legislation established a PTC for electricity generation using nuclear energy **which** ~~set to begin~~ **begins** ~~in~~ **January 1,** 2024 **and continues** through 2032. The expected PTC rate is up to $ 15 / MWh subject to adjustment based upon a facility' s gross receipts. The PTC rate and the gross receipts ~~cap~~ **threshold** are subject to annual inflation adjustments. The U. S. Treasury is expected to clarify the definition of gross receipts ~~prior to when the eligibility period begins in 2024~~ . The ZEC payment may be adjusted by the BPU ~~at any time~~ to offset environmental or fuel diversity payments that a selected nuclear plant may receive from another source. ~~We~~ **Until additional guidance is issued by the U. S. Treasury, we** are ~~continuing~~ **unable** to ~~analyze~~ **fully determine** the ~~impact~~ **impacts** of the ~~IRA on our nuclear units including additional future guidance from the U. S. Treasury and the interactions with PTCs~~ **PTC** ~~on expected ZEC payments~~ . If the markets, PTC and / or the ZEC program do not provide sufficient ~~revenue~~ **financial support** , or, in the case of the Salem nuclear plants, decisions by the EPA and state environmental regulators regarding the implementation of Section 316 (b) of the CWA and related state regulations, or other factors, PSEG Power may take all necessary steps to cease to operate all of these plants and will incur associated costs and accounting charges in the event that the financial condition of the plants is materially adversely impacted in the future. Ceasing operations of these plants would result in a material adverse impact on PSEG' s results of operations. We may be adversely affected by changes in energy regulatory policies, including energy and capacity market design rules and developments affecting transmission. The energy industry continues to be regulated and the rules to which our businesses are subject are always at risk of being changed. Our business has been impacted by established rules that create locational capacity markets in PJM. Under these rules, generators located in constrained areas are paid more for their capacity so there is an incentive to locate in those areas where generation capacity is most needed. PJM' s capacity market design rules continue to evolve, including in response to efforts to integrate public policy initiatives into the wholesale markets **, and recent extreme weather events in PJM** . For a discussion of recent changes in energy regulatory policies that may affect our business and results of operations, see Item 1. Regulatory Issues — Federal Regulation. Further, some of the market- based mechanisms in which we participate are at times the subject of review or discussion by some of the participants in the New Jersey and federal arenas. We can provide no assurance that these mechanisms will continue to exist in their current form, nor otherwise be modified. In July 2021, the BPU issued a report on its investigation related to whether New Jersey can achieve its long- term clean energy and environmental objectives under the current resource adequacy procurement paradigm. The report found that participating in the regional market is the most efficient way for New Jersey to achieve its clean energy goals and therefore consideration of leaving the regional market is paused while market reforms are being considered at the regional and national level. In September 2022, the BPU issued a Progress Report expanding on the recommendations contained in the 2021 report. The Progress Report found that it is in New Jersey' s best interest to pursue a voluntary independent clean energy market and **the BPU** Staff sought the BPU' s authorization to evaluate various options that would serve as alternatives to the PJM capacity market or work in conjunction with it **. The BPU is currently examining whether and how to implement a forward clean energy attributes market that could involve several states in PJM and work in tandem with PJM' s capacity and energy markets** . We cannot predict whether the BPU will ultimately take any measures in the future that will have an impact on the capacity market or our generating stations. Our ownership and operation of nuclear power plants involve regulatory risks as well as financial, environmental and health and safety risks. **We** ~~The vast majority of our total generation output each year is provided by our nuclear fleet. For this reason, we~~ are exposed to risks related to the continued successful operation of our nuclear facilities and issues that may adversely affect the nuclear generation industry. In addition to the risk of retirement discussed below, risks associated with the operation of nuclear facilities include: Storage and Disposal of Spent Nuclear Fuel — Federal law requires the United States Department of Energy (DOE) to provide for the permanent storage of spent nuclear fuel. The DOE has not yet begun accepting spent nuclear fuel. Until a federal site is available, we use on- site storage for spent nuclear fuel, which is reimbursed by the DOE. However, future capital expenditures may be required to increase spent fuel storage capacity at our nuclear facilities. Once a federal site is available, the DOE may impose fees to support a permanent repository. Further, the on- site storage for spent nuclear fuel may significantly increase our nuclear unit decommissioning costs. Regulatory and Legal Risk — We may be required to substantially increase capital expenditures or operating or decommissioning costs at our nuclear facilities if there is a change in the Atomic Energy Act or the applicable regulations, trade controls or the environmental rules and regulations applicable to nuclear facilities; a modification, suspension or revocation of licenses issued by the NRC; the imposition of civil penalties for failure to comply with the Atomic Energy Act, related regulations, trade controls or the terms and conditions of the licenses for nuclear generating facilities; or the shutdown of one of our nuclear facilities. Any such event could have a material adverse effect on our financial condition or results of operations. Operational Risk — Operations and equipment reliability at any of our nuclear facilities could degrade to the point where an affected unit needs to be shut down or operated at less than full capacity. If this were to happen, identifying and correcting the causes could require significant time and expense and a significant outage could result in reduced earnings as we would have less electric output to sell and would be required to deliver on our forward sale commitments. In addition, if a unit cannot be operated through the end of its current estimated useful life, our results of operations could be adversely affected by increased depreciation rates, impairment charges and accelerated future decommissioning costs. Nuclear Incident or Accident Risk — Accidents and other unforeseen problems have occurred at nuclear stations, both in the U. S. and elsewhere. The consequences of an accident can be severe and may include loss of life, significant property damage and / or a change in the regulatory climate. We have nuclear units at two sites. It is possible that an accident or other incident at a nuclear generating unit could adversely affect our ability to continue to operate unaffected units located at the same site, which would further affect our financial condition, results of operations and cash flows. An accident or incident at a nuclear unit not owned by us could lead to increased regulation, which could affect our ability to continue to economically operate our units. Any resulting financial impact from a nuclear accident may exceed our resources, including insurance coverages. Further, as a licensed nuclear operator subject to the Price- Anderson Act and a member of a nuclear industry mutual insurance company, PSEG Power is subject to potential retroactive assessments as a result of an industry nuclear incident or retrospective premiums due to adverse industry loss experience and such assessments may be material. In the event of non- compliance with applicable legislation, regulation and licenses, the NRC may increase oversight, impose fines, and / or shut down a unit, depending on its assessment of the severity of the non- compliance. If a serious nuclear incident were to occur, our business, reputation, financial condition and results of operations could be materially adversely affected. In each case, the amount and types of insurance available to cover losses that might arise in connection with the operation of our nuclear fleet are limited and may be insufficient to cover any costs we may incur. Decommissioning — NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available to decommission a nuclear facility at the end of its useful life. PSEG Nuclear has established an NDT Fund to satisfy these obligations. However, forecasting trust fund investment earnings and costs to decommission nuclear generating stations requires significant judgment, and actual results could differ significantly from current estimates. If we determine that it is necessary to retire one of our nuclear generating stations before the end of its useful life, there is a risk that it will no longer meet the NRC minimum funding requirements due to the earlier commencement of decommissioning activities and a shorter time period over which the NDT investments could appreciate in value. A shortfall could require PSEG to post parental guarantees or make additional cash contributions to ensure that the NDT Fund continues to satisfy the NRC minimum funding requirements. As a result, our financial position or cash flows could be significantly adversely affected. **Third- Party Operation of Peach Bottom Plants — While we have a 50 % ownership interest in the Peach Bottom nuclear generation plants, these plants are operated by a third party and, therefore, we have limited control over the operational and other risks associated with these plants.** We are subject to numerous federal, state and local environmental laws and regulations that may significantly limit or affect our businesses, adversely impact our business plans or expose us to significant environmental fines and liabilities. We are subject to extensive federal, state and local environmental laws and regulations regarding air quality, water quality, site remediation, land use, waste disposal, climate change impact, natural resource damages and other matters. These laws and regulations affect how we conduct our operations and make capital expenditures. Over the past several years, there have been various changes to existing environmental laws and regulations and this trend may continue. Changes in these laws, or violations of laws, could result in significant increases in our compliance costs, capital expenditures to bring facilities into compliance, operating costs for remediation and clean- up actions, civil penalties or damages from actions brought by third parties for alleged health or property damages. Any such increase in our costs could have a material impact on our financial condition, results of operations and cash flows and could require further economic review to determine whether to continue operations or decommission an affected facility. We may also be unable to successfully recover certain of these cost increases through our existing regulatory rate structures, in the case of PSE & G, or our contracts with our customers, in the case of PSEG Power. Actions by state and federal government agencies could also result in reduced reliance on natural gas and could potentially result in stranding natural gas assets owned and operated by ~~PSEG Power and~~ PSE & G, which could materially adversely affect our business, financial condition and results of operations. PSE & G recovers certain remediation and legal costs associated with its manufactured gas plant sites through Remediation Adjustment Charge (RAC) filings with the BPU. Continued future recoveries through the RAC are not guaranteed. Any failure to make future recoveries could materially impact our financial condition. In addition, PSEG

Power retained ownership of certain liabilities excluded from the sale of its fossil generation portfolio. These primarily relate to obligations under environmental regulations, including remediation obligations under the New Jersey Industrial Site Recovery Act and the Connecticut Transfer Act. It will require multiple years and comprehensive environmental sampling to understand the extent of and to carry out the required remediation. ~~The~~ **At this stage of the remediation process, the** full remediation costs are not estimable, but **given the number and operating history of the facilities in the portfolio, the full remediation costs** will likely be material **in the aggregate. The costs could potentially include costs for, among other things, excavating soil, implementation of institutional controls, and the construction, operation and maintenance of engineering controls** . Environmental laws and regulations have generally become more stringent over time, and this trend is likely to continue. For further discussion of environmental laws and regulations impacting our business, results of operations and financial condition, including the impact of federal and state laws and regulations relating to remediation of environmental contamination, see Item 8. Note ~~15~~ **13** . Commitments and Contingent Liabilities. We may not receive necessary licenses, permits and siting approvals in a timely manner or at all, which could adversely impact our business and results of operations. We must periodically apply for licenses and permits from various regulatory authorities, including environmental regulatory authorities **, and siting / permitting approvals for our transmission investments** , and abide by their respective orders. Delay in obtaining, or failure to obtain and maintain, any permits or approvals, including environmental permits or approvals, or delay in or failure to satisfy any applicable regulatory requirements, could: • prevent construction of new facilities, • limit or prevent continued operation of existing facilities, • limit or prevent the sale of energy from these facilities, or • result in significant additional costs, each of which could materially affect our business, financial condition, results of operations and cash flows. In addition, the process of obtaining licenses and permits from regulatory authorities may be delayed or defeated by concerted community opposition and such delay or defeat could have a material effect on our business. Changes in tax laws and regulations may adversely affect our financial condition, results of operations and cash flows. The enactment of additional federal or state tax legislation and clarification of previously enacted tax laws **, including anticipated U. S. Treasury guidance relating to the 15 % corporate alternative minimum tax and energy tax credit provisions,** could have a material impact on our effective tax rate and cash tax position. **29**