

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED March 31, 2021**
- OR**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO**

Commission File Number	Name of Registrant, Address, and Telephone Number	State or other jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number
001-09120	Public Service Enterprise Group Incorporated 80 Park Plaza Newark, New Jersey 07102 973 430-7000	New Jersey	22-2625848
001-00973	Public Service Electric and Gas Company 80 Park Plaza Newark, New Jersey 07102 973 430-7000	New Jersey	22-1212800
001-34232	PSEG Power LLC 80 Park Plaza Newark, New Jersey 07102 973 430-7000	Delaware	22-3663480

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange On Which Registered
Public Service Enterprise Group Incorporated		
Common Stock without par value	PEG	New York Stock Exchange
Public Service Electric and Gas Company		
9.25% First and Refunding Mortgage Bonds, Series CC, due 2021	PEG21	New York Stock Exchange
8.00% First and Refunding Mortgage Bonds, due 2037	PEG37D	New York Stock Exchange
5.00% First and Refunding Mortgage Bonds, due 2037	PEG37J	New York Stock Exchange
PSEG Power LLC		
8.625% Senior Notes, due 2031	PEG31	New York Stock Exchange

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files). Yes ☒ No ☐

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Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Public Service Enterprise Group Incorporated	Large accelerated filer	☒ Accelerated filer	☐ Non-accelerated filer	☐ Smaller reporting company	☐ Emerging growth company	☐
Public Service Electric and Gas Company	Large accelerated filer	☐ Accelerated filer	☐ Non-accelerated filer	☒ Smaller reporting company	☐ Emerging growth company	☐
PSEG Power LLC	Large accelerated filer	☐ Accelerated filer	☐ Non-accelerated filer	☒ Smaller reporting company	☐ Emerging growth company	☐

If any of the registrants is an emerging growth company, indicate by check mark if such registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 20, 2021, Public Service Enterprise Group Incorporated had outstanding 505,479,706 shares of its sole class of Common Stock, without par value.

As of April 20, 2021, Public Service Electric and Gas Company had issued and outstanding 132,450,344 shares of Common Stock, without nominal or par value, all of which were privately held, beneficially and of record, by Public Service Enterprise Group Incorporated.

Public Service Electric and Gas Company and PSEG Power LLC are wholly owned subsidiaries of Public Service Enterprise Group Incorporated and meet the conditions set forth in General Instruction H(1) of Form 10-Q. Each is filing its Quarterly Report on Form 10-Q with the reduced disclosure format authorized by General Instruction H.

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FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- any inability to successfully develop, obtain regulatory approval for, or construct generation, transmission and distribution projects;
- lack of growth or slower growth in the number of customers or the failure of our Conservation Incentive Program to fully address a decline in customer demand;
- any equipment failures, accidents, severe weather events, acts of war or terrorism or other incidents, including pandemics such as the ongoing coronavirus pandemic, that may impact our ability to provide safe and reliable service to our customers;
- any inability to recover the carrying amount of our long-lived assets;
- any inability to maintain sufficient liquidity;
- the impact of cybersecurity attacks or intrusions;
- the impact of the ongoing coronavirus pandemic;
- the impact of our covenants in our debt instruments on our operations;
- adverse performance of our nuclear decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- risks associated with the timeline and ultimate outcome of our exploration of strategic alternatives relating to PSEG Power's non-nuclear generating fleet;
- the failure to complete, or delays in completing, our proposed investment in the Ocean Wind offshore wind project, or following the completion of our initial investment in the project, the failure to realize the anticipated strategic and financial benefits of the project;
- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- market risks impacting the operation of our generating stations;
- changes in technology related to energy generation, distribution and consumption and changes in customer usage patterns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- any inability of PSEG Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities to maintain adequate transmission capacity for our power generation fleet;
- the impact of changes in state and federal legislation and regulations on our business, including PSE&G's ability to recover costs and earn returns on authorized investments;
- PSE&G's proposed investment programs may not be fully approved by regulators and its capital investment may be lower than planned;

- the absence of a long-term legislative or other solution for our New Jersey nuclear plants that sufficiently values them for their carbon-free, fuel diversity and resilience attributes, or the impact of the current or subsequent payments for such attributes being materially adversely modified through legal proceedings;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning and transmission returns;
- risks associated with our ownership and operation of nuclear facilities, including regulatory risks, such as compliance with the Atomic Energy Act and trade control, environmental and other regulations, as well as financial, environmental and health and safety risks;
- changes in federal and state environmental regulations and enforcement; and
- delays in receipt of, or an inability to receive, necessary licenses and permits.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

FILING FORMAT

This combined Quarterly Report on Form 10-Q is separately filed by Public Service Enterprise Group Incorporated (PSEG), Public Service Electric and Gas Company (PSE&G) and PSEG Power LLC (PSEG Power). Information relating to any individual company is filed by such company on its own behalf. PSE&G and PSEG Power are each only responsible for information about itself and its subsidiaries.

Discussions throughout the document refer to PSEG and its direct operating subsidiaries, PSE&G and PSEG Power. Depending on the context of each section, references to “we,” “us,” and “our” relate to PSEG or to the specific company or companies being discussed.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions, except per share data
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
OPERATING REVENUES	\$ 2,889	\$ 2,781
OPERATING EXPENSES		
Energy Costs	1,029	906
Operation and Maintenance	778	754
Depreciation and Amortization	341	324
Total Operating Expenses	2,148	1,984
OPERATING INCOME	741	797
Income from Equity Method Investments	3	3
Net Gains (Losses) on Trust Investments	60	(221)
Other Income (Deductions)	25	4
Net Non-Operating Pension and Other Postretirement Benefit (OPEB) Credits (Costs)	82	62
Interest Expense	(146)	(153)
INCOME BEFORE INCOME TAXES	765	492
Income Tax Benefit (Expense)	(117)	(44)
NET INCOME	\$ 648	\$ 448
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
BASIC	504	504
DILUTED	507	507
NET INCOME PER SHARE:		
BASIC	\$ 1.29	\$ 0.89
DILUTED	\$ 1.28	\$ 0.88

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
NET INCOME	\$ 648	\$ 448
Other Comprehensive Income (Loss), net of tax		
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$26 and \$(6) for 2021 and 2020, respectively	(42)	8
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of \$0 and \$1 for 2021 and 2020, respectively	1	(3)
Pension/OPEB adjustment, net of tax (expense) benefit of \$(2) and \$(1) for 2021 and 2020, respectively	3	3
Other Comprehensive Income (Loss), net of tax	(38)	8
COMPREHENSIVE INCOME	<u>\$ 610</u>	<u>\$ 456</u>

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 803	\$ 543
Accounts Receivable, net of allowance of \$232 in 2021 and \$196 in 2020	1,476	1,410
Tax Receivable	7	63
Unbilled Revenues, net of allowance of \$7 in 2021 and \$10 in 2020	187	229
Fuel	129	277
Materials and Supplies, net	609	601
Prepayments	76	51
Derivative Contracts	29	60
Regulatory Assets	249	369
Other	30	27
Total Current Assets	3,595	3,630
PROPERTY, PLANT AND EQUIPMENT	49,063	48,569
Less: Accumulated Depreciation and Amortization	(11,277)	(10,984)
Net Property, Plant and Equipment	37,786	37,585
NONCURRENT ASSETS		
Regulatory Assets	3,832	3,872
Operating Lease Right-of-Use Assets	255	262
Long-Term Investments	512	536
Nuclear Decommissioning Trust (NDT) Fund	2,525	2,501
Long-Term Tax Receivable	43	—
Long-Term Receivable of Variable Interest Entity (VIE)	950	945
Rabbi Trust Fund	238	266
Other Intangibles	163	158
Derivative Contracts	19	9
Other	288	286
Total Noncurrent Assets	8,825	8,835
TOTAL ASSETS	\$ 50,206	\$ 50,050

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2021	December 31, 2020
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 1,429	\$ 1,684
Commercial Paper and Loans	665	1,063
Accounts Payable	984	1,332
Derivative Contracts	26	21
Accrued Interest	173	126
Accrued Taxes	160	124
Clean Energy Program	86	143
Obligation to Return Cash Collateral	94	98
Regulatory Liabilities	271	294
Other	658	637
Total Current Liabilities	4,546	5,522
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	6,630	6,502
Regulatory Liabilities	2,659	2,707
Operating Leases	244	252
Asset Retirement Obligations	1,224	1,212
OPEB Costs	727	730
OPEB Costs of Servco	706	699
Accrued Pension Costs	1,079	1,128
Accrued Pension Costs of Servco	223	226
Environmental Costs	245	286
Derivative Contracts	2	4
Long-Term Accrued Taxes	81	88
Other	217	214
Total Noncurrent Liabilities	14,037	14,048
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 11)		
CAPITALIZATION		
LONG-TERM DEBT	15,346	14,496
STOCKHOLDERS' EQUITY		
Common Stock, no par, authorized 1,000 shares; issued, 2021 and 2020—534 shares	5,013	5,031
Treasury Stock, at cost, 2021 and 2020—30 shares	(902)	(861)
Retained Earnings	12,708	12,318
Accumulated Other Comprehensive Loss	(542)	(504)
Total Stockholders' Equity	16,277	15,984
Total Capitalization	31,623	30,480
TOTAL LIABILITIES AND CAPITALIZATION	\$ 50,206	\$ 50,050

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 648	\$ 448
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	341	324
Amortization of Nuclear Fuel	49	47
Emission Allowances and Renewable Energy Credit (REC) Compliance Accrual	43	33
Provision for Deferred Income Taxes (Other than Leases) and ITC	96	18
Non-Cash Employee Benefit Plan (Credits) Costs	(44)	(26)
Leveraged Lease (Income), (Gains) and Losses, Adjusted for Rents Received and Deferred Taxes	16	18
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	46	(106)
Cost of Removal	(27)	(24)
Net Change in Regulatory Assets and Liabilities	(28)	(80)
Net (Gains) Losses and (Income) Expense from NDT Fund	(68)	209
Net Change in Certain Current Assets and Liabilities:		
Tax Receivable	66	16
Accrued Taxes	(44)	71
Cash Collateral	(44)	55
Other Current Assets and Liabilities	(30)	120
Employee Benefit Plan Funding and Related Payments	(3)	10
Other	10	20
Net Cash Provided By (Used In) Operating Activities	1,027	1,153
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(633)	(720)
Purchase of Emission Allowances and RECs	(12)	(29)
Proceeds from Sales of Trust Investments	662	609
Purchases of Trust Investments	(660)	(619)
Other	19	35
Net Cash Provided By (Used In) Investing Activities	(624)	(724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(598)	(353)
Proceeds from Short-Term Loans	500	300
Payment of Short-Term Loans	(300)	—
Issuance of Long-Term Debt	900	600
Redemption of Long-Term Debt	(300)	—
Cash Dividends Paid on Common Stock	(258)	(248)
Other	(78)	(62)
Net Cash Provided By (Used In) Financing Activities	(134)	237
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	269	666
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	572	176
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 841	\$ 842
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ (25)	\$ (14)
Interest Paid, Net of Amounts Capitalized	\$ 95	\$ 91
Accrued Property, Plant and Equipment Expenditures	\$ 258	\$ 378

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Millions
(Unaudited)

	Common Stock		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shs.	Amount	Shs.	Amount			
Balance as of December 31, 2020	534	\$ 5,031	(30)	\$ (861)	\$ 12,318	\$ (504)	\$ 15,984
Net Income	—	—	—	—	648	—	648
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$24	—	—	—	—	—	(38)	(38)
Comprehensive Income							610
Cash Dividends at \$0.51 per share on Common Stock	—	—	—	—	(258)	—	(258)
Other	—	(18)	—	(41)	—	—	(59)
Balance as of March 31, 2021	<u>534</u>	<u>\$ 5,013</u>	<u>(30)</u>	<u>\$ (902)</u>	<u>\$ 12,708</u>	<u>\$ (542)</u>	<u>\$ 16,277</u>
Balance as of December 31, 2019	534	\$ 5,003	(30)	\$ (831)	\$ 11,406	\$ (489)	\$ 15,089
Net Income	—	—	—	—	448	—	448
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$(6)	—	—	—	—	—	8	8
Comprehensive Income							456
Cumulative Effect Adjustment for Current Expected Credit Losses (CECL)	—	—	—	—	(2)	—	(2)
Cash Dividends at \$0.49 per share on Common Stock	—	—	—	—	(248)	—	(248)
Other	—	(9)	—	(37)	—	—	(46)
Balance as of March 31, 2020	<u>534</u>	<u>\$ 4,994</u>	<u>(30)</u>	<u>\$ (868)</u>	<u>\$ 11,604</u>	<u>\$ (481)</u>	<u>\$ 15,249</u>

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions
(Unaudited)

	Three Months Ended	
	March 31,	
	2021	2020
OPERATING REVENUES	\$ 2,073	\$ 1,883
OPERATING EXPENSES		
Energy Costs	849	708
Operation and Maintenance	424	386
Depreciation and Amortization	241	222
Total Operating Expenses	1,514	1,316
OPERATING INCOME	559	567
Net Gains (Losses) on Trust Investments	1	—
Other Income (Deductions)	28	27
Net Non-Operating Pension and OPEB Credits (Costs)	66	51
Interest Expense	(98)	(96)
INCOME BEFORE INCOME TAXES	556	549
Income Tax Benefit (Expense)	(79)	(109)
NET INCOME	\$ 477	\$ 440

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
NET INCOME	\$ 477	\$ 440
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$1 and \$0 for 2021 and 2020, respectively	(3)	—
COMPREHENSIVE INCOME	<u>\$ 474</u>	<u>\$ 440</u>

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 631	\$ 204
Accounts Receivable, net of allowance of \$232 in 2021 and \$196 in 2020	1,085	1,004
Unbilled Revenues, net of allowance of \$7 in 2021 and \$10 in 2020	187	229
Materials and Supplies, net	220	217
Prepayments	22	14
Regulatory Assets	249	369
Other	17	13
Total Current Assets	2,411	2,050
PROPERTY, PLANT AND EQUIPMENT	36,771	36,300
Less: Accumulated Depreciation and Amortization	(7,292)	(7,149)
Net Property, Plant and Equipment	29,479	29,151
NONCURRENT ASSETS		
Regulatory Assets	3,832	3,872
Operating Lease Right-of-Use Assets	96	99
Long-Term Investments	217	222
Rabbi Trust Fund	43	51
Other	139	136
Total Noncurrent Assets	4,327	4,380
TOTAL ASSETS	\$ 36,217	\$ 35,581

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2021	December 31, 2020
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 134	\$ 434
Commercial Paper and Loans	—	100
Accounts Payable	417	671
Accounts Payable—Affiliated Companies	488	479
Accrued Interest	116	101
Clean Energy Program	86	143
Obligation to Return Cash Collateral	94	98
Regulatory Liabilities	271	294
Other	554	530
Total Current Liabilities	2,160	2,850
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	4,617	4,524
Regulatory Liabilities	2,659	2,707
Operating Leases	86	88
Asset Retirement Obligations	315	314
OPEB Costs	481	485
Accrued Pension Costs	579	612
Environmental Costs	195	236
Long-Term Accrued Taxes	1	7
Other	153	154
Total Noncurrent Liabilities	9,086	9,127
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 11)		
CAPITALIZATION		
LONG-TERM DEBT	11,368	10,475
STOCKHOLDER'S EQUITY		
Common Stock; 150 shares authorized; issued and outstanding, 2021 and 2020—132 shares	892	892
Contributed Capital	1,170	1,170
Basis Adjustment	986	986
Retained Earnings	10,555	10,078
Accumulated Other Comprehensive Income	—	3
Total Stockholder's Equity	13,603	13,129
Total Capitalization	24,971	23,604
TOTAL LIABILITIES AND CAPITALIZATION	\$ 36,217	\$ 35,581

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 477	\$ 440
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	241	222
Provision for Deferred Income Taxes and ITC	32	53
Non-Cash Employee Benefit Plan (Credits) Costs	(39)	(26)
Cost of Removal	(27)	(24)
Net Change in Regulatory Assets and Liabilities	(28)	(80)
Net Change in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	(39)	20
Materials and Supplies	(3)	—
Prepayments	(8)	12
Accounts Payable	(99)	(45)
Accounts Receivable/Payable—Affiliated Companies, net	9	14
Other Current Assets and Liabilities	35	48
Employee Benefit Plan Funding and Related Payments	—	12
Other	(33)	(11)
Net Cash Provided By (Used In) Operating Activities	518	635
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(586)	(620)
Proceeds from Sales of Trust Investments	16	10
Purchases of Trust Investments	(10)	(10)
Solar Loan Investments	2	2
Other	4	2
Net Cash Provided By (Used In) Investing Activities	(574)	(616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(100)	(362)
Issuance of Long-Term Debt	900	600
Redemption of Long-Term Debt	(300)	—
Cash Dividend Paid	—	(175)
Other	(8)	(6)
Net Cash Provided By (Used In) Financing Activities	492	57
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	436	76
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	233	50
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 669	\$ 126
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 51	\$ 11
Interest Paid, Net of Amounts Capitalized	\$ 81	\$ 74
Accrued Property, Plant and Equipment Expenditures	\$ 218	\$ 262

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
Millions
(Unaudited)

	Common Stock	Contributed Capital	Basis Adjustment	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2020	\$ 892	\$ 1,170	\$ 986	\$ 10,078	\$ 3	\$ 13,129
Net Income	—	—	—	477	—	477
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$1	—	—	—	—	(3)	(3)
Comprehensive Income						474
Balance as of March 31, 2021	<u>\$ 892</u>	<u>\$ 1,170</u>	<u>\$ 986</u>	<u>\$ 10,555</u>	<u>\$ —</u>	<u>\$ 13,603</u>
Balance as of December 31, 2019	\$ 892	\$ 1,095	\$ 986	\$ 8,928	\$ 2	\$ 11,903
Net Income	—	—	—	440	—	440
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$0	—	—	—	—	—	—
Comprehensive Income						440
Cumulative Effect Adjustment for CECL	—	—	—	(2)	—	(2)
Cash Dividend Paid	—	—	—	(175)	—	(175)
Balance as of March 31, 2020	<u>\$ 892</u>	<u>\$ 1,095</u>	<u>\$ 986</u>	<u>\$ 9,191</u>	<u>\$ 2</u>	<u>\$ 12,166</u>

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
OPERATING REVENUES	\$ 1,167	\$ 1,220
OPERATING EXPENSES		
Energy Costs	682	676
Operation and Maintenance	222	241
Depreciation and Amortization	92	94
Total Operating Expenses	996	1,011
OPERATING INCOME	171	209
Income from Equity Method Investments	3	3
Net Gains (Losses) on Trust Investments	58	(220)
Other Income (Deductions)	(4)	(23)
Net Non-Operating Pension and OPEB Credits (Costs)	12	8
Interest Expense	(27)	(34)
INCOME (LOSS) BEFORE INCOME TAXES	213	(57)
Income Tax Benefit (Expense)	(52)	70
NET INCOME	\$ 161	\$ 13

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
NET INCOME	\$ 161	\$ 13
Other Comprehensive Income (Loss), net of tax		
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$22 and \$(4) for 2021 and 2020, respectively	(32)	7
Pension/OPEB adjustment, net of tax (expense) benefit of \$(1) for 2021 and 2020	2	2
Other Comprehensive Income (Loss), net of tax	(30)	9
COMPREHENSIVE INCOME	\$ 131	\$ 22

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 27	\$ 27
Accounts Receivable	350	328
Accounts Receivable—Affiliated Companies	258	317
Short-Term Loan to Affiliate	403	161
Fuel	129	277
Materials and Supplies, net	387	382
Prepayments	26	16
Derivative Contracts	29	60
Other	1	2
Total Current Assets	1,610	1,570
PROPERTY, PLANT AND EQUIPMENT	11,882	11,872
Less: Accumulated Depreciation and Amortization	(3,756)	(3,624)
Net Property, Plant and Equipment	8,126	8,248
NONCURRENT ASSETS		
Operating Lease Right-of-Use Assets	58	61
NDT Fund	2,525	2,501
Long-Term Investments	66	64
Other Intangibles	163	158
Rabbi Trust Fund	62	66
Derivative Contracts	19	9
Other	25	27
Total Noncurrent Assets	2,918	2,886
TOTAL ASSETS	\$ 12,654	\$ 12,704

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2021	December 31, 2020
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 995	\$ 950
Accounts Payable	417	459
Accounts Payable—Affiliated Companies	34	13
Derivative Contracts	26	21
Accrued Interest	37	16
Other	102	101
Total Current Liabilities	1,611	1,560
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	1,926	1,936
Operating Leases	48	51
Asset Retirement Obligations	905	895
OPEB Costs	197	197
Accrued Pension Costs	311	321
Derivative Contracts	2	4
Long-Term Accrued Taxes	57	57
Other	81	79
Total Noncurrent Liabilities	3,527	3,540
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 11)		
LONG-TERM DEBT	1,348	1,392
MEMBER'S EQUITY		
Contributed Capital	2,310	2,310
Basis Adjustment	(986)	(986)
Retained Earnings	5,293	5,307
Accumulated Other Comprehensive Loss	(449)	(419)
Total Member's Equity	6,168	6,212
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 12,654	\$ 12,704

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 161	\$ 13
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	92	94
Amortization of Nuclear Fuel	49	47
Emission Allowances and REC Compliance Accrual	43	33
Provision for Deferred Income Taxes and ITC	11	(52)
Non-Cash Employee Benefit Plan (Credits) Costs	(5)	—
Interest Accretion on Asset Retirement Obligation	11	10
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	46	(106)
Net (Gains) Losses and (Income) Expense from NDT Fund	(68)	209
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	143	102
Cash Collateral	(44)	55
Accounts Receivable	3	20
Accounts Payable	(59)	(44)
Accounts Receivable/Payable—Affiliated Companies, net	83	68
Other Current Assets and Liabilities	13	21
Employee Benefit Plan Funding and Related Payments	(2)	(1)
Other	(2)	15
Net Cash Provided By (Used In) Operating Activities	475	484
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(46)	(97)
Purchase of Emission Allowances and RECs	(12)	(29)
Proceeds from Sales of Trust Investments	610	569
Purchases of Trust Investments	(621)	(579)
Short-Term Loan to Affiliate	(242)	(365)
Other	11	11
Net Cash Provided By (Used In) Investing Activities	(300)	(490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividend Paid	(175)	—
Other	—	(1)
Net Cash Provided By (Used In) Financing Activities	(175)	(1)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	—	(7)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	27	21
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 27	\$ 14
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 11	\$ (16)
Interest Paid, Net of Amounts Capitalized	\$ 6	\$ 7
Accrued Property, Plant and Equipment Expenditures	\$ 40	\$ 116

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
Millions
(Unaudited)

	Contributed Capital	Basis Adjustment	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2020	\$ 2,310	\$ (986)	\$ 5,307	\$ (419)	\$ 6,212
Net Income	—	—	161	—	161
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$21	—	—	—	(30)	(30)
Comprehensive Income					131
Cash Dividends Paid	—	—	(175)	—	(175)
Balance as of March 31, 2021	<u>\$ 2,310</u>	<u>\$ (986)</u>	<u>\$ 5,293</u>	<u>\$ (449)</u>	<u>\$ 6,168</u>
Balance as of December 31, 2019	\$ 2,214	\$ (986)	\$ 5,063	\$ (401)	\$ 5,890
Net Income	—	—	13	—	13
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$(5)	—	—	—	9	9
Comprehensive Income					22
Balance as of March 31, 2020	<u>\$ 2,214</u>	<u>\$ (986)</u>	<u>\$ 5,076</u>	<u>\$ (392)</u>	<u>\$ 5,912</u>

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Note 1. Organization, Basis of Presentation and Significant Accounting Policies

Organization

Public Service Enterprise Group Incorporated (PSEG) is a holding company with a diversified business mix within the energy industry. Its operations are primarily in the Northeastern and Mid-Atlantic United States and in other select markets. PSEG's principal direct wholly owned subsidiaries are:

- **Public Service Electric and Gas Company (PSE&G)**—which is a public utility engaged principally in the transmission of electricity and distribution of electricity and natural gas in certain areas of New Jersey. PSE&G is subject to regulation by the New Jersey Board of Public Utilities (BPU) and the Federal Energy Regulatory Commission (FERC). PSE&G also invests in regulated solar generation projects and energy efficiency and related programs in New Jersey, which are regulated by the BPU.
- **PSEG Power LLC (PSEG Power)**—which is a multi-regional energy supply company that integrates the operations of its merchant nuclear and fossil generating assets with its power marketing businesses and fuel supply functions through competitive energy sales in well-developed energy markets primarily in the Northeast and Mid-Atlantic United States through its principal direct wholly owned subsidiaries. In addition, PSEG Power owns and operates solar generation in various states. PSEG Power's subsidiaries are subject to regulation by FERC, the Nuclear Regulatory Commission (NRC), the Environmental Protection Agency (EPA) and the states in which they operate.

PSEG's other direct wholly owned subsidiaries are: PSEG Long Island LLC (PSEG LI), which operates the Long Island Power Authority's (LIPA) electric transmission and distribution (T&D) system under an Amended and Restated Operations Services Agreement (OSA); PSEG Energy Holdings L.L.C. (Energy Holdings), which earns it revenues from its portfolio of lease investments and holds our investment in offshore wind ventures; and PSEG Services Corporation (Services), which provides certain management, administrative and general services to PSEG and its subsidiaries at cost.

In December 2020, PSEG entered into a definitive agreement with Ørsted North America to acquire a 25% equity interest in Ørsted's Ocean Wind project. Ocean Wind was selected by New Jersey to be the first offshore wind farm as part of the state's intention to add 7,500 MW of offshore wind generating capacity by 2035. The Ocean Wind project could provide first power in late 2024. On March 31, 2021, the BPU approved PSEG's investment in Ocean Wind and the acquisition was completed in April 2021. Additionally, PSEG and Ørsted each owns 50% of Garden State Offshore Energy LLC which holds rights to an offshore wind lease area. PSEG and Ørsted are exploring other offshore wind opportunities.

Basis of Presentation

The respective financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) applicable to Quarterly Reports on Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting guidance generally accepted in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. These Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements (Notes) should be read in conjunction with, and update and supplement matters discussed in, the Annual Report on Form 10-K for the year ended December 31, 2020.

The unaudited condensed consolidated financial information furnished herein reflects all adjustments which are, in the opinion of management, necessary to fairly state the results for the interim periods presented. All such adjustments are of a normal recurring nature. All significant intercompany accounts and transactions are eliminated in consolidation. The year-end Condensed Consolidated Balance Sheets were derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2020.

Significant Accounting Policies

Cash, Cash Equivalents and Restricted Cash

The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts for the beginning (December 31, 2020) and ending periods shown in the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2021. Restricted cash consists primarily of deposits received related to various construction projects at PSE&G.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

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	PSE&G	PSEG Power	Other (A)	Consolidated
	Millions			
As of December 31, 2020				
Cash and Cash Equivalents	\$ 204	\$ 27	\$ 312	\$ 543
Restricted Cash in Other Current Assets	7	—	—	7
Restricted Cash in Other Noncurrent Assets	22	—	—	22
Cash, Cash Equivalents and Restricted Cash	\$ 233	\$ 27	\$ 312	\$ 572
As of March 31, 2021				
Cash and Cash Equivalents	\$ 631	\$ 27	\$ 145	\$ 803
Restricted Cash in Other Current Assets	14	—	—	14
Restricted Cash in Other Noncurrent Assets	24	—	—	24
Cash, Cash Equivalents and Restricted Cash	\$ 669	\$ 27	\$ 145	\$ 841

(A) Includes amounts applicable to PSEG (parent company), Energy Holdings and Services.

Note 2. Recent Accounting Standards

New Standards Issued and Adopted

Simplifying the Accounting for Income Taxes—Accounting Standards Update (ASU) 2019-12

This accounting standard updates Accounting Standards Codification (ASC) 740 to simplify the accounting for income taxes, including the elimination of several exceptions and making other clarifications to the current guidance. Some of the more pertinent modifications include a change to the tax accounting related to franchise taxes that are partially based on income, an election to allocate the consolidated tax expense to a disregarded entity that is a member of a consolidated tax return filing group when those entities issue separate financial statements, and modifications and clarifications to interim tax reporting.

The standard is effective for fiscal years beginning after December 15, 2020. PSEG adopted this standard on January 1, 2021. PSEG has elected to allocate the consolidated tax expense to all eligible entities that are included in a consolidated tax filing on a prospective basis. This election is consistent with PSEG's Tax Sharing Agreements with its affiliated subsidiaries. Adoption of this standard did not have an impact on the financial statements of PSEG, PSE&G, and PSEG Power.

Clarifying the Interactions between Investments-Equity Securities, Investments-Equity Method and Joint Ventures, and Derivatives and Hedging—ASU 2020-01

This accounting standard clarifies that an entity should consider transaction prices for purposes of measuring the fair value of certain equity securities immediately before applying or upon discontinuing the equity method. This accounting standard also clarifies that when accounting for contracts entered into to purchase equity securities, an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, the underlying securities would be accounted for under the equity method or the fair value option.

The standard is effective for fiscal years beginning after December 15, 2020. PSEG adopted this standard prospectively on January 1, 2021. Adoption of this standard did not have an impact on the financial statements of PSEG, PSE&G and PSEG Power.

Accounting for Convertible Instruments and Contracts in an Entity's Own Equity—ASU 2020-06

This accounting standard simplifies the accounting for convertible debt and convertible preferred stock by removing the requirements to separately present certain conversion features in equity. In addition, the ASU eliminates certain criteria that must be satisfied in order to classify a contract as equity, which is expected to decrease the number of freestanding instruments and embedded derivatives accounted for as assets or liabilities. The ASU also revises the guidance on calculating earnings per share, requiring use of the if-converted method for all convertible instruments and rescinding the ability to rebut the presumption of share settlement for instruments that may be settled in cash or other assets.

The standard is effective for fiscal years beginning after December 15, 2020. PSEG adopted this standard on January 1, 2021 on a modified retrospective basis. Adoption of this standard did not have an impact on the financial statements of PSEG, PSE&G and PSEG Power.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Codification Improvements to Callable Debt Securities—ASU 2020-08

This accounting standard clarifies that an entity should reevaluate for each reporting period whether a purchased callable debt security that has multiple call dates is within the scope of certain guidance on nonrefundable fees and other costs related to receivables.

The standard is effective for fiscal years beginning after December 15, 2020. PSEG adopted this standard prospectively on January 1, 2021. Adoption of this standard did not have an impact on the financial statements of PSEG, PSE&G and PSEG Power.

Codification Improvements—ASU 2020-10

This accounting standard conforms, clarifies, simplifies, and provides technical corrections to various codification topics.

The standard is effective for fiscal years beginning after December 15, 2020. PSEG adopted this standard on January 1, 2021. Adoption of this standard did not have an impact on the financial statements of PSEG, PSE&G and PSEG Power.

Reference Rate Reform Scope Refinement—ASU 2021-01

This accounting standard clarifies certain guidance related to derivative instruments affected by the market-wide change in the interest rates even if those derivatives do not reference the LIBOR or another rate that is expected to be discontinued as a result of reference rate reform. The accounting standard also clarifies other aspects of the relief provided in the reference rate reform GAAP guidance.

The standard is effective upon issuance and allows for retrospective or prospective application with certain conditions. PSEG adopted this standard prospectively in January 2021. Adoption of this standard did not have an impact on the financial statements of PSEG, PSE&G and PSEG Power.

Note 3. Revenues

Nature of Goods and Services

The following is a description of principal activities by reportable segment from which PSEG, PSE&G and PSEG Power generate their revenues.

PSE&G

Revenues from Contracts with Customers

Electric and Gas Distribution and Transmission Revenues—PSE&G sells gas and electricity to customers under default commodity supply tariffs. PSE&G's regulated electric and gas default commodity supply and distribution services are separate tariffs which are satisfied as the product(s) and/or service(s) are delivered to the customer. The electric and gas commodity and delivery tariffs are recurring contracts in effect until modified through the regulatory approval process as appropriate. Revenue is recognized over time as the service is rendered to the customer. Included in PSE&G's regulated revenues are unbilled electric and gas revenues which represent the estimated amount customers will be billed for services rendered from the most recent meter reading to the end of the respective accounting period.

PSE&G's transmission revenues are earned under a separate tariff using a FERC-approved annual formula rate mechanism. The performance obligation of transmission service is satisfied and revenue is recognized as it is provided to the customer. The formula rate mechanism provides for an annual filing of an estimated revenue requirement with rates effective January 1 of each year and a true-up to that estimate based on actual revenue requirements. The true-up mechanism is an alternative revenue which is outside the scope of revenue from contracts with customers.

Other Revenues from Contracts with Customers

Other revenues from contracts with customers, which are not a material source of PSE&G revenues, are generated primarily from appliance repair services and solar generation projects. The performance obligations under these contracts are satisfied and revenue is recognized as control of products is delivered or services are rendered.

Payment for services rendered and products transferred are typically due on average within 30 days of delivery.

Revenues Unrelated to Contracts with Customers

Other PSE&G revenues unrelated to contracts with customers are derived from alternative revenue mechanisms recorded pursuant to regulatory accounting guidance. These revenues, which include weather normalization, green energy program true-ups and transmission formula rate true-ups, are not a material source of PSE&G revenues.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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PSEG Power

Revenues from Contracts with Customers

Electricity and Related Products—Wholesale and retail load contracts are executed in the different Independent System Operator (ISO) regions for the bundled supply of energy, capacity, renewable energy credits (RECs) and ancillary services representing PSEG Power's performance obligations. Revenue for these contracts is recognized over time as the bundled service is provided to the customer. Transaction terms generally run from several months to three years. PSEG Power also sells to the ISOs energy and ancillary services which are separately transacted in the day-ahead or real-time energy markets. The energy and ancillary services performance obligations are typically satisfied over time as delivered and revenue is recognized accordingly. PSEG Power generally reports electricity sales and purchases conducted with those individual ISOs net on an hourly basis in either Operating Revenues or Energy Costs in its Condensed Consolidated Statements of Operations. The classification depends on the net hourly activity.

PSEG Power enters into capacity sales and capacity purchases through the ISOs. The transactions are reported on a net basis dependent on PSEG Power's monthly net sale or purchase position through the individual ISOs. The performance obligations with the ISOs are satisfied over time upon delivery of the capacity and revenue is recognized accordingly. In addition to capacity sold through the ISOs, PSEG Power sells capacity through bilateral contracts and the related revenue is reported on a gross basis and recognized over time upon delivery of the capacity.

In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded Zero Emission Certificates (ZECs) by the BPU. These nuclear plants are expected to receive ZEC revenue for approximately three years, through May 2022, from the electric distribution companies (EDCs) in New Jersey. PSEG Power recognizes revenue when the units generate electricity, which is when the performance obligation is satisfied. These revenues are included in PJM Sales in the following tables. See Note 4. Early Plant Retirements/Asset Dispositions for additional information.

Gas Contracts—PSEG Power sells wholesale natural gas, primarily through an index based full-requirements Basic Gas Supply Service (BGSS) contract with PSE&G to meet the gas supply requirements of PSE&G's customers. The BGSS contract remains in effect unless terminated by either party with a two-year notice. The performance obligation is primarily delivery of gas which is satisfied over time. Revenue is recognized as gas is delivered. Based upon the availability of natural gas, storage and pipeline capacity beyond PSE&G's daily needs, PSEG Power also sells gas and pipeline capacity to other counterparties under bilateral contracts. The performance obligation under these contracts is satisfied over time upon delivery of the gas or capacity, and revenue is recognized accordingly.

Other Revenues from Contracts with Customers

PSEG Power enters into bilateral contracts to sell solar power and solar RECs from its solar facilities. Contract terms range from 15 to 30 years. The performance obligations are generally solar power and RECs which are transferred to customers upon generation. Revenue is recognized upon generation of the solar power.

PSEG Power has entered into long-term contracts with LIPA for energy management and fuel procurement services. Revenue is recognized over time as services are rendered.

Revenues Unrelated to Contracts with Customers

PSEG Power's revenues unrelated to contracts with customers include electric, gas and certain energy-related transactions accounted for in accordance with Derivatives and Hedging accounting guidance. See Note 13. Financial Risk Management Activities for further discussion. PSEG Power is also a party to solar contracts that qualify as leases and are accounted for in accordance with lease accounting guidance.

Other

Revenues from Contracts with Customers

PSEG LI has a contract with LIPA which generates revenues. PSEG LI's subsidiary, Long Island Electric Utility Servco, LLC (Servco) records costs which are recovered from LIPA and records the recovery of those costs as revenues when Servco is a principal in the transaction.

Revenues Unrelated to Contracts with Customers

Energy Holdings generates lease revenues which are recorded pursuant to lease accounting guidance.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

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Disaggregation of Revenues

	PSE&G	PSEG Power	Other	Eliminations	Consolidated
Millions					
Three Months Ended March 31, 2021					
Revenues from Contracts with Customers					
Electric Distribution	\$ 707	\$ —	\$ —	\$ —	\$ 707
Gas Distribution	896	—	—	(3)	893
Transmission	399	—	—	—	399
Electricity and Related Product Sales					
PJM					
Third-Party Sales	—	471	—	—	471
Sales to Affiliates	—	88	—	(88)	—
New York ISO	—	48	—	—	48
ISO New England	—	51	—	—	51
Gas Sales					
Third-Party Sales	—	60	—	—	60
Sales to Affiliates	—	410	—	(410)	—
Other Revenues from Contracts with Customers (A)	75	10	141	(1)	225
Total Revenues from Contracts with Customers	2,077	1,138	141	(502)	2,854
Revenues Unrelated to Contracts with Customers (B)	(4)	29	10	—	35
Total Operating Revenues	\$ 2,073	\$ 1,167	\$ 151	\$ (502)	\$ 2,889

	PSE&G	PSEG Power	Other	Eliminations	Consolidated
Millions					
Three Months Ended March 31, 2020					
Revenues from Contracts with Customers					
Electric Distribution	\$ 649	\$ —	\$ —	\$ —	\$ 649
Gas Distribution	731	—	—	(2)	729
Transmission	366	—	—	—	366
Electricity and Related Product Sales					
PJM					
Third-Party Sales	—	368	—	—	368
Sales to Affiliates	—	121	—	(121)	—
New York ISO	—	25	—	—	25
ISO New England	—	48	—	—	48
Gas Sales					
Third-Party Sales	—	29	—	—	29
Sales to Affiliates	—	354	—	(354)	—
Other Revenues from Contracts with Customers (A)	82	10	144	(1)	235
Total Revenues from Contracts with Customers	1,828	955	144	(478)	2,449
Revenues Unrelated to Contracts with Customers (B)	55	265	12	—	332
Total Operating Revenues	\$ 1,883	\$ 1,220	\$ 156	\$ (478)	\$ 2,781

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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- (A) Includes primarily revenues from appliance repair services and the sale of solar renewable energy certificates (SRECs) at auction at PSE&G, solar power projects and energy management and fuel service contracts with LIPA at PSEG Power, and PSEG LI's OSA with LIPA in Other.
- (B) Includes primarily alternative revenues at PSE&G, derivative contracts and lease contracts at PSEG Power, and lease contracts in Other.

Contract Balances

PSE&G

PSE&G did not have any material contract balances (rights to consideration for services already provided or obligations to provide services in the future for consideration already received) as of March 31, 2021 and December 31, 2020. Substantially all of PSE&G's accounts receivable and unbilled revenues result from contracts with customers that are priced at tariff rates. Allowances represented approximately 16% and 14% of accounts receivable (including unbilled revenues) as of March 31, 2021 and December 31, 2020, respectively.

Accounts Receivable—Allowance for Credit Losses

PSE&G's accounts receivable, including unbilled revenues, is primarily comprised of utility customer receivables for the provision of electric and gas service and appliance services, and are reported in the balance sheet as gross outstanding amounts adjusted for an allowance for credit losses. The allowance for credit losses reflects PSE&G's best estimate of losses on the account balances. The allowance is based on PSE&G's projection of accounts receivable aging, historical experience, economic factors and other currently available evidence, including the estimated impact of the ongoing coronavirus pandemic (COVID-19) on the outstanding balances as of March 31, 2021. PSE&G's electric bad debt expense is recoverable through its Societal Benefits Clause mechanism. As of March 31, 2021, PSE&G deferred incremental gas bad debt expense for future regulatory recovery due to the impact of the ongoing pandemic. See Note 6. Rate Filings for additional information.

The following provides a reconciliation of PSE&G's allowance for credit losses for the three months ended March 31, 2021 and 2020:

	2021	2020
	Millions	
Balance at Beginning of Year	\$ 206	\$ 68 (A)
Utility Customer and Other Accounts		
Provision	44	32
Write-offs, net of Recoveries of \$2 million in 2021 and 2020	(11)	(20)
Balance at End of Period	<u>\$ 239</u>	<u>\$ 80</u>

- (A) Includes an \$8 million pre-tax increase upon adoption of ASU 2016-13.

PSEG Power

PSEG Power generally collects consideration upon satisfaction of performance obligations, and therefore, PSEG Power had no material contract balances as of March 31, 2021 and December 31, 2020.

PSEG Power's accounts receivable include amounts resulting from contracts with customers and other contracts which are out of scope of accounting guidance for revenues from contracts with customers. The majority of these accounts receivable are subject to master netting agreements. As a result, accounts receivable resulting from contracts with customers and receivables unrelated to contracts with customers are netted within Accounts Receivable and Accounts Payable on the Condensed Consolidated Balance Sheets.

PSEG Power's accounts receivable consist mainly of revenues from wholesale load contracts and capacity sales which are executed in the different ISO regions. PSEG Power also sells energy and ancillary services directly to ISOs and other counterparties. In the wholesale energy markets in which PSEG Power operates, payment for services rendered and products transferred are typically due within 30 days of delivery. As such, there is little credit risk associated with these receivables. PSEG Power did not record an allowance for credit losses for these receivables as of March 31, 2021. PSEG Power monitors the status of its counterparties on an ongoing basis to assess whether there are any anticipated credit losses.

Other

PSEG LI did not have any material contract balances as of March 31, 2021 and December 31, 2020.

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Remaining Performance Obligations under Fixed Consideration Contracts

PSEG Power and PSE&G primarily record revenues as allowed by the guidance, which states that if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a right to invoice. PSEG has future performance obligations under contracts with fixed consideration as follows:

PSEG Power

As previously stated, capacity transactions with ISOs are reported on a net basis dependent on PSEG Power's monthly net sale or purchase position through the individual ISOs.

Capacity Revenues from the PJM Annual Base Residual and Incremental Auctions—The Base Residual Auction is generally conducted annually three years in advance of the operating period. The 2022/2023 auction is expected to be held in the first half of 2021. PSEG Power expects to realize the following average capacity prices resulting from the base and incremental auctions, including unit specific bilateral contracts for previously cleared capacity obligations.

Delivery Year	\$ per MW-Day	MW Cleared
June 2020 to May 2021	\$167	7,600
June 2021 to May 2022	\$166	7,800

Capacity Payments from the ISO New England Forward Capacity Market (FCM)—The FCM Auction is conducted annually three years in advance of the operating period. The table below includes PSEG Power's cleared capacity in the FCM Auction for the Bridgeport Harbor Station 5 (BH5), which cleared the 2019/2020 auction at \$231/MW-day for seven years, and the planned retirement of Bridgeport Harbor Station 3 in May 2021. PSEG Power expects to realize the following average capacity prices for capacity obligations to be satisfied resulting from the FCM Auctions which have been completed through May 2025 and the seven-year rate lock for BH5 through May 2026:

Delivery Year	\$ per MW-Day (A)	MW Cleared
June 2020 to May 2021	\$195	1,330
June 2021 to May 2022	\$192	950
June 2022 to May 2023	\$179	950
June 2023 to May 2024	\$152	930
June 2024 to May 2025	\$158	950
June 2025 to May 2026	\$231	480

(A) Capacity cleared prices for BH5 through 2026 will be escalated based upon the Handy-Whitman Index. These adjustments are not included above.

Bilateral capacity contracts—Capacity obligations pursuant to contract terms through 2029 are anticipated to result in revenues totaling \$147 million.

Other

The LIPA OSA is a 12-year services contract ending in 2025 with annual fixed and incentive components. The fixed fee for the provision of services thereunder in 2021 is \$68 million and is updated each year based on the change in the Consumer Price Index.

Note 4. Early Plant Retirements/Asset Dispositions

Nuclear

In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded ZECs by the BPU. Pursuant to a process established by the BPU, ZECs are purchased from selected nuclear plants and recovered through a non-bypassable distribution charge in the amount of \$0.004 per kilowatt-hour (KWh) used (which is equivalent to approximately \$10 per megawatt hour (MWh) generated in payments to selected nuclear plants (ZEC payment)). Each nuclear plant is expected to

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receive ZEC revenue for approximately three years, through May 2022.

In April 2021, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded ZECs for the three-year eligibility period starting June 2022 at the same approximate \$10 per MWh received during the current ZEC period through May 2022 referenced above. As a result, each nuclear plant is expected to receive ZEC revenue for approximately three years starting June 2022. The terms and conditions of this April 2021 ZEC award are generally similar to the current ZEC period as discussed above.

The award of ZECs attaches certain obligations, including an obligation to repay the ZECs in the event that a plant ceases operations during the approximate three-year period that it was awarded ZECs, subject to certain exceptions specified in the ZEC legislation. PSEG Power has and will continue to recognize revenue monthly as the nuclear plants generate electricity and satisfy their performance obligations. Further, 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. For instance, the New Jersey Division of Rate Counsel (New Jersey Rate Counsel), in written comments filed with the BPU, has advocated for the BPU to offset market benefits resulting from New Jersey's rejoining the Regional Greenhouse Gas Initiative from the ZEC payment. PSEG intends to vigorously defend against these arguments. Due to its preliminary nature, PSEG cannot predict the outcome of this matter.

The BPU's April 2019 decision awarding ZECs through May 2022 has been appealed by the New Jersey Rate Counsel. In March 2021, the New Jersey Appellate Division affirmed the BPU's April 2019 decision granting ZECs for the first eligibility period. In April 2021, New Jersey Rate Counsel has petitioned to the New Jersey Supreme Court for further appellate review. PSEG cannot predict the outcome of this matter.

In the event that (i) the ZEC program is overturned or is otherwise materially adversely modified through legal process; or (ii) any of the Salem 1, Salem 2 and Hope Creek plants is not sufficiently valued for its environmental, fuel diversity or resilience attributes in future periods and does not otherwise experience a material financial change that would remove the need for such attributes to be sufficiently valued, PSEG Power will take all necessary steps to cease to operate all of these plants. Alternatively, even with sufficient valuation of these attributes, if the financial condition of the plants is materially adversely impacted by changes in commodity prices, FERC's changes to the capacity market construct (absent sufficient capacity revenues provided under a program approved by the BPU in accordance with a FERC-authorized capacity mechanism), 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 Clean Water Act (CWA) and related state regulations, or other factors, PSEG Power will take all necessary steps to cease to operate all of these plants. Ceasing operations of these plants would result in a material adverse impact on PSEG's and PSEG Power's results of operations.

Non-Nuclear

In July 2020, PSEG announced that it is exploring strategic alternatives for PSEG Power's non-nuclear generating fleet, which includes more than 6,750 MW of fossil generation located in New Jersey, Connecticut, New York and Maryland as well as the 467 MW Solar Source portfolio located in various states. PSEG intends to retain ownership of PSEG Power's existing nuclear fleet. The marketing of a potential transaction in one or a series of steps launched in the fourth quarter of 2020, and any potential transaction is expected to be completed sometime in 2021. As a result of the strategic review of PSEG Power's non-nuclear generating assets, and the launch in the fourth quarter of 2020 of an associated marketing process for their potential disposition, PSEG Power has performed an impairment assessment of its PJM, NYISO and ISO-NE asset groupings, as well as for its solar assets, as of each quarter end. The assessments included probability weightings assigned to undiscounted cash flow scenarios of retaining the assets through the end of their estimated useful lives and a successful disposition of the non-nuclear assets in 2021. Estimates of cash flows associated with a sale scenario were based on management's expectations of the fair value of such assets. The probability weighted aggregation of undiscounted cash flows for each of the asset groupings expected to result from the use and potential disposition of the asset groups exceeded their carrying value at the assessment dates. As such, it demonstrated that no impairment exists for any of the asset groupings and they continue to remain classified as held-for-use as of March 31, 2021. However, certain assumptions are subject to change as the potential sales and marketing process progresses. The net book value of the fossil generation and of the solar Property, Plant and Equipment (net of eligible investment tax credits) was approximately \$4.5 billion and \$550 million, respectively, as of March 31, 2021.

In May 2021, PSEG Power Ventures LLC (Power Ventures), a direct wholly owned subsidiary of PSEG Power, entered into a purchase agreement with Quattro Solar, LLC, an affiliate of LS Power, relating to the sale by Power Ventures of 100% of its ownership interest in PSEG Solar Source LLC (Solar Source) including its related assets and liabilities. The transaction is expected to close during the second or third quarter of 2021, subject to certain closing conditions, adjustments and regulatory approvals. As a result, the assets and liabilities of Solar Source will be classified as Assets Held for Sale beginning in the

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second quarter of 2021. The net carrying value of the assets and liabilities to be sold is approximately \$500 million as of March 31, 2021.

There is no assurance that the strategic review will result in a sale or other disposition of all or any portion of the fossil generation assets on terms that are favorable to us, or at all. Any transaction would be subject to market conditions and customary closing conditions, including the receipt of all required regulatory approvals. Management expects that a change in the probability of a successful disposition based upon further progression in the marketing process, but prior to meeting all necessary held-for-sale classification criteria, would result in an impairment of the ISO-NE asset grouping, which would be material. Furthermore, a change to a held-for-sale classification from a held-for-use classification would result in an impairment of the PJM, NYISO and ISO-NE asset groupings, which would be material.

Note 5. Variable Interest Entity (VIE)

VIE for which PSEG LI is the Primary Beneficiary

PSEG LI consolidates Servco, a marginally capitalized VIE, which was created for the purpose of operating LIPA's T&D system in Long Island, New York as well as providing administrative support functions to LIPA. PSEG LI is the primary beneficiary of Servco because it directs the operations of Servco, the activity that most significantly impacts Servco's economic performance and it has the obligation to absorb losses of Servco that could potentially be significant to Servco. Such losses would be immaterial to PSEG.

Pursuant to the OSA, Servco's operating costs are paid entirely by LIPA, and therefore, PSEG LI's risk is limited related to the activities of Servco. PSEG LI has no current obligation to provide direct financial support to Servco. In addition to payment of Servco's operating costs as provided for in the OSA, PSEG LI receives an annual contract management fee. PSEG LI's annual contractual management fee, in certain situations, could be partially offset by Servco's annual storm costs not approved by the Federal Emergency Management Agency, limited contingent liabilities and penalties for failing to meet certain performance metrics.

For transactions in which Servco acts as principal and controls the services provided to LIPA, such as transactions with its employees for labor and labor-related activities, including pension and OPEB-related transactions, Servco records revenues and the related pass-through expenditures separately in Operating Revenues and Operation and Maintenance (O&M) Expense, respectively. Servco recorded \$123 million and \$127 million for the three months ended March 31, 2021 and 2020, respectively, of O&M costs, the full reimbursement of which was reflected in Operating Revenues. For transactions in which Servco acts as an agent for LIPA, it records revenues and the related expenses on a net basis, resulting in no impact on PSEG's Condensed Consolidated Statement of Operations.

Note 6. Rate Filings

This Note should be read in conjunction with Note 7. Regulatory Assets and Liabilities to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2020.

In addition to items previously reported in the Annual Report on Form 10-K, significant regulatory orders received and currently pending rate filings with the BPU are as follows:

BGSS—In March 2021, the BPU gave final approval to PSE&G's request to maintain the current BGSS rate of 32 cents per therm which had been provisionally approved effective October 1, 2020.

COVID-19 Deferral—PSE&G continues to make quarterly filings as required by the BPU and has recorded a Regulatory Asset as of March 31, 2021 of approximately \$60 million for net incremental costs, including \$35 million for incremental gas bad debt expense associated with customer accounts receivable, which PSE&G expects are probable of recovery under the BPU order.

Energy Strong II—In April 2021, the BPU approved PSE&G's filing for a \$13 million revenue increase under this investment program, effective May, 2021.

GSMP II—In March 2021, PSE&G updated its petition previously filed in December 2020 seeking BPU approval to recover in gas base rates an annual revenue increase of approximately \$21 million effective June 1, 2021 representing the return on and of GSMP II investments placed in service through February 2021.

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Note 7. Leases

PSEG and its subsidiaries are both a lessor and a lessee in operating leases. As of March 31, 2021, PSEG and its subsidiaries were lessors for leases classified as operating leases or leveraged leases. See Note 8. Financing Receivables. There was no significant change in amounts reported in Note 8. Leases in the Annual Report on Form 10-K for the year ended December 31, 2020 for operating leases in which PSEG and its subsidiaries are lessees.

PSEG and its subsidiaries, as lessors, have lease agreements with lease and non-lease components, which are primarily related to generating facilities. Rental income from these leases is included in Operating Revenues.

PSEG Power

Certain of PSEG Power's sales agreements related to its solar generating plants qualify as operating leases with remaining terms through 2043 with no extension terms. Lease income is based on solar energy generation; therefore, all rental income is variable under these leases.

Other

Energy Holdings is the lessor in leveraged leases. See Note 8. Financing Receivables.

Energy Holdings is the lessor in two operating leases for domestic energy generation facilities with remaining terms through 2036, one of which has an optional renewal period. Energy Holdings was previously the lessor in operating leases for real estate assets which were sold in March 2020.

The following is the operating lease income for PSEG Power and Energy Holdings for the three months ended March 31, 2021 and 2020:

	PSEG Power	Energy Holdings	Total
	Millions		
Operating Lease Income			
Three Months Ended March 31, 2021			
Fixed Lease Income	\$ —	\$ 5	\$ 5
Variable Lease Income	5	—	5
Total Operating Lease Income	\$ 5	\$ 5	\$ 10
Three Months Ended March 31, 2020			
Fixed Lease Income	\$ —	\$ 5	\$ 5
Variable Lease Income	5	—	5
Total Operating Lease Income	\$ 5	\$ 5	\$ 10

Note 8. Financing Receivables

PSE&G

PSE&G's Solar Loan Programs are designed to help finance the installation of solar power systems throughout its electric service area. Interest income on the loans is recorded on an accrual basis. The loans are paid back with SRECs generated from the related installed solar electric system. PSE&G uses collection experience as a credit quality indicator for its Solar Loan Programs and conducts a comprehensive credit review for all prospective borrowers. As of March 31, 2021, none of the solar loans were impaired; however, in the event of a loan default or if a loan becomes impaired, the basis of the solar loan would be recovered through a regulatory recovery mechanism. As of March 31, 2021, none of the solar loans were delinquent and no loans are currently expected to become delinquent in light of the payment mechanism. Therefore, no current credit losses have been recorded for Solar Loan Programs I, II and III. A substantial portion of these amounts are noncurrent and reported in Long-Term Investments on PSEG's and PSE&G's Condensed Consolidated Balance Sheets. The following table reflects the outstanding loans by class of customer, none of which would be considered "non-performing."

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Outstanding Loans by Class of Customers	As of	
	March 31, 2021	December 31, 2020
	Millions	
Commercial/Industrial	\$ 144	\$ 145
Residential	6	6
Total	150	151
Current Portion (included in Accounts Receivable)	(29)	(29)
Noncurrent Portion (included in Long-Term Investments)	\$ 121	\$ 122

The solar loans originated under three Solar Loan Programs are comprised as follows:

Programs	Balance as of March 31, 2021	Funding Provided	Residential Loan Term	Non-Residential Loan Term
	Millions			
Solar Loan I	\$ 19	prior to 2013	10 years	15 years
Solar Loan II	69	prior to 2015	10 years	15 years
Solar Loan III	62	largely funded as of March 31, 2021	10 years	10 years
Total	<u>\$ 150</u>			

The average life of loans paid in full is eight years, which is lower than the loan terms of 10 to 15 years due to the generation of SRECs being greater than expected and/or cash payments made to the loan. Payments on all outstanding loans were current as of March 31, 2021 and have an average remaining life of approximately four years.

Energy Holdings

Energy Holdings, through several of its indirect subsidiaries, has investments in assets subject primarily to leveraged lease accounting. A leveraged lease is typically comprised of an investment by an equity investor and debt provided by a third-party debt investor. The debt is recourse only to the assets subject to lease and is not included on PSEG's Condensed Consolidated Balance Sheets. As an equity investor, Energy Holdings' equity investments in the leases are comprised of the total expected lease receivables over the lease terms plus the estimated residual values at the end of the lease terms, reduced for any income not yet earned on the leases. This amount is included in Long-Term Investments on PSEG's Condensed Consolidated Balance Sheets. The more rapid depreciation of the leased property for tax purposes creates tax cash flow that will be repaid to the taxing authority in later periods. As such, the liability for such taxes due is recorded in Deferred Income Taxes on PSEG's Condensed Consolidated Balance Sheets.

Leveraged leases outstanding as of March 31, 2021 commenced in or prior to 2000. The following table shows Energy Holdings' gross and net lease investment as of March 31, 2021 and December 31, 2020.

	As of March 31, 2021	As of December 31, 2020
	Millions	
Lease Receivables (net of Non-Recourse Debt)	\$ 274	\$ 299
Estimated Residual Value of Leased Assets	55	55
Total Investment in Rental Receivables	329	354
Unearned and Deferred Income	(100)	(104)
Gross Investments in Leases	229	250
Deferred Tax Liabilities	(60)	(64)
Net Investments in Leases	\$ 169	\$ 186

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The corresponding receivables associated with the lease portfolio are reflected as follows, net of non-recourse debt. The ratings in the table represent the ratings of the entities providing payment assurance to Energy Holdings.

Counterparties' Standard & Poor's (S&P) Credit Rating as of March 31, 2021	Lease Receivables, Net of Non-Recourse Debt	
	As of March 31, 2021	
	Millions	
AA	\$	8
A-		51
BBB+ to BBB		178
BB+		37
Total	\$	274

The "BB+" rating in the preceding table represents a lease receivable related to Merrill Creek Reservoir. Metropolitan Edison Company (a subsidiary of First Energy) is the lease counterparty. As of March 31, 2021, the gross investment in this lease was \$23 million (\$18 million, net of deferred taxes).

PSEG recorded no credit losses for the leveraged leases existing on March 31, 2021. Upon the occurrence of certain defaults, indirect subsidiaries of Energy Holdings would exercise their rights and seek recovery of their investment, potentially including stepping into the lease directly to protect their investments. While these actions could ultimately protect or mitigate the loss of value, they could require the use of significant capital and trigger certain material tax obligations which could, for certain leases, wholly or partially be mitigated by tax indemnification claims against the counterparty. A bankruptcy of a lessee would likely delay and potentially limit any efforts on the part of the lessors to assert their rights upon default and could delay the monetization of claims.

Note 9. Trust Investments

Nuclear Decommissioning Trust (NDT) Fund

PSEG Power maintains an external master NDT to fund its share of decommissioning costs for its five nuclear facilities upon their respective termination of operation. The trust contains two separate funds: a qualified fund and a non-qualified fund. Section 468A of the Internal Revenue Code limits the amount of money that can be contributed into a qualified fund. The funds are managed by third-party investment managers who operate under investment guidelines developed by PSEG Power.

The following tables show the fair values and gross unrealized gains and losses for the securities held in the NDT Fund.

	As of March 31, 2021			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities				
Domestic	\$ 482	\$ 308	\$ (1)	\$ 789
International	365	140	(8)	497
Total Equity Securities	847	448	(9)	1,286
Available-for-Sale Debt Securities				
Government	636	13	(12)	637
Corporate	587	21	(8)	600
Total Available-for-Sale Debt Securities	1,223	34	(20)	1,237
Total NDT Fund Investments (A)	\$ 2,070	\$ 482	\$ (29)	\$ 2,523

(A) The NDT Fund Investments table excludes cash of \$1 million and foreign currency of \$1 million as of March 31, 2021, which are part of the NDT Fund.

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	As of December 31, 2020			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities				
Domestic	\$ 519	\$ 305	\$ (3)	\$ 821
International	388	152	(9)	531
Total Equity Securities	907	457	(12)	1,352
Available-for-Sale Debt Securities				
Government	555	27	(1)	581
Corporate	528	39	(1)	566
Total Available-for-Sale Debt Securities	1,083	66	(2)	1,147
Total NDT Fund Investments (A)	\$ 1,990	\$ 523	\$ (14)	\$ 2,499

(A) The NDT Fund Investments table excludes foreign currency of \$2 million as of December 31, 2020, which is part of the NDT Fund.

Net unrealized gains (losses) on debt securities of \$8 million (after-tax) were included in Accumulated Other Comprehensive Loss on PSEG's and PSEG Power's Condensed Consolidated Balance Sheets as of March 31, 2021. The portion of net unrealized gains related to equity securities still held as of March 31, 2021 recognized during the first three months of 2021 was \$24 million.

The amounts in the preceding tables do not include receivables and payables for NDT Fund transactions which have not settled at the end of each period. Such amounts are included in Accounts Receivable and Accounts Payable on the Condensed Consolidated Balance Sheets as shown in the following table.

	As of March 31, 2021	As of December 31, 2020
	Millions	
Accounts Receivable	\$ 15	\$ 11
Accounts Payable	\$ 22	\$ 12

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The following table shows the value of securities in the NDT Fund that have been in an unrealized loss position for less than and greater than 12 months.

	As of March 31, 2021				As of December 31, 2020			
	Less Than 12 Months		Greater Than 12 Months		Less Than 12 Months		Greater Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Millions								
Equity Securities (A)								
Domestic	\$ 56	\$ (1)	\$ 2	\$ —	\$ 23	\$ (2)	\$ 6	\$ (1)
International	42	(4)	20	(4)	26	(2)	27	(7)
Total Equity Securities	98	(5)	22	(4)	49	(4)	33	(8)
Available-for-Sale Debt Securities								
Government (B)	299	(12)	1	—	72	(1)	—	—
Corporate (C)	203	(8)	9	—	31	(1)	7	—
Total Available-for-Sale Debt Securities	502	(20)	10	—	103	(2)	7	—
NDT Trust Investments	\$ 600	\$ (25)	\$ 32	\$ (4)	\$ 152	\$ (6)	\$ 40	\$ (8)

- (A) Equity Securities—Investments in marketable equity securities within the NDT Fund are primarily in common stocks within a broad range of industries and sectors. Unrealized gains and losses on these securities are recorded in Net Income.
- (B) Debt Securities (Government)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). The unrealized losses on PSEG Power's NDT investments in U.S. Treasury obligations and Federal Agency mortgage-backed securities were caused by interest rate changes. PSEG Power also has investments in municipal bonds. It is not expected that these securities will settle for less than their amortized cost. PSEG Power does not intend to sell these securities nor will it be more-likely-than-not required to sell before recovery of their amortized cost. PSEG Power did not recognize credit losses for U.S. Treasury obligations and Federal Agency mortgage-backed securities because these investments are guaranteed by the U.S. government or an agency of the U.S. government. PSEG Power did not recognize credit losses for municipal bonds because they are primarily investment grade securities.
- (C) Debt Securities (Corporate)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). Unrealized losses were due to market declines. It is not expected that these securities would settle for less than their amortized cost. PSEG Power does not intend to sell these securities nor will it be more-likely-than-not required to sell before recovery of their amortized cost. PSEG Power did not recognize credit losses for these corporate bonds because they are primarily investment grade securities.

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The proceeds from the sales of and the net gains (losses) on securities in the NDT Fund were:

	Three Months Ended March 31,	
	2021	2020
	Millions	
Proceeds from NDT Fund Sales (A)	\$ 597	\$ 555
Net Realized Gains (Losses) on NDT Fund		
Gross Realized Gains	\$ 79	\$ 38
Gross Realized Losses	(15)	(34)
Net Realized Gains (Losses) on NDT Fund (B)	64	4
Unrealized Gains (Losses) on Equity Securities	(7)	(221)
Impairment of Available-for-Sale Debt Securities (C)	—	(3)
Net Gains (Losses) on NDT Fund Investments	\$ 57	\$ (220)

(A) Includes activity in accounts related to the liquidation of funds being transitioned within the trust.

(B) The cost of these securities was determined on the basis of specific identification.

(C) PSEG Power recognized an impairment of available-for-sale debt securities in 2020. PSEG Power's policy is to sell all securities that are rated below investment grade.

The NDT Fund debt securities held as of March 31, 2021 had the following maturities:

Time Frame	Fair Value	
	Millions	
Less than one year	\$	18
1 - 5 years		329
6 - 10 years		238
11 - 15 years		79
16 - 20 years		92
Over 20 years		481
Total NDT Available-for-Sale Debt Securities	\$	1,237

PSEG Power periodically assesses individual debt securities whose fair value is less than amortized cost to determine whether the investments are impaired. For these securities, management considers its intent to sell or requirement to sell a security prior to expected recovery. In those cases where a sale is expected, any impairment would be recorded through earnings. For fixed income securities where there is no intent to sell or likely requirement to sell, management evaluates whether credit loss is a component of the impairment. If so, that portion is recorded through earnings while the noncredit loss component is recorded through Accumulated Other Comprehensive Income (Loss). Any subsequent recoveries of the noncredit loss component of the impairment would be recorded through Accumulated Other Comprehensive Income (Loss). Any subsequent recoveries of the credit loss component would be recognized through earnings. The assessment of fair market value compared to cost is applied on a weighted average basis taking into account various purchase dates and initial cost of the securities.

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Rabbi Trust

PSEG maintains certain unfunded nonqualified benefit plans to provide supplemental retirement and deferred compensation benefits to certain key employees. Certain assets related to these plans have been set aside in a grantor trust commonly known as a “Rabbi Trust.”

The following tables show the fair values, gross unrealized gains and losses and amortized cost basis for the securities held in the Rabbi Trust.

	As of March 31, 2021			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Domestic Equity Securities	\$ 18	\$ 10	\$ —	\$ 28
Available-for-Sale Debt Securities				
Government	100	2	(4)	98
Corporate	109	5	(2)	112
Total Available-for-Sale Debt Securities	209	7	(6)	210
Total Rabbi Trust Investments	\$ 227	\$ 17	\$ (6)	\$ 238

	As of December 31, 2020			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Domestic Equity Securities	\$ 21	\$ 10	\$ —	\$ 31
Available-for-Sale Debt Securities				
Government	94	6	—	100
Corporate	123	12	—	135
Total Available-for-Sale Debt Securities	217	18	—	235
Total Rabbi Trust Investments	\$ 238	\$ 28	\$ —	\$ 266

Net unrealized gains (losses) on debt securities included in Accumulated Other Comprehensive Loss on PSEG’s Condensed Consolidated Balance Sheet were immaterial as of March 31, 2021. The portion of net unrealized losses recognized during the first three months of 2021 related to equity securities still held as of March 31, 2021 was immaterial.

The amounts in the preceding tables do not include receivables and payables for Rabbi Trust Fund transactions which have not settled at the end of each period. Such amounts are included in Accounts Receivable and Accounts Payable on the Condensed Consolidated Balance Sheets as shown in the following table.

	As of March 31, 2021	As of December 31, 2020
	Millions	
Accounts Receivable	\$ 1	\$ 1
Accounts Payable	\$ 2	\$ 1

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The following table shows the value of securities in the Rabbi Trust Fund that have been in an unrealized loss position for less than 12 months and greater than 12 months.

	As of March 31, 2021				As of December 31, 2020			
	Less Than 12 Months		Greater Than 12 Months		Less Than 12 Months		Greater Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	Millions							
Available-for-Sale Debt Securities								
Government (A)	\$ 61	\$ (4)	\$ —	\$ —	\$ 19	\$ —	\$ —	\$ —
Corporate (B)	44	(2)	1	—	2	—	1	—
Total Available-for-Sale Debt Securities	105	(6)	1	—	21	—	1	—
Rabbi Trust Investments	\$ 105	\$ (6)	\$ 1	\$ —	\$ 21	\$ —	\$ 1	\$ —

- (A) Debt Securities (Government)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). The unrealized losses on PSEG's Rabbi Trust investments in U.S. Treasury obligations and Federal Agency mortgage-backed securities were caused by interest rate changes. PSEG also has investments in municipal bonds. It is not expected that these securities will settle for less than their amortized cost. PSEG does not intend to sell these securities nor will it be more-likely-than-not required to sell before recovery of their amortized cost. PSEG did not recognize credit losses for U.S. Treasury obligations and Federal Agency mortgage-backed securities because these investments are guaranteed by the U.S. government or an agency of the U.S. government. PSEG did not recognize credit losses for municipal bonds because they are primarily investment grade securities.
- (B) Debt Securities (Corporate)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). Unrealized losses were due to market declines. It is not expected that these securities would settle for less than their amortized cost. PSEG does not intend to sell these securities nor will it be more-likely-than-not required to sell before recovery of their amortized cost. PSEG did not recognize credit losses for these corporate bonds because they are primarily investment grade.

The proceeds from the sales of and the net gains on securities in the Rabbi Trust Fund were:

	Three Months Ended March 31,	
	2021	2020
	Millions	
Proceeds from Rabbi Trust Sales	\$ 65	\$ 54
Net Realized Gains (Losses) on Rabbi Trust:		
Gross Realized Gains	\$ 5	\$ 5
Gross Realized Losses	(2)	(1)
Net Realized Gains (Losses) on Rabbi Trust (A)	3	4
Unrealized Gains (Losses) on Equity Securities	—	(5)
Net Gains (Losses) on Rabbi Trust Investments	\$ 3	\$ (1)

- (A) The cost of these securities was determined on the basis of specific identification.

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The Rabbi Trust debt securities held as of March 31, 2021 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	\$ —
1 - 5 years	42
6 - 10 years	25
11 - 15 years	10
16 - 20 years	27
Over 20 years	106
Total Rabbi Trust Available-for-Sale Debt Securities	\$ 210

PSEG periodically assesses individual debt securities whose fair value is less than amortized cost to determine whether the investments are considered to be impaired. For these securities, management considers its intent to sell or requirement to sell a security prior to expected recovery. In those cases where a sale is expected, any impairment would be recorded through earnings. For fixed income securities where there is no intent to sell or likely requirement to sell, management evaluates whether credit loss is a component of the impairment. If so, that portion is recorded through earnings while the noncredit loss component is recorded through Accumulated Other Comprehensive Income (Loss). Any subsequent recoveries of the noncredit loss component of the impairment would be recorded through Accumulated Other Comprehensive Income (Loss). Any subsequent recoveries of the credit loss component would be recognized through earnings. The assessment of fair market value compared to cost is applied on a weighted average basis taking into account various purchase dates and initial cost of the securities.

The fair value of the Rabbi Trust related to PSE&G, PSEG Power and PSEG's other subsidiaries is detailed as follows:

	As of March 31, 2021	As of December 31, 2020
	Millions	
PSE&G	\$ 43	\$ 51
PSEG Power	62	66
Other	133	149
Total Rabbi Trust Investments	\$ 238	\$ 266

Note 10. Pension and Other Postretirement Benefits (OPEB)

PSEG sponsors qualified and nonqualified pension plans and OPEB plans covering PSEG's and its participating affiliates' current and former employees who meet certain eligibility criteria.

PSEG, PSE&G and PSEG Power are required to record the under or over funded positions of their defined benefit pension and OPEB plans on their respective balance sheets. Such funding positions of each PSEG company are required to be measured as of the date of their respective year-end Consolidated Balance Sheets.

The following table provides the components of net periodic benefit costs relating to all qualified and nonqualified pension and OPEB plans on an aggregate basis for PSEG, excluding Servco. Amounts shown do not reflect the impacts of capitalization and co-owner allocations. Only the service cost component is eligible for capitalization, when applicable.

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	Pension Benefits		OPEB	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2021	2020	2021	2020
	Millions			
Components of Net Periodic Benefit (Credits) Costs				
Service Cost (included in O&M Expense)	\$ 38	\$ 35	\$ 2	\$ 2
Non-Service Components of Pension and OPEB (Credits) Costs				
Interest Cost	35	48	5	9
Expected Return on Plan Assets	(119)	(111)	(10)	(10)
Amortization of Net				
Prior Service Credit	—	(2)	(32)	(32)
Actuarial Loss	26	23	11	12
Non-Service Components of Pension and OPEB (Credits) Costs	(58)	(42)	(26)	(21)
Total Benefit (Credits) Costs	\$ (20)	\$ (7)	\$ (24)	\$ (19)

Pension and OPEB (credits) costs for PSE&G, PSEG Power and PSEG's other subsidiaries, excluding Servco, are detailed as follows:

	Pension Benefits		OPEB	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2021	2020	2021	2020
	Millions			
PSE&G	\$ (16)	\$ (7)	\$ (23)	\$ (19)
PSEG Power	(4)	(1)	(1)	—
Other	—	1	—	—
Total Benefit (Credits) Costs	\$ (20)	\$ (7)	\$ (24)	\$ (19)

PSEG does not plan to contribute to its pension and OPEB plans in 2021.

Service Pension and OPEB

At the direction of LIPA, Servco sponsors benefit plans that cover its current and former employees who meet certain eligibility criteria. Under the OSA, all of these and any future employee benefit costs are to be funded by LIPA. See Note 5. Variable Interest Entity. These obligations, as well as the offsetting long-term receivable, are separately presented on the Condensed Consolidated Balance Sheet of PSEG.

Servco amounts are not included in any of the preceding pension and OPEB cost disclosures. Pension and OPEB costs of Servco are accounted for according to the OSA. Servco recognizes expenses for contributions to its pension plan trusts and for OPEB payments made to retirees. Operating Revenues are recognized for the reimbursement of these costs. Servco plans to contribute \$37 million into its pension plan during 2021. Servco's pension-related revenues and costs were \$9 million and \$8 million for the three months ended March 31, 2021 and 2020, respectively. The OPEB-related revenues earned and costs incurred were \$3 million and \$2 million for the three months ended March 31, 2021 and 2020, respectively.

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Note 11. Commitments and Contingent Liabilities

Guaranteed Obligations

PSEG Power's activities primarily involve the purchase and sale of energy and related products under transportation, physical, financial and forward contracts at fixed and variable prices. These transactions are with numerous counterparties and brokers that may require cash, cash-related instruments or guarantees as a form of collateral.

PSEG Power has unconditionally guaranteed payments to counterparties on behalf of its subsidiaries in commodity-related transactions in order to

- support current exposure, interest and other costs on sums due and payable in the ordinary course of business, and
- obtain credit.

PSEG Power is subject to

- counterparty collateral calls related to commodity contracts of its subsidiaries, and
- certain creditworthiness standards as guarantor under performance guarantees of its subsidiaries.

Under these agreements, guarantees cover lines of credit between entities and are often reciprocal in nature. The exposure between counterparties can move in either direction.

In order for PSEG Power to incur a liability for the face value of the outstanding guarantees,

- its subsidiaries would have to fully utilize the credit granted to them by every counterparty to whom PSEG Power has provided a guarantee, and
- the net position of the related contracts would have to be "out-of-the-money" (if the contracts are terminated, PSEG Power would owe money to the counterparties).

PSEG Power believes the probability of this result is unlikely. For this reason, PSEG Power believes that the current exposure at any point in time is a more meaningful representation of the potential liability under these guarantees. Current exposure consists of the net of accounts receivable and accounts payable and the forward value on open positions, less any collateral posted.

Changes in commodity prices can have a material impact on collateral requirements under such contracts, which are posted and received primarily in the form of cash and letters of credit. PSEG Power also routinely enters into futures and options transactions for electricity and natural gas as part of its operations. These futures contracts usually require a cash margin deposit with brokers, which can change based on market movement and in accordance with exchange rules.

In addition to the guarantees discussed above, PSEG Power has also provided payment guarantees to third parties and regulatory authorities on behalf of its affiliated companies. These guarantees support various other non-commodity related obligations.

The following table shows the face value of PSEG Power's outstanding guarantees, current exposure and margin positions as of March 31, 2021 and December 31, 2020.

	As of March 31, 2021		As of December 31, 2020	
	Millions			
Face Value of Outstanding Guarantees	\$	1,788	\$	1,792
Exposure under Current Guarantees	\$	113	\$	128
Letters of Credit Margin Posted	\$	112	\$	128
Letters of Credit Margin Received	\$	51	\$	45
Cash Deposited and Received				
Counterparty Cash Collateral Deposited	\$	—	\$	—
Counterparty Cash Collateral Received	\$	(4)	\$	(5)
Net Broker Balance Deposited (Received)	\$	102	\$	59
Additional Amounts Posted				
Other Letters of Credit	\$	42	\$	42

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As part of determining credit exposure, PSEG Power nets receivables and payables with the corresponding net fair values of energy contracts. See Note 13. Financial Risk Management Activities for further discussion. In accordance with PSEG's accounting policy, where it is applicable, cash (received)/deposited is allocated against derivative asset and liability positions with the same counterparty on the face of the Condensed Consolidated Balance Sheet. The remaining balances of net cash (received)/deposited after allocation are generally included in Accounts Payable and Receivable, respectively.

In addition to amounts for outstanding guarantees, current exposure and margin positions, PSEG and PSEG Power have posted letters of credit to support PSEG Power's various other non-energy contractual and environmental obligations. See the preceding table.

Environmental Matters

Passaic River

Lower Passaic River Study Area

The U.S. Environmental Protection Agency (EPA) has determined that a 17-mile stretch of the Passaic River (Lower Passaic River Study Area (LPRSA)) in New Jersey is a "Superfund" site under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). PSE&G and certain of its predecessors conducted operations at properties in this area, including at one site that was transferred to PSEG Power.

Certain Potentially Responsible Parties (PRPs), including PSE&G and PSEG Power, formed a Cooperating Parties Group (CPG) and agreed to conduct a Remedial Investigation and Feasibility Study of the LPRSA. The CPG allocated, on an interim basis, the associated costs among its members. The interim allocation is subject to change. In June 2019, the EPA conditionally approved the CPG's Remedial Investigation. In December 2020, the EPA conditionally approved the CPG's Feasibility Study (FS), which evaluated various adaptive management scenarios for the remediation of only the upper 9 miles of the LPRSA. In April 2021, the EPA announced the tentative selection of its preferred adaptive management scenario for the upper 9 miles from the options presented in the FS. This tentative selection is subject to public review and comment prior to the EPA's announcement of a final selection, which is expected in 2021.

Separately, the EPA has released a Record of Decision (ROD) for the LPRSA's lower 8.3 miles that requires the removal of sediments at an estimated cost of \$2.3 billion (ROD Remedy). An EPA-commenced process to allocate the associated costs is underway and PSEG cannot predict the outcome. The allocation does not address certain costs incurred by the EPA for which they may be entitled to reimbursement and which may be material. Occidental Chemical Corporation, one of the PRPs, has commenced the design of the ROD Remedy, but declined to participate in the allocation process. Instead, it filed suit against PSE&G and others seeking cost recovery and contribution under CERCLA but has not quantified alleged damages. The litigation is ongoing and PSEG cannot predict the outcome.

Two PRPs, Tierra Solutions, Inc. (Tierra) and Maxus Energy Corporation (Maxus), have filed for Chapter 11 bankruptcy. The trust representing the creditors in this proceeding has filed a complaint asserting claims against Tierra's and Maxus' current and former parent entities, among others. Any damages awarded may be used to fund the remediation of the LPRSA.

As of March 31, 2021, PSEG has approximately \$65 million accrued for this matter. Of this amount, PSE&G has an Environmental Costs Liability of \$52 million and a corresponding Regulatory Asset based on its continued ability to recover such costs in its rates. PSEG Power has an Other Noncurrent Liability of \$13 million.

The outcome of this matter is uncertain, and until (i) a final remedy for the entire LPRSA is selected and an agreement is reached by the PRPs to fund it, (ii) PSE&G's and PSEG Power's respective shares of the costs are determined, and (iii) PSE&G's ability to recover the costs in its rates is determined, it is not possible to predict this matter's ultimate impact on PSEG's financial statements. It is possible that PSE&G and PSEG Power will record additional costs beyond what they have accrued, and that such costs could be material, but PSEG cannot at the current time estimate the amount or range of any additional costs.

Newark Bay Study Area

The EPA has established the Newark Bay Study Area, which is an extension of the LPRSA and includes Newark Bay and portions of surrounding waterways. The EPA has notified PSEG and 11 other PRPs of their potential liability. PSE&G and PSEG Power are unable to estimate their respective portions of any loss or possible range of loss related to this matter. In December 2018, PSEG Power completed the sale of the site of the Hudson electric generating station. PSEG Power contractually transferred all land rights and structures on the Hudson site to a third-party purchaser, along with the assumption of the environmental liabilities for the site.

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Natural Resource Damage Claims

New Jersey and certain federal regulators have alleged that PSE&G, PSEG Power and 56 other PRPs may be liable for natural resource damages within the LPRSA. In particular, PSE&G, PSEG Power and other PRPs received notice from federal regulators of the regulators' intent to move forward with a series of studies assessing potential damages to natural resources at the Diamond Alkali Superfund Site, which includes the LPRSA and the Newark Bay Study Area. PSE&G and PSEG Power are unable to estimate their respective portions of any possible loss or range of loss related to this matter.

Manufactured Gas Plant (MGP) Remediation Program

PSE&G is working with the New Jersey Department of Environmental Protection (NJDEP) to assess, investigate and remediate environmental conditions at its former MGP sites. To date, 38 sites requiring some level of remedial action have been identified. Based on its current studies, PSE&G has determined that the estimated cost to remediate all MGP sites to completion could range between \$300 million and \$338 million on an undiscounted basis, including its \$52 million share for the Passaic River as discussed above. Since no amount within the range is considered to be most likely, PSE&G has recorded a liability of \$300 million as of March 31, 2021. Of this amount, \$110 million was recorded in Other Current Liabilities and \$190 million was reflected as Environmental Costs in Noncurrent Liabilities. PSE&G has recorded a \$300 million Regulatory Asset with respect to these costs. PSE&G periodically updates its studies taking into account any new regulations or new information which could impact future remediation costs and adjusts its recorded liability accordingly. PSE&G completed sampling in the Passaic River to delineate coal tar from certain MGP sites that abut the Passaic River Superfund site. PSEG cannot determine at this time whether this will have an impact on the Passaic River Superfund remedy.

CWA Section 316(b) Rule

The EPA's CWA Section 316(b) rule establishes requirements for the regulation of cooling water intakes at existing power plants and industrial facilities with a design flow of more than two million gallons of water per day. The EPA requires that National Pollutant Discharge Elimination System permits be renewed every five years and that each state Permitting Director manage renewal permits for its respective power generation facilities on a case by case basis. The NJDEP manages the permits under the New Jersey Pollutant Discharge Elimination System (NJPDDES) program. Connecticut and New York also have permits to manage their respective pollutant discharge elimination system programs.

In June 2016, the NJDEP issued a final NJPDDES permit for Salem. In July 2016, the Delaware Riverkeeper Network (Riverkeeper) filed an administrative hearing request challenging certain conditions of the permit, including the NJDEP's application of the 316(b) rule. If the Riverkeeper's challenge is successful, PSEG Power may be required to incur additional costs to comply with the CWA. Potential cooling water and/or service water system modification costs could be material and could adversely impact the economic competitiveness of this facility. The NJDEP granted the hearing request but no hearing date has been established.

Jersey City, New Jersey Subsurface Feeder Cable Matter

In October 2016, a discharge of dielectric fluid from subsurface feeder cables located in the Hudson River near Jersey City, New Jersey, was identified and reported to the NJDEP. The feeder cables are located within a subsurface easement granted to PSE&G by the property owners, Newport Associates Development Company (NADC) and Newport Associates Phase I Developer Limited Partnership. The feeder cables are subject to agreements between PSE&G and Consolidated Edison Company of New York, Inc. (Con Edison) and are jointly owned by PSE&G and Con Edison. The impacted cable was repaired in September 2017. A federal response was initially led by the U.S. Coast Guard. The U.S. Coast Guard transitioned control of the federal response to the EPA, and the EPA ended the federal response to the matter in 2018. The investigation of small amounts of residual dielectric fluid believed to be contained with the marina sediment is ongoing as part of the NJDEP site remediation program. In August 2020, PSE&G finalized a settlement with the federal government regarding the reimbursement of costs associated with the federal response to this matter and payment of civil penalties of an immaterial amount.

A lawsuit in federal court is pending to determine ultimate responsibility for the costs to address the leak among PSE&G, Con Edison and NADC. In addition, Con Edison filed counter claims against PSE&G and NADC, including seeking injunctive relief and damages. Based on the information currently available and depending on the outcome of the federal court action, PSE&G's portion of the costs to address the leak may be material; however, PSE&G anticipates that it will recover its costs, other than civil penalties, through regulatory proceedings.

Basic Generation Service (BGS), BGSS and ZECs

Each year, PSE&G obtains its electric supply requirements through annual New Jersey BGS auctions for two categories of customers that choose not to purchase electric supply from third-party suppliers. The first category, which represents about 80% of PSE&G's load requirement, is residential and smaller commercial and industrial customers (BGS-Residential Small Commercial Pricing (RSCP)). The second category is larger customers that exceed a BPU-established load (kW) threshold

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(BGS-Commercial and Industrial Energy Pricing (CIEP)). Pursuant to applicable BPU rules, PSE&G enters into the Supplier Master Agreements with the winners of these RSCP and CIEP BGS auctions to purchase BGS for PSE&G's load requirements. The winners of the RSCP and CIEP auctions have been responsible for fulfilling all the requirements of a PJM load-serving entity including the provision of capacity, energy, ancillary services, transmission and any other services required by PJM. BGS suppliers assume all volume risk and customer migration risk and must satisfy New Jersey's renewable portfolio standards. Beginning with the 2021 BGS auction, transmission will become the responsibility of the New Jersey EDCs, and will no longer be a component of the BGS auction product for either the RSCP or CIEP auctions. BGS suppliers serving load from the 2018, 2019 and 2020 BGS auctions had the option to transfer the transmission obligation to the New Jersey EDCs as of February 2021. Suppliers that did so will have their total BGS payment from the EDCs reduced to reflect the transfer of the transmission obligation to the EDCs.

The BGS-CIEP auction is for a one-year supply period from June 1 to May 31 with the BGS-CIEP auction price measured in dollars per MW-day for capacity. The final price for the BGS-CIEP auction year commencing June 1, 2021 is \$351.06 per MW-day, replacing the BGS-CIEP auction year price ending May 31, 2021 of \$359.98 per MW-day. Energy for BGS-CIEP is priced at hourly PJM locational marginal prices for the contract period.

PSE&G contracts for its anticipated BGS-RSCP load on a three-year rolling basis, whereby each year one-third of the load is procured for a three-year period. The contract prices in dollars per MWh for the BGS-RSCP supply, as well as the approximate load, are as follows:

	Auction Year				
	2018	2019	2020	2021	
36-Month Terms Ending	May 2021	May 2022	May 2023	May 2024	(A)
Load (MW)	2,900	2,800	2,800	2,900	
\$ per MWh	\$91.77	\$98.04	\$102.16	\$64.80	

(A) Prices set in the 2021 BGS auction will become effective on June 1, 2021 when the 2018 BGS auction agreements expire.

PSE&G has a full-requirements contract with PSEG Power to meet the gas supply requirements of PSE&G's gas customers. PSEG Power has entered into hedges for a portion of these anticipated BGSS obligations, as permitted by the BPU. The BPU permits PSE&G to recover the cost of gas hedging up to 115 billion cubic feet or 80% of its residential gas supply annual requirements through the BGSS tariff. Current plans call for PSEG Power to hedge on behalf of PSE&G approximately 70 billion cubic feet or 50% of its residential gas supply annual requirements. For additional information, see Note 20. Related-Party Transactions.

Pursuant to a process established by the BPU, New Jersey EDCs, including PSE&G, are required to purchase ZECs from eligible nuclear plants selected by the BPU. In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were selected to receive ZEC revenue for approximately three years, through May 2022. In April 2021, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded ZECs for the three-year eligibility period starting June 2022. PSE&G has implemented a tariff to collect a non-bypassable distribution charge in the amount of \$0.004 per KWh from its retail distribution customers to be used to purchase the ZECs from these plants. PSE&G will purchase the ZECs on a monthly basis with payment to be made annually following completion of each energy year. The legislation also requires nuclear plants to reapply for any subsequent three-year periods and allows the BPU to adjust prospective ZEC payments.

Minimum Fuel Purchase Requirements

PSEG Power's nuclear fuel strategy is to maintain certain levels of uranium and to make periodic purchases to support such levels. As such, the commitments referred to in the following table may include estimated quantities to be purchased that deviate from contractual nominal quantities. PSEG Power's nuclear fuel commitments cover approximately 100% of its estimated uranium, enrichment and fabrication requirements through 2021 and a significant portion through 2022 at Salem, Hope Creek and Peach Bottom.

PSEG Power has various multi-year contracts for natural gas and firm transportation and storage capacity for natural gas that are primarily used to meet its obligations to PSE&G. When there is excess delivery capacity available beyond the needs of PSE&G's customers, PSEG Power can use the gas to supply its fossil generating stations in New Jersey.

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As of March 31, 2021, the total minimum purchase requirements included in these commitments were as follows:

Fuel Type	PSEG Power's Share of Commitments through 2025
	Millions
Nuclear Fuel	
Uranium	\$ 192
Enrichment	\$ 345
Fabrication	\$ 177
Natural Gas	\$ 1,259

Pending FERC Matter

PSE&G has received requests for information and a Notice of Investigation from FERC's Office of Enforcement concerning a transmission project. PSE&G retained outside counsel to assist with an internal investigation. PSE&G is fully cooperating with FERC's requests for information and the investigation. It is not possible at this time to predict the outcome of this matter.

Pending Tropical Storm Matter

Following the effects of Tropical Storm Isaias, the New York Attorney General initiated an inquiry into PSEG LI's preparation and response to the storm. In addition, the Department of Public Service (DPS) within the New York State Public Service Commission launched an investigation of state electric service providers, including PSEG LI, and other state telephone, cable and internet providers into their preparation and restoration efforts following Tropical Storm Isaias. Although the inquiry by the New York Attorney General remains pending, the DPS issued an interim storm investigation report. With respect to PSEG LI, the DPS' report found that PSEG LI violated its Emergency Response Plan and DPS Regulations, and recommended that LIPA consider taking various actions, including terminating or renegotiating the OSA. LIPA also initiated its own review of PSEG LI's performance and issued a report with recommendations for improvements to PSEG LI's structure and processes, including a timeline for implementing those recommendations. That report also recommended that LIPA either renegotiate or terminate the OSA.

PSEG LI agreed with LIPA that it would fund approximately \$6.5 million in claims by customers for food and medication spoilage costs incurred as a result of being without electric service during the storm.

In December 2020, LIPA filed a complaint against PSEG LI in New York State court alleging multiple breaches of the OSA in connection with PSEG LI's preparation for and response to Tropical Storm Isaias seeking specific performance and \$70 million in damages. Pursuant to recommendations by the New York State DPS, LIPA has initiated a series of actions to allow its board to determine whether to seek to terminate the OSA or instead continue with PSEG LI as its Service Provider.

PSEG LI is fully cooperating with the inquiries by the New York Attorney General and the DPS, and we cannot predict their outcome. PSEG LI also continues to work closely with LIPA to address the recommendations in LIPA's report. PSEG LI intends to vigorously defend itself with regard to the allegations in LIPA's complaint alleging breaches of the OSA; however, a decision in this proceeding requiring specific performance or the payment of damages by PSEG LI or resulting in the termination of the OSA could have a material adverse effect on PSEG's results of operations and financial condition.

Pending BPU Audit of PSE&G

In September 2020, the BPU ordered the commencement of a comprehensive affiliate and management audit of PSE&G. Phase 1 of the planned audit will review affiliate relations and cost allocation between PSE&G and its affiliates, including an analysis of the relationship between PSE&G and PSEG Energy Resources & Trade, LLC, a wholly owned subsidiary of PSEG Power over the past ten years, and between PSE&G and PSEG LI. Phase 2 will be a comprehensive management audit, which will address, among other things, executive management, corporate governance, system operations, human resources, cyber security, compliance with customer protection requirements and customer safety. It is not possible at this time to predict the outcome of this matter.

Litigation

Sewaren 7 Construction

In June 2018, a complaint was filed in federal court in Newark, New Jersey against PSEG Fossil LLC, a wholly owned subsidiary of PSEG Power, regarding an ongoing dispute with Durr Mechanical Construction, Inc. (Durr), a contractor on the

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Sewaren 7 project. Among other things, Durr seeks damages of \$93 million and alleges that PSEG Power withheld money owed to Durr and that PSEG Power's intentional conduct led to the inability of Durr to obtain prospective contracts. PSEG Power intends to vigorously defend against these allegations. In January 2021, the court partially granted PSEG Power's motion to dismiss certain claims, reducing the amount claimed to \$68 million. In December 2018, Durr filed for Chapter 11 bankruptcy in the federal court in the Southern District of New York (SDNY). The SDNY bankruptcy court has allowed the New Jersey litigation to proceed. PSEG Power has accrued an amount related to outstanding invoices which does not reflect an assessment of claims and potential counterclaims in this matter. Due to its preliminary nature, PSEG Power cannot predict the outcome of this matter.

Other Litigation and Legal Proceedings

PSEG and its subsidiaries are party to various lawsuits in the ordinary course of business. In view of the inherent difficulty in predicting the outcome of such matters, PSEG, PSE&G and PSEG Power generally cannot predict the eventual outcome of the pending matters, the timing of the ultimate resolution of these matters, or the eventual loss, fines or penalties related to each pending matter.

In accordance with applicable accounting guidance, a liability is accrued when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. PSEG will continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

Based on current knowledge, management does not believe that loss contingencies arising from pending matters, other than the matters described herein, could have a material adverse effect on PSEG's, PSE&G's or PSEG Power's consolidated financial position or liquidity. However, in light of the inherent uncertainties involved in these matters, some of which are beyond PSEG's control, and the large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to PSEG's, PSE&G's or PSEG Power's results of operations or liquidity for any particular reporting period.

Ongoing Coronavirus Pandemic

PSE&G, PSEG Power and PSEG LI are providing essential services during this national emergency related to the ongoing coronavirus (COVID-19) pandemic. The COVID-19 pandemic and associated government actions and economic effects continue to impact our businesses. PSEG and its subsidiaries have incurred additional expenses to protect our employees and customers, and PSE&G is experiencing significantly higher bad debts and lower cash collections from customers due to the moratorium on shutoffs for residential customers that has been extended through June 30, 2021. PSE&G has deferred the impact of these costs for future recovery. The potential future impact of the pandemic and the associated economic impacts, which could extend beyond the duration of the pandemic, could have risks that drive certain accounting considerations. The ultimate impact of the ongoing coronavirus pandemic is highly uncertain and cannot be predicted at this time.

Note 12. Debt and Credit Facilities

Long-Term Debt Financing Transactions

The following long-term debt transactions occurred in the three months ended March 31, 2021:

PSE&G

- issued \$450 million of 0.95% Secured Medium-Term Notes, Series N, due March 2026,
- issued \$450 million of 3.00% Secured Medium-Term Notes, Series N, due March 2051, and
- retired \$300 million of 1.90% Medium-Term Notes, Series K, at maturity.

Debt Covenants

PSEG Power's existing credit agreements and senior notes contain covenants restricting the ability of PSEG Power and its subsidiaries that guarantee its indebtedness from consummating certain mergers, consolidations or asset sales. The disposal of PSEG Power's non-nuclear generating fleet could, depending on the structure of such transaction, among other factors, trigger a default under one or more of these provisions. In March 2021, PSEG Power and its subsidiaries received waivers from the lenders and the administrative agent under their existing credit agreements permitting them to divest, in one or more transactions, some or all of its and its subsidiaries' non-nuclear assets without breaching the terms of the agreements. For these reasons, or for other reasons, PSEG Power may decide, or be required, to seek amendments or waivers under its credit agreements and may redeem its outstanding senior notes, at a price equal to the principal amount thereof plus a make-whole

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premium. Whether such amendments, waivers or redemptions will be required will depend on a number of factors, including the structure of any transaction resulting from the strategic review, and any actual redemption price would depend on the applicable treasury rate in effect at such time. It is likewise possible that the ultimate outcome of the process may result in a transaction, or may result in no transaction at all, where the PSEG Power notes are not redeemed. If PSEG Power is required to redeem its senior notes, the cost of such redemption would be material.

Short-Term Liquidity

PSEG meets its short-term liquidity requirements, as well as those of PSEG Power, primarily through the issuance of commercial paper and, from time to time, short-term loans. PSE&G maintains its own separate commercial paper program to meet its short-term liquidity requirements. Each commercial paper program is fully back-stopped by its own separate credit facilities.

The commitments under the \$4.2 billion credit facilities are provided by a diverse bank group. As of March 31, 2021, the total available credit capacity was \$3.9 billion.

As of March 31, 2021, no single institution represented more than 9% of the total commitments in the credit facilities.

As of March 31, 2021, total credit capacity was in excess of the total anticipated maximum liquidity requirements over PSEG's 12-month planning horizon, including access to meet redemptions.

Each of the credit facilities is restricted as to availability and use to the specific companies as listed in the following table; however, if necessary, the PSEG facilities can also be used to support its subsidiaries' liquidity needs.

The total credit facilities and available liquidity as of March 31, 2021 were as follows:

Company/Facility	As of March 31, 2021			Expiration Date	Primary Purpose
	Total Facility	Usage (D)	Available Liquidity		
		Millions			
PSEG					
5-year Credit Facilities (A)	\$ 1,500	\$ 167	\$ 1,333	Mar 2024	Commercial Paper Support/Funding/Letters of Credit
Total PSEG	\$ 1,500	\$ 167	\$ 1,333		
PSE&G					
5-year Credit Facility (B)	\$ 600	\$ 18	\$ 582	Mar 2024	Commercial Paper Support/Funding/Letters of Credit
Total PSE&G	\$ 600	\$ 18	\$ 582		
PSEG Power					
3-year Letter of Credit Facility	\$ 100	\$ 32	\$ 68	Sept 2021	Letters of Credit
3-year Letter of Credit Facility	100	81	19	Sept 2022	Letters of Credit
5-year Credit Facilities (C)	1,900	39	1,861	Mar 2024	Funding/Letters of Credit
Total PSEG Power	\$ 2,100	\$ 152	\$ 1,948		
Total	\$ 4,200	\$ 337	\$ 3,863		

(A) PSEG facilities will be reduced by \$9 million in March 2022.

(B) PSE&G facility will be reduced by \$4 million in March 2022.

(C) PSEG Power facilities will be reduced by \$12 million in March 2022.

(D) The primary use of PSEG's and PSE&G's credit facilities is to support their respective Commercial Paper Programs, under which as of March 31, 2021, PSEG had \$165 million outstanding at a weighted average interest rate of 0.23%. PSE&G had no Commercial Paper outstanding as of March 31, 2021.

Short-Term Loans

PSEG

In March 2021, PSEG entered into a \$500 million, 364-day variable rate term loan agreement. In March 2020, PSEG entered into a \$300 million, 364-day variable rate term loan agreement which was prepaid in January 2021.

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Note 13. Financial Risk Management Activities

Derivative accounting guidance requires that a derivative instrument be recognized as either an asset or a liability at fair value, with changes in fair value of the derivative recognized in earnings each period. Other accounting treatments are available through special election and designation provided that the derivative instrument meets specific, restrictive criteria, both at the time of designation and on an ongoing basis. These alternative permissible treatments include normal purchases and normal sales (NPNS), cash flow hedge and fair value hedge accounting. PSEG, PSEG Power and PSE&G have applied the NPNS scope exception to certain derivative contracts for the forward sale of generation, power procurement agreements and fuel agreements. PSEG uses interest rate swaps and other derivatives, which are designated and qualifying as cash flow or fair value hedges. PSEG Power enters into additional contracts that are derivatives, but are not designated as either cash flow hedges or fair value hedges. These transactions are economic hedges and are recorded at fair market value with changes recognized in earnings.

Commodity Prices

Within PSEG and its affiliate companies, PSEG Power has the most exposure to commodity price risk. PSEG Power is exposed to commodity price risk primarily relating to changes in the market price of electricity, fossil fuels and other commodities. Fluctuations in market prices result from changes in supply and demand, fuel costs, market conditions, weather, state and federal regulatory policies, environmental policies, transmission availability and other factors. PSEG Power uses a variety of derivative and non-derivative instruments, such as financial options, futures, swaps, fuel purchases and forward purchases and sales of electricity, to manage the exposure to fluctuations in commodity prices and optimize the value of PSEG Power's expected generation. PSEG Power also uses derivatives to hedge a portion of its anticipated BGSS obligations with PSE&G. For additional information see Note 11. Commitments and Contingent Liabilities. Changes in the fair market value of these derivative contracts are recorded in earnings.

Interest Rates

PSEG, PSEG Power and PSE&G are subject to the risk of fluctuating interest rates in the normal course of business. Exposure to this risk is managed by targeting a balanced debt maturity profile which limits refinancing in any given period or interest rate environment. In addition, they have used a mix of fixed and floating rate debt and interest rate swaps.

Cash Flow Hedges

PSEG uses interest rate swaps and other derivatives, which are designated and effective as cash flow hedges, to manage its exposure to the variability of cash flows, primarily related to variable-rate debt instruments.

The Accumulated Other Comprehensive Income (Loss) (after tax) related to terminated interest rate derivatives designated as cash flow hedges was \$(8) million and \$(9) million as of March 31, 2021 and December 31, 2020, respectively. The after-tax unrealized losses on these hedges expected to be reclassified to earnings during the next 12 months are \$(3) million.

Fair Values of Derivative Instruments

The following are the fair values of derivative instruments on the Condensed Consolidated Balance Sheets. The following tables also include disclosures for offsetting derivative assets and liabilities which are subject to a master netting or similar agreement. In general, the terms of the agreements provide that in the event of an early termination the counterparties have the right to offset amounts owed or owing under that and any other agreement with the same counterparty. Accordingly, and in accordance with PSEG's accounting policy, these positions are offset on the Condensed Consolidated Balance Sheets of PSEG Power and PSEG. For additional information see Note 14. Fair Value Measurements. The following tabular disclosure does not include the offsetting of trade receivables and payables.

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Balance Sheet Location	As of March 31, 2021			
	PSEG Power (A)			Consolidated
	Not Designated			Total Derivatives
	Energy- Related Contracts	Netting (B)	Total PSEG Power	
	Millions			
Derivative Contracts				
Current Assets	\$ 397	\$ (368)	\$ 29	\$ 29
Noncurrent Assets	232	(213)	19	19
Total Mark-to-Market Derivative Assets	\$ 629	\$ (581)	\$ 48	\$ 48
Derivative Contracts				
Current Liabilities	\$ (436)	\$ 410	\$ (26)	\$ (26)
Noncurrent Liabilities	(204)	202	(2)	(2)
Total Mark-to-Market Derivative (Liabilities)	\$ (640)	\$ 612	\$ (28)	\$ (28)
Total Net Mark-to-Market Derivative Assets (Liabilities)	\$ (11)	\$ 31	\$ 20	\$ 20

Balance Sheet Location	As of December 31, 2020			
	PSEG Power (A)			Consolidated
	Not Designated			Total Derivatives
	Energy- Related Contracts	Netting (B)	Total PSEG Power	
	Millions			
Derivative Contracts				
Current Assets	\$ 464	\$ (404)	\$ 60	\$ 60
Noncurrent Assets	93	(84)	9	9
Total Mark-to-Market Derivative Assets	\$ 557	\$ (488)	\$ 69	\$ 69
Derivative Contracts				
Current Liabilities	\$ (412)	\$ 391	\$ (21)	\$ (21)
Noncurrent Liabilities	(109)	105	(4)	(4)
Total Mark-to-Market Derivative (Liabilities)	\$ (521)	\$ 496	\$ (25)	\$ (25)
Total Net Mark-to-Market Derivative Assets (Liabilities)	\$ 36	\$ 8	\$ 44	\$ 44

- (A) Substantially all of PSEG Power's and PSEG's derivative instruments are contracts subject to master netting agreements. Contracts not subject to master netting or similar agreements are immaterial and did not have any collateral posted or received as of March 31, 2021 and December 31, 2020.
- (B) Represents the netting of fair value balances with the same counterparty (where the right of offset exists) and the application of collateral. All cash collateral (received) posted that has been allocated to derivative positions, where the right of offset exists, has been offset on the Condensed Consolidated Balance Sheets. As of March 31, 2021 and December 31, 2020, PSEG Power had net cash collateral (receipts) payments to counterparties of \$98 million and \$54 million, respectively. Of these net cash collateral (receipts) payments, \$31 million and \$8 million as of March 31, 2021 and December 31, 2020, respectively, were netted against the corresponding net derivative contract positions. Of the \$31 million as of March 31, 2021, \$(2) million was netted against current assets, \$(12) million was netted against noncurrent assets, \$44 million was netted against current liabilities and \$1 million was netted against noncurrent liabilities. Of the \$8 million as of December 31, 2020, \$(13) million was netted against current assets and \$21 million was netted against noncurrent liabilities.

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Certain of PSEG Power's derivative instruments contain provisions that require PSEG Power to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon PSEG Power's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. These credit risk-related contingent features stipulate that if PSEG Power were to be downgraded to a below investment grade rating by S&P or Moody's, it would be required to provide additional collateral. A below investment grade credit rating for PSEG Power would represent a three level downgrade from its current Moody's rating and a two level downgrade from its current S&P rating. This incremental collateral requirement can offset collateral requirements related to other derivative instruments that are assets with the same counterparty, where the contractual right of offset exists under applicable master agreements. PSEG Power also enters into commodity transactions on the New York Mercantile Exchange (NYMEX) and Intercontinental Exchange (ICE). The NYMEX and ICE clearing houses act as counterparties to each trade. Transactions on the NYMEX and ICE must adhere to comprehensive collateral and margin requirements.

The aggregate fair value of all derivative instruments with credit risk-related contingent features in a liability position that are not fully collateralized (excluding transactions on the NYMEX and ICE that are fully collateralized) was \$28 million as of March 31, 2021 and December 31, 2020. As of March 31, 2021 and December 31, 2020, PSEG Power had the contractual right of offset of \$2 million and \$3 million, respectively, related to derivative instruments that are assets with the same counterparty under master agreements and net of margin posted. If PSEG Power had been downgraded to a below investment grade rating, it would have had additional collateral obligations of \$26 million and \$25 million as of March 31, 2021 and December 31, 2020, respectively, related to its derivatives, net of the contractual right of offset under master agreements and the application of collateral.

The following shows the effect on the Condensed Consolidated Statements of Operations and on Accumulated Other Comprehensive Income (AOCI) of derivative instruments designated as cash flow hedges for the three months ended March 31, 2021 and 2020:

Derivatives in Cash Flow Hedging Relationships	Amount of Pre-Tax Gain (Loss) Recognized in AOCI on Derivatives		Location of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	Amount of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	
	Three Months Ended			Three Months Ended	
	March 31,			March 31,	
	2021	2020		2021	2020
	Millions			Millions	
PSEG					
Interest Rate Swaps	\$ —	\$ (6)	Interest Expense	\$ (1)	\$ (2)
Total PSEG	\$ —	\$ (6)		\$ (1)	\$ (2)

The effect of interest rate cash flow hedges is recorded in Interest Expense in PSEG's Condensed Consolidated Statement of Operations. For the three months ended March 31, 2021 and 2020, the amount of loss on interest rate hedges reclassified from Accumulated Other Comprehensive Income (Loss) into income was \$(1) million after-tax.

The following reconciles the Accumulated Other Comprehensive Income (Loss) for derivative activity included in the Accumulated Other Comprehensive Loss of PSEG on a pre-tax and after-tax basis.

Accumulated Other Comprehensive Income (Loss)	Pre-Tax	After-Tax
	Millions	
Balance as of December 31, 2019	\$ (21)	\$ (15)
Loss Recognized in AOCI	(6)	(4)
Less: Loss Reclassified into Income	14	10
Balance as of December 31, 2020	<u>\$ (13)</u>	<u>\$ (9)</u>
Loss Recognized in AOCI	—	—
Less: Loss Reclassified into Income	1	1
Balance as of March 31, 2021	<u>\$ (12)</u>	<u>\$ (8)</u>

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The following shows the effect on the Condensed Consolidated Statements of Operations of derivative instruments not designated as hedging instruments or as NPNS for the three months ended March 31, 2021 and 2020, respectively. PSEG Power's derivative contracts reflected in this table include contracts to hedge the purchase and sale of electricity and natural gas, and the purchase of fuel. The table does not include contracts that PSEG Power has designated as NPNS, such as its BGS contracts and certain other energy supply contracts that it has with other utilities and companies with retail load.

Derivatives Not Designated as Hedges	Location of Pre-Tax Gain (Loss) Recognized in Income on Derivatives	Pre-Tax Gain (Loss) Recognized in Income on Derivatives	
		Three Months Ended March 31,	
		2021	2020
		Millions	
PSEG and PSEG Power			
Energy-Related Contracts	Operating Revenues	\$ (46)	\$ 231
Energy-Related Contracts	Energy Costs	6	(68)
Total PSEG and PSEG Power		\$ (40)	\$ 163

The following table summarizes the net notional volume purchases/(sales) of open derivative transactions by commodity as of March 31, 2021 and December 31, 2020.

Type	Notional	Total	PSEG	PSEG Power	PSE&G
Millions					
As of March 31, 2021					
Natural Gas	Dekatherm (Dth)	308	—	308	—
Electricity	MWh	(66)	—	(66)	—
Financial Transmission Rights (FTRs)	MWh	11	—	11	—
As of December 31, 2020					
Natural Gas	Dth	321	—	321	—
Electricity	MWh	(66)	—	(66)	—
FTRs	MWh	20	—	20	—

Credit Risk

Credit risk relates to the risk of loss that PSEG Power would incur as a result of non-performance by counterparties pursuant to the terms of their contractual obligations. PSEG has established credit policies that it believes significantly minimize credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit rating), collateral requirements under certain circumstances and the use of standardized agreements, which allow for the netting of positive and negative exposures associated with a single counterparty. In the event of non-performance or non-payment by a major counterparty, there may be a material adverse impact on PSEG Power's and PSEG's financial condition, results of operations or net cash flows.

The following table provides information on PSEG Power's credit risk from wholesale counterparties, net of collateral, as of March 31, 2021. It further delineates that exposure by the credit rating of the counterparties, which is determined by the lowest rating from S&P, Moody's or an internal scoring model. In addition, it provides guidance on the concentration of credit risk to individual counterparties and an indication of the quality of PSEG Power's credit risk by credit rating of the counterparties.

As of March 31, 2021, 91% of the net credit exposure for PSEG Power's wholesale operations was with investment grade counterparties. Credit exposure is defined as any positive results of netting accounts receivable/accounts payable and the forward value of open positions (which includes all financial instruments including derivatives, NPNS and non-derivatives).

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Rating	Current Exposure	Securities Held as Collateral	Net Exposure	Number of Counterparties >10%	Net Exposure of Counterparties >10%
		Millions			Millions
Investment Grade	\$ 234	\$ 18	\$ 216	1	\$ 121 (A)
Non-Investment Grade	41	19	22	—	—
Total	\$ 275	\$ 37	\$ 238	1	\$ 121

(A) Represents net exposure of \$121 million with PSE&G.

As of March 31, 2021, collateral held from counterparties where PSEG Power had credit exposure included \$3 million in cash collateral and \$34 million in letters of credit.

As of March 31, 2021, PSEG Power had 131 active counterparties.

PSE&G's supplier master agreements are approved by the BPU and govern the terms of its electric supply procurement contracts. These agreements define a supplier's performance assurance requirements and allow a supplier to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's credit ratings from the major credit rating agencies and the supplier's tangible net worth. The credit position is based on the initial market price, which is the forward price of energy on the day the procurement transaction is executed, compared to the forward price curve for energy on the valuation day. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post a parental guaranty or other security instrument such as a letter of credit or cash, as collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. As of March 31, 2021, primarily all of the posted collateral was in the form of parental guarantees. The unsecured credit used by the suppliers represents PSE&G's net credit exposure. PSE&G's BGS suppliers' credit exposure is calculated each business day. As of March 31, 2021, PSE&G had no net credit exposure with suppliers, including PSEG Power.

PSE&G is permitted to recover its costs of procuring energy through the BPU-approved BGS tariffs. PSE&G's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates.

Note 14. Fair Value Measurements

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. Accounting guidance for fair value measurement emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and establishes a fair value hierarchy that distinguishes between assumptions based on market data obtained from independent sources and those based on an entity's own assumptions. The hierarchy prioritizes the inputs to fair value measurement into three levels:

Level 1—measurements utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that PSEG, PSE&G and PSEG Power have the ability to access. These consist primarily of listed equity securities and money market mutual funds, as well as natural gas futures contracts executed on NYMEX.

Level 2—measurements include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. These consist primarily of non-exchange traded derivatives such as forward contracts or options and most fixed income securities.

Level 3—measurements use unobservable inputs for assets or liabilities, based on the best information available and might include an entity's own data and assumptions. In some valuations, the inputs used may fall into different levels of the hierarchy. In these cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These consist primarily of certain electric load contracts and gas contracts.

Certain derivative transactions may transfer from Level 2 to Level 3 if inputs become unobservable and internal modeling techniques are employed to determine fair value. Conversely, measurements may transfer from Level 3 to Level 2 if the inputs become observable.

The following tables present information about PSEG's, PSE&G's and PSEG Power's respective assets and (liabilities) measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020, including the fair value measurements and the levels of inputs used in determining those fair values. Amounts shown for PSEG include the amounts shown for PSE&G and PSEG Power.

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Description	Recurring Fair Value Measurements as of March 31, 2021					
	Total	Netting (D)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Millions						
PSEG						
Assets:						
Cash Equivalents (A)	\$ 625	\$ —	\$ 625	\$ —	\$ —	
Derivative Contracts:						
Energy-Related Contracts (B)	\$ 48	\$ (581)	\$ 22	\$ 604	\$ 3	
NDT Fund (C)						
Equity Securities	\$ 1,286	\$ —	\$ 1,286	\$ —	\$ —	
Debt Securities—U.S. Treasury	\$ 270	\$ —	\$ —	\$ 270	\$ —	
Debt Securities—Govt Other	\$ 367	\$ —	\$ —	\$ 367	\$ —	
Debt Securities—Corporate	\$ 600	\$ —	\$ —	\$ 600	\$ —	
Rabbi Trust (C)						
Equity Securities	\$ 28	\$ —	\$ 28	\$ —	\$ —	
Debt Securities—U.S. Treasury	\$ 65	\$ —	\$ —	\$ 65	\$ —	
Debt Securities—Govt Other	\$ 33	\$ —	\$ —	\$ 33	\$ —	
Debt Securities—Corporate	\$ 112	\$ —	\$ —	\$ 112	\$ —	
Liabilities:						
Derivative Contracts:						
Energy-Related Contracts (B)	\$ (28)	\$ 612	\$ (24)	\$ (612)	\$ (4)	
PSE&G						
Assets:						
Cash Equivalents (A)	\$ 525	\$ —	\$ 525	\$ —	\$ —	
Rabbi Trust (C)						
Equity Securities	\$ 5	\$ —	\$ 5	\$ —	\$ —	
Debt Securities—U.S. Treasury	\$ 12	\$ —	\$ —	\$ 12	\$ —	
Debt Securities—Govt Other	\$ 6	\$ —	\$ —	\$ 6	\$ —	
Debt Securities—Corporate	\$ 20	\$ —	\$ —	\$ 20	\$ —	
PSEG Power						
Assets:						
Derivative Contracts:						
Energy-Related Contracts (B)	\$ 48	\$ (581)	\$ 22	\$ 604	\$ 3	
NDT Fund (C)						
Equity Securities	\$ 1,286	\$ —	\$ 1,286	\$ —	\$ —	
Debt Securities—U.S. Treasury	\$ 270	\$ —	\$ —	\$ 270	\$ —	
Debt Securities—Govt Other	\$ 367	\$ —	\$ —	\$ 367	\$ —	
Debt Securities—Corporate	\$ 600	\$ —	\$ —	\$ 600	\$ —	
Rabbi Trust (C)						
Equity Securities	\$ 7	\$ —	\$ 7	\$ —	\$ —	
Debt Securities—U.S. Treasury	\$ 17	\$ —	\$ —	\$ 17	\$ —	
Debt Securities—Govt Other	\$ 9	\$ —	\$ —	\$ 9	\$ —	
Debt Securities—Corporate	\$ 29	\$ —	\$ —	\$ 29	\$ —	
Liabilities:						
Derivative Contracts:						
Energy-Related Contracts (B)	\$ (28)	\$ 612	\$ (24)	\$ (612)	\$ (4)	

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Description	Recurring Fair Value Measurements as of December 31, 2020				
	Total	Netting (D)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Millions					
PSEG					
Assets:					
Cash Equivalents (A)	\$ 312	\$ —	\$ 312	\$ —	\$ —
Derivative Contracts:					
Energy-Related Contracts (B)	\$ 69	\$ (488)	\$ 26	\$ 519	\$ 12
NDT Fund (C)					
Equity Securities	\$ 1,352	\$ —	\$ 1,351	\$ 1	\$ —
Debt Securities—U.S. Treasury	\$ 239	\$ —	\$ —	\$ 239	\$ —
Debt Securities—Govt Other	\$ 342	\$ —	\$ —	\$ 342	\$ —
Debt Securities—Corporate	\$ 566	\$ —	\$ —	\$ 566	\$ —
Rabbi Trust (C)					
Equity Securities	\$ 31	\$ —	\$ 31	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 59	\$ —	\$ —	\$ 59	\$ —
Debt Securities—Govt Other	\$ 41	\$ —	\$ —	\$ 41	\$ —
Debt Securities—Corporate	\$ 135	\$ —	\$ —	\$ 135	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (B)	\$ (25)	\$ 496	\$ (33)	\$ (483)	\$ (5)
PSE&G					
Assets:					
Cash Equivalents (A)	\$ 50	\$ —	\$ 50	\$ —	\$ —
Rabbi Trust (C)					
Equity Securities	\$ 6	\$ —	\$ 6	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 11	\$ —	\$ —	\$ 11	\$ —
Debt Securities—Govt Other	\$ 8	\$ —	\$ —	\$ 8	\$ —
Debt Securities—Corporate	\$ 26	\$ —	\$ —	\$ 26	\$ —
PSEG Power					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (B)	\$ 69	\$ (488)	\$ 26	\$ 519	\$ 12
NDT Fund (C)					
Equity Securities	\$ 1,352	\$ —	\$ 1,351	\$ 1	\$ —
Debt Securities—U.S. Treasury	\$ 239	\$ —	\$ —	\$ 239	\$ —
Debt Securities—Govt Other	\$ 342	\$ —	\$ —	\$ 342	\$ —
Debt Securities—Corporate	\$ 566	\$ —	\$ —	\$ 566	\$ —
Rabbi Trust (C)					
Equity Securities	\$ 8	\$ —	\$ 8	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 15	\$ —	\$ —	\$ 15	\$ —
Debt Securities—Govt Other	\$ 10	\$ —	\$ —	\$ 10	\$ —
Debt Securities—Corporate	\$ 33	\$ —	\$ —	\$ 33	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (B)	\$ (25)	\$ 496	\$ (33)	\$ (483)	\$ (5)

(A) Represents money market mutual funds.

(B) Level 1—These contracts represent natural gas futures contracts executed on NYMEX, and are being valued solely on settled pricing inputs which come directly from the exchange.

Level 2—Fair values for energy-related contracts are obtained primarily using a market-based approach. Most derivative contracts (forward purchase or sale contracts and swaps) are valued using settled prices from similar assets and liabilities from an exchange, such as NYMEX, ICE and Nodal Exchange, or auction prices. Prices used in

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the valuation process are also corroborated independently by management to determine that values are based on actual transaction data or, in the absence of transactions, bid and offers for the day. Examples may include certain exchange and non-exchange traded capacity and electricity contracts and natural gas physical or swap contracts based on market prices, basis adjustments and other premiums where adjustments and premiums are not considered significant to the overall inputs.

Level 3—Unobservable inputs are used for the valuation of certain contracts. See “Additional Information Regarding Level 3 Measurements” below for more information on the utilization of unobservable inputs.

- (C) The fair value measurement table excludes cash of \$1 million and foreign currency of \$1 million in the NDT Fund as of March 31, 2021 and foreign currency of \$2 million as of December 31, 2020. The NDT Fund maintains investments in various equity and fixed income securities. The Rabbi Trust maintains investments in a Russell 3000 index fund and various fixed income securities. These securities are generally valued with prices that are either exchange provided (equity securities) or market transactions for comparable securities and/or broker quotes (fixed income securities).

Level 1—Investments in marketable equity securities within the NDT Fund are primarily investments in common stocks across a broad range of industries and sectors. Most equity securities are priced utilizing the principal market close price or, in some cases, midpoint, bid or ask price. Certain other equity securities in the NDT and Rabbi Trust Funds consist primarily of investments in money market funds which seek a high level of current income as is consistent with the preservation of capital and the maintenance of liquidity. To pursue its goals, the funds normally invest in diversified portfolios of high quality, short-term, dollar-denominated debt securities and government securities. The funds’ net asset value is priced and published daily. The Rabbi Trust’s Russell 3000 index fund is valued based on quoted prices in an active market and can be redeemed daily without restriction.

Level 2—NDT and Rabbi Trust fixed income securities include investment grade corporate bonds, collateralized mortgage obligations, asset-backed securities and certain government and U.S. Treasury obligations or Federal Agency asset-backed securities and municipal bonds with a wide range of maturities. Since many fixed income securities do not trade on a daily basis, they are priced using an evaluated pricing methodology that varies by asset class and reflects observable market information such as the most recent exchange price or quoted bid for similar securities. Market-based standard inputs typically include benchmark yields, reported trades, broker/dealer quotes and issuer spreads. The preferred stocks are not actively traded on a daily basis and therefore, are also priced using an evaluated pricing methodology. Certain short-term investments are valued using observable market prices or market parameters such as time-to-maturity, coupon rate, quality rating and current yield.

- (D) Represents the netting of fair value balances with the same counterparty (where the right of offset exists) and the application of collateral. See Note 13. Financial Risk Management Activities for additional detail.

Additional Information Regarding Level 3 Measurements

For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivatives valued using indicative price quotations for contracts with tenors that extend into periods with no observable pricing. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility and contract duration. Such instruments are categorized in Level 3 because the model inputs generally are not observable. PSEG considers credit and non-performance risk in the valuation of derivative contracts categorized in Levels 2 and 3, including both historical and current market data, in its assessment of credit and non-performance risk by counterparty. The impacts of credit and non-performance risk were not material to the financial statements.

The fair value of PSEG Power’s electric load contracts in which load consumption may change hourly based on demand are measured using certain unobservable inputs, such as historic load variability and, accordingly, are categorized as Level 3. The fair value of PSEG Power’s gas physical contracts at certain illiquid delivery locations are measured using average historical basis and, accordingly, are categorized as Level 3. While these physical gas contracts have an unobservable component in their respective forward price curves, the fluctuations in fair value have been driven primarily by changes in the observable inputs.

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The following tables provide details surrounding significant Level 3 valuations as of March 31, 2021 and December 31, 2020.

Quantitative Information About Level 3 Fair Value Measurements							
Commodity	Level 3 Position	Fair Value as of March 31, 2021		Valuation Technique(s)	Significant Unobservable Input	Range	Arithmetic Average
		Assets	(Liabilities)				
		Millions					
PSEG Power							
Electricity	Electric Load Contracts	\$ 3	\$ (1)	Discounted Cash Flow	Load Shaping Cost	0% to 11%	4%
Gas	Gas Physical Contracts	—	(1)	Discounted Cash Flow	Historical Basis Adjustment	-2% to -30%	-10%
Electricity	Other (A)	—	(2)				
Total PSEG Power		\$ 3	\$ (4)				
Total PSEG		\$ 3	\$ (4)				

Quantitative Information About Level 3 Fair Value Measurements							
Commodity	Level 3 Position	Fair Value as of December 31, 2020		Valuation Technique(s)	Significant Unobservable Input	Range	Arithmetic Average
		Assets	(Liabilities)				
		Millions					
PSEG Power							
Electricity	Electric Load Contracts	\$ 12	\$ —	Discounted Cash Flow	Load Shaping Cost	0% to 11%	4%
Gas	Gas Physical Contracts	—	(2)	Discounted Cash Flow	Historical Basis Adjustment	-60% to -30%	-43%
Electricity	Other (A)	—	(3)				
Total PSEG Power		\$ 12	\$ (5)				
Total PSEG		\$ 12	\$ (5)				

(A) Other is comprised of a heat rate call option and capacity swaps.

As of March 31, 2021, significant unobservable inputs listed above would have a direct impact on the fair values of the above Level 3 instruments if they were adjusted. For energy-related contracts in cases where PSEG Power is a seller, an increase in the load variability would decrease the fair value. For gas-related contracts in cases where PSEG Power is a buyer, an increase in the average historical basis would increase the fair value.

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A reconciliation of the beginning and ending balances of Level 3 derivative contracts and securities for the three months ended March 31, 2021 and March 31, 2020, respectively, follows:

**Changes in Level 3 Assets and (Liabilities) Measured at Fair Value on a Recurring Basis
for the Three Months Ended March 31, 2021**

Description	Three Months Ended March 31, 2021					
	Balance as of December 31, 2020	Total Gains or (Losses) Realized/Unrealized Included in Income (A)	Purchases (Sales)	Issuances/ Settlements (B)	Transfers In/Out (C)	Balance as of March 31, 2021
			Millions			
PSEG and PSEG Power						
Net Derivative Assets (Liabilities)	\$ 7	\$ (4)	\$ —	\$ (4)	\$ —	\$ (1)

**Changes in Level 3 Assets and (Liabilities) Measured at Fair Value on a Recurring Basis
for the Three Months Ended March 31, 2020**

Description	Three Months Ended March 31, 2020					
	Balance as of December 31, 2019	Total Gains or (Losses) Realized/Unrealized Included in Income (A)	Purchases (Sales)	Issuances/ Settlements (B)	Transfers In/Out (C)	Balance as of March 31, 2020
			Millions			
PSEG and PSEG Power						
Net Derivative Assets (Liabilities)	\$ 7	\$ 13	\$ —	\$ (1)	\$ —	\$ 19

(A) Unrealized gains (losses) in the following table represent the change in derivative assets and liabilities still held as of March 31, 2021 and 2020.

	Three Months Ended March 31,			
	2021		2020	
	Total Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Unrealized Gains (Losses)
			Millions	
PSEG and PSEG Power				
Operating Revenues	\$ (5)	\$ (9)	\$ 18	\$ 11
Energy Costs	1	1	(5)	1
Total	<u>\$ (4)</u>	<u>\$ (8)</u>	<u>\$ 13</u>	<u>\$ 12</u>

(B) Includes settlements of \$(4) million for the three months ended March 31, 2021 and \$(1) million for the three months ended March 31, 2020, respectively.

(C) There were no transfers into or out of Level 3 during the three months and three months ended March 31, 2021 and 2020.

As of March 31, 2021, PSEG carried \$3.4 billion of net assets that are measured at fair value on a recurring basis, of which \$(1) million of net liabilities were measured using unobservable inputs and classified as Level 3 within the fair value hierarchy were immaterial.

As of March 31, 2020, PSEG carried \$2.7 billion of net assets that are measured at fair value on a recurring basis, of which \$19 million of net assets was measured using unobservable inputs and classified as Level 3 within the fair value hierarchy.

Fair Value of Debt

The estimated fair values, carrying amounts and methods used to determine fair value of long-term debt as of March 31, 2021

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and December 31, 2020 are included in the following table and accompanying notes.

	As of March 31, 2021		As of December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Millions				
Long-Term Debt:				
PSEG (A)	\$ 2,930	\$ 3,013	\$ 2,929	\$ 3,092
PSE&G (A)	11,502	12,695	10,909	13,372
PSEG Power (A)	2,343	2,623	2,342	2,679
Total Long-Term Debt	\$ 16,775	\$ 18,331	\$ 16,180	\$ 19,143

- (A) Given that these bonds do not trade actively, the fair value amounts of taxable debt securities (primarily Level 2 measurements) are generally determined by a valuation model that is based on a conventional discounted cash flow methodology. The fair value amounts above do not represent the price at which the outstanding debt may be called for redemption by each issuer under their respective debt agreements.

Note 15. Other Income (Deductions)

	PSE&G	PSEG Power	Other (A)	Consolidated
Millions				
Three Months Ended March 31, 2021				
NDT Fund Interest and Dividends	\$ —	\$ 13	\$ —	\$ 13
Allowance for Funds Used During Construction	23	—	—	23
Solar Loan Interest	3	—	—	3
Purchases of Tax Losses under New Jersey Technology Tax Benefit Transfer Program	—	(16)	—	(16)
Other	2	(1)	1	2
Total Other Income (Deductions)	\$ 28	\$ (4)	\$ 1	\$ 25
Three Months Ended March 31, 2020				
NDT Fund Interest and Dividends	\$ —	\$ 13	\$ —	\$ 13
Allowance for Funds Used During Construction	21	—	—	21
Solar Loan Interest	4	—	—	4
Purchases of Tax Losses under New Jersey Technology Tax Benefit Transfer Program	—	(35)	—	(35)
Other	2	(1)	—	1
Total Other Income (Deductions)	\$ 27	\$ (23)	\$ —	\$ 4

- (A) Other consists of activity at PSEG (as parent company), Energy Holdings, Services, PSEG LI and intercompany eliminations.

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Note 16. Income Taxes

PSEG's, PSE&G's and PSEG Power's effective tax rates for the three months ended March 31, 2021 and 2020 were as follows:

	Three Months Ended March 31,	
	2021	2020
PSEG	15.3%	8.9%
PSE&G	14.2%	19.9%
PSEG Power	24.4%	122.8%

For the three months ended March 31, 2021, the difference in PSEG's effective tax rate as compared to the same period in the prior year was due primarily to the impact of the additional trust tax on the NDT qualified fund net gains in 2021 and net losses in 2020 and a decrease in the benefit due to lower purchases of net operating losses (NOLs) under the New Jersey Technology Tax Benefit Transfer Program, offset by an increase in the 2021 flowback of PSE&G's excess deferred income tax liabilities and Clean Energy Future program investments. The difference in PSEG's effective tax rate as compared to the statutory tax rate of 28.11% was due primarily to an increase in the 2021 flowback of PSE&G's excess deferred income tax liabilities and Clean Energy Future program investments and the benefit of purchasing 2020 NOLs under the New Jersey Technology Tax Benefit Transfer Program in 2021.

For the three months ended March 31, 2021, the difference in PSE&G's effective tax rate as compared to the same period in the prior year was due to an increase in the 2021 flowback of PSE&G's excess deferred income tax liabilities and Clean Energy Future program investments offset by an increase in bad debt flow-through. The difference in PSE&G's effective tax rate as compared to the statutory tax rate of 28.11% was due primarily to an increase in the 2021 flowback of PSE&G's excess deferred income tax liabilities and Clean Energy Future program investments.

For the three months ended March 31, 2021, the difference in PSEG Power's effective tax rate as compared to the same period in the prior year was due primarily to the impact of the additional trust tax on the NDT qualified fund net gains and the benefit of purchasing NOLs under the New Jersey Technology Tax Benefit Transfer Program had on PSEG Power's 2021 pre-tax income compared to the impact of the additional trust tax benefit on the NDT qualified fund net losses and the benefit of purchasing more NOLs under the New Jersey Technology Tax Benefit Transfer Program in 2020 had on PSEG Power's 2020 pre-tax loss. The difference in PSEG Power's effective tax rate as compared to the statutory tax rate of 28.11% was due primarily to the benefit of purchasing 2020 NOLs under the New Jersey Technology Tax Benefit Transfer Program in 2021 offset by the impact of the additional trust tax on NDT qualified fund net gains.

In March 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. Among other provisions, the CARES Act allows a five-year carryback of any NOL generated in a taxable year beginning after December 31, 2017, and before January 1, 2021.

In April 2020, the Internal Revenue Service (IRS) issued a Private Letter Ruling to PSE&G concluding that certain excess deferred taxes previously classified as protected should be classified as unprotected. Unprotected excess deferred income taxes are not subject to the normalization rules allowing them to be refunded to customers sooner as agreed to with FERC and the BPU. In July 2020, FERC and the BPU approved PSE&G's requests to refund these unprotected excess deferred income taxes to customers. FERC approved the refund of these unprotected excess deferred income taxes within the 2019 true-up filing. The BPU approved the refund of these unprotected excess deferred income taxes within the next five years beginning in July 2020.

In July 2020, the IRS issued final and proposed regulations addressing the limitation on deductible business interest expense contained in the Tax Cuts and Jobs Act of 2017 (Tax Act). These regulations retroactively allow depreciation to be added back in computing the 30% adjusted taxable income (ATI) cap, increasing the amount of interest that can be deducted by unregulated businesses in years before 2022. For 2022 and after, the regulations continue to disallow the addback of depreciation in the computation of ATI, effectively lowering the cap on the amount of deductible business interest and contain special rules in allocating interest between regulated and non-regulated businesses. The portion of PSEG's and PSEG Power's business interest expense that was disallowed in 2018 and 2019 under the previously issued proposed regulations will now be deductible in those respective years. These regulations remain uncertain in some respects.

In late December 2020, the Consolidated Appropriations Act (CAA), 2021 was enacted. PSEG does not believe the CAA will have a material impact on the financial condition and cash flows of PSEG, PSE&G and PSEG Power.

PSEG expects that a prolonged coronavirus pandemic and economic recovery may result in additional federal or state tax legislation that can have a material impact on PSEG's, PSE&G's and PSEG Power's tax expense and cash tax position.

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Amounts recorded under the Tax Act, CARES Act and CAA, including depreciation and interest disallowance regulations, are subject to change based on several factors, including, among other things, whether the IRS or state taxing authorities issue additional guidance and/or further clarification. Any further guidance or clarification could impact PSEG's, PSE&G's and PSEG Power's financial statements.

As of March 31, 2021, PSE&G had a \$14 million New Jersey Corporate Business Tax NOL that is expected to be fully realized in the future. There are no other material tax carryforwards in other jurisdictions.

New Jersey State Tax Reform

In September 2020, New Jersey enacted its State Fiscal Year 2021 Budget, which amended the temporary surtax originally enacted into law in 2018, from 1.5% to 2.5% for 2020 and 2021 and extended the 2.5% surtax to 2023. PSE&G continues to be exempt and this amendment will not have a material impact on PSEG's and PSEG Power's financial statements.

Note 17. Accumulated Other Comprehensive Income (Loss), Net of Tax

PSEG	Three Months Ended March 31, 2021			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
Accumulated Other Comprehensive Income (Loss)				
	Millions			
Balance as of December 31, 2020	\$ (9)	\$ (545)	\$ 50	\$ (504)
Other Comprehensive Income (Loss) before Reclassifications	—	—	(40)	(40)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	1	3	(2)	2
Net Current Period Other Comprehensive Income (Loss)	1	3	(42)	(38)
Balance as of March 31, 2021	\$ (8)	\$ (542)	\$ 8	\$ (542)
PSEG	Three Months Ended March 31, 2020			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
Accumulated Other Comprehensive Income (Loss)				
	Millions			
Balance as of December 31, 2019	\$ (15)	\$ (499)	\$ 25	\$ (489)
Other Comprehensive Income (Loss) before Reclassifications	(4)	—	14	10
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	1	3	(6)	(2)
Net Current Period Other Comprehensive Income (Loss)	(3)	3	8	8
Balance as of March 31, 2020	\$ (18)	\$ (496)	\$ 33	\$ (481)

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PSEG Power				
Accumulated Other Comprehensive Income (Loss)	Three Months Ended March 31, 2021			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
	Millions			
Balance as of December 31, 2020	\$ —	\$ (459)	\$ 40	\$ (419)
Other Comprehensive Income (Loss) before Reclassifications	—	—	(31)	(31)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	2	(1)	1
Net Current Period Other Comprehensive Income (Loss)	—	2	(32)	(30)
Balance as of March 31, 2021	\$ —	\$ (457)	\$ 8	\$ (449)

PSEG Power				
Accumulated Other Comprehensive Income (Loss)	Three Months Ended March 31, 2020			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
	Millions			
Balance as of December 31, 2019	\$ —	\$ (420)	\$ 19	\$ (401)
Other Comprehensive Income (Loss) before Reclassifications	—	—	11	11
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	2	(4)	(2)
Net Current Period Other Comprehensive Income (Loss)	—	2	7	9
Balance as of March 31, 2020	\$ —	\$ (418)	\$ 26	\$ (392)

		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement		
		Three Months Ended March 31, 2021		
Description of Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Pre-Tax Amount In Statement of Operations	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Millions				
Cash Flow Hedges				
Interest Rate Swaps	Interest Expense	\$ (1)	\$ —	\$ (1)
Total Cash Flow Hedges		(1)	—	(1)
Pension and OPEB Plans				
Amortization of Prior Service (Cost) Credit	Non-Operating Pension and OPEB Credits (Costs)	5	(1)	4
Amortization of Actuarial Loss	Non-Operating Pension and OPEB Credits (Costs)	(10)	3	(7)
Total Pension and OPEB Plans		(5)	2	(3)
Available-for-Sale Debt Securities				
Realized Gains (Losses)	Net Gains (Losses) on Trust Investments	3	(1)	2
Total Available-for-Sale Debt Securities		3	(1)	2
Total		\$ (3)	\$ 1	\$ (2)

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PSEG		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement		
		Three Months Ended March 31, 2020		
Description of Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Pre-Tax Amount In Statement of Operations	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Millions				
Cash Flow Hedges				
Interest Rate Swaps	Interest Expense	\$ (2)	\$ 1	\$ (1)
Total Cash Flow Hedges		(2)	1	(1)
Pension and OPEB Plans				
Amortization of Prior Service (Cost) Credit	Non-Operating Pension and OPEB Credits (Costs)	6	(2)	4
Amortization of Actuarial Loss	Non-Operating Pension and OPEB Credits (Costs)	(10)	3	(7)
Total Pension and OPEB Plans		(4)	1	(3)
Available-for-Sale Debt Securities				
Realized Gains (Losses) and Impairments	Net Gains (Losses) on Trust Investments	9	(3)	6
Total Available-for-Sale Debt Securities		9	(3)	6
Total		\$ 3	\$ (1)	\$ 2

PSEG Power		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement		
		Three Months Ended March 31, 2021		
Description of Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Pre-Tax Amount In Statement of Operations	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Millions				
Pension and OPEB Plans				
Amortization of Prior Service (Cost) Credit	Non-Operating Pension and OPEB Credits (Costs)	\$ 5	\$ (1)	\$ 4
Amortization of Actuarial Loss	Non-Operating Pension and OPEB Credits (Costs)	(8)	2	(6)
Total Pension and OPEB Plans		(3)	1	(2)
Available-for-Sale Debt Securities				
Realized Gains (Losses)	Net Gains (Losses) on Trust Investments	2	(1)	1
Total Available-for-Sale Debt Securities		2	(1)	1
Total		\$ (1)	\$ —	\$ (1)

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PSEG Power		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement		
		Three Months Ended March 31, 2020		
Description of Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Pre-Tax Amount In Statement of Operations	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Millions				
Pension and OPEB Plans				
Amortization of Prior Service (Cost) Credit	Non-Operating Pension and OPEB Credits (Costs)	\$ 5	\$ (1)	\$ 4
Amortization of Actuarial Loss	Non-Operating Pension and OPEB Credits (Costs)	(8)	2	(6)
Total Pension and OPEB Plans		(3)	1	(2)
Available-for-Sale Debt Securities				
Realized Gains (Losses) and Impairments	Net Gains (Losses) on Trust Investments	7	(3)	4
Total Available-for-Sale Debt Securities		7	(3)	4
Total		\$ 4	\$ (2)	\$ 2

Note 18. Earnings Per Share (EPS) and Dividends

EPS

Diluted EPS is calculated by dividing Net Income by the weighted average number of shares of common stock outstanding, including shares issuable upon exercise of stock options outstanding or vesting of restricted stock awards granted under PSEG's stock compensation plans and upon payment of performance share units or restricted stock units. The following table shows the effect of these stock options, performance share units and restricted stock units on the weighted average number of shares outstanding used in calculating diluted EPS:

	Three Months Ended March 31,			
	2021		2020	
	Basic	Diluted	Basic	Diluted
EPS Numerator (Millions):				
Net Income	\$ 648	\$ 648	\$ 448	\$ 448
EPS Denominator (Millions):				
Weighted Average Common Shares Outstanding	504	504	504	504
Effect of Stock Based Compensation Awards	—	3	—	3
Total Shares	504	507	504	507
EPS				
Net Income	\$ 1.29	\$ 1.28	\$ 0.89	\$ 0.88

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Dividends

Dividend Payments on Common Stock	Three Months Ended March 31,	
	2021	2020
Per Share	\$ 0.51	\$ 0.49
In Millions	\$ 258	\$ 248

On April 20, 2021, the PSEG Board of Directors approved a \$0.51 per share common stock dividend for the second quarter of 2021.

Note 19. Financial Information by Business Segment

	PSE&G	PSEG Power	Other (A)	Eliminations (B)	Consolidated Total
	Millions				
Three Months Ended March 31, 2021					
Operating Revenues	\$ 2,073	\$ 1,167	\$ 151	\$ (502)	\$ 2,889
Net Income	477	161	10	—	648
Gross Additions to Long-Lived Assets	586	46	1	—	633
Three Months Ended March 31, 2020					
Operating Revenues	\$ 1,883	\$ 1,220	\$ 156	\$ (478)	\$ 2,781
Net Income (Loss)	440	13	(5)	—	448
Gross Additions to Long-Lived Assets	620	97	3	—	720
As of March 31, 2021					
Total Assets	\$ 36,217	\$ 12,654	\$ 2,444	\$ (1,109)	\$ 50,206
Investments in Equity Method Subsidiaries	\$ —	\$ 66	\$ —	\$ —	\$ 66
As of December 31, 2020					
Total Assets	\$ 35,581	\$ 12,704	\$ 2,692	\$ (927)	\$ 50,050
Investments in Equity Method Subsidiaries	\$ —	\$ 64	\$ —	\$ —	\$ 64

- (A) Includes amounts applicable to Energy Holdings and PSEG LI, which are below the quantitative threshold for separate disclosure as reportable segments. Other also includes amounts applicable to PSEG (parent company) and Services.
- (B) Intercompany eliminations primarily relate to intercompany transactions between PSE&G and PSEG Power. For a further discussion of the intercompany transactions between PSE&G and PSEG Power, see Note 20. Related-Party Transactions.

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Note 20. Related-Party Transactions

The following discussion relates to intercompany transactions, which are eliminated during the PSEG consolidation process in accordance with GAAP.

PSE&G

The financial statements for PSE&G include transactions with related parties presented as follows:

<u>Related-Party Transactions</u>	Three Months Ended March 31,	
	2021	2020
	Millions	
Billings from Affiliates:		
Net Billings from PSEG Power (A)	\$ 495	\$ 490
Administrative Billings from Services (B)	87	78
Total Billings from Affiliates	\$ 582	\$ 568

<u>Related-Party Transactions</u>	As of March 31, 2021	As of December 31, 2020
	Millions	
Payable to PSEG Power (A)	\$ 258	\$ 273
Payable to Services (B)	83	95
Payable to PSEG (C)	147	111
Accounts Payable—Affiliated Companies	\$ 488	\$ 479
Working Capital Advances to Services (D)	\$ 33	\$ 33
Long-Term Accrued Taxes Payable	\$ 1	\$ 7

PSEG Power

The financial statements for PSEG Power include transactions with related parties presented as follows:

<u>Related-Party Transactions</u>	Three Months Ended March 31,	
	2021	2020
	Millions	
Billings to Affiliates:		
Net Billings to PSE&G (A)	\$ 495	\$ 490
Billings from Affiliates:		
Administrative Billings from Services (B)	\$ 43	\$ 45

<u>Related-Party Transactions</u>	As of March 31, 2021	As of December 31, 2020
	Millions	
Receivable from PSE&G (A)	\$ 258	\$ 273
Receivable from PSEG (C)	—	44
Accounts Receivable—Affiliated Companies	\$ 258	\$ 317
Payable to Services (B)	\$ 22	\$ 13
Payable to PSEG (C)	12	—
Accounts Payable—Affiliated Companies	\$ 34	\$ 13
Short-Term Loan to (from) Affiliate (E)	\$ 403	\$ 161
Working Capital Advances to Services (D)	\$ 17	\$ 17
Long-Term Accrued Taxes Payable	\$ 57	\$ 57

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- (A) PSE&G has entered into a requirements contract with PSEG Power under which PSEG Power provides the gas supply services needed to meet PSE&G's BGSS and other contractual requirements. PSEG Power has also entered into contracts to supply energy, capacity and ancillary services to PSE&G through the BGS auction process and sells ZECs to PSE&G under the ZEC program. The rates in the BGS and BGSS contracts and for the ZEC sales are prescribed by the BPU. BGS and BGSS sales are billed and settled on a monthly basis. ZEC sales are billed on a monthly basis and settled annually following completion of each energy year. In addition, PSEG Power and PSE&G provide certain technical services for each other generally at cost in compliance with FERC and BPU affiliate rules.
- (B) Services provides and bills administrative services to PSE&G and PSEG Power at cost. In addition, PSE&G and PSEG Power have other payables to Services, including amounts related to certain common costs, which Services pays on behalf of each of the operating companies.
- (C) PSEG files a consolidated federal income tax return with its affiliated companies. A tax allocation agreement exists between PSEG and each of its affiliated companies. The general operation of these agreements is that the subsidiary company will compute its taxable income on a stand-alone basis. If the result is a net tax liability, such amount shall be paid to PSEG. If there are NOLs and/or tax credits, the subsidiary shall receive payment for the tax savings from PSEG to the extent that PSEG is able to utilize those benefits.
- (D) PSE&G and PSEG Power have advanced working capital to Services. The amounts are included in Other Noncurrent Assets on PSE&G's and PSEG Power's Condensed Consolidated Balance Sheets.
- (E) PSEG Power's short-term loans with PSEG are for working capital and other short-term needs. Interest Income and Interest Expense relating to these short-term funding activities were immaterial.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

This combined MD&A is separately filed by Public Service Enterprise Group Incorporated (PSEG), Public Service Electric and Gas Company (PSE&G) and PSEG Power LLC (PSEG Power). Information contained herein relating to any individual company is filed by such company on its own behalf. PSE&G and PSEG Power each make representations only as to itself and make no representations whatsoever as to any other company.

PSEG's business consists of two reportable segments, our principal direct wholly owned subsidiaries, which are:

- **PSE&G**—which is a public utility engaged principally in the transmission of electricity and distribution of electricity and natural gas in certain areas of New Jersey. PSE&G is subject to regulation by the New Jersey Board of Public Utilities (BPU) and the Federal Energy Regulatory Commission (FERC). PSE&G also invests in regulated solar generation projects and energy efficiency and related programs in New Jersey, which are regulated by the BPU, and
- **PSEG Power**—which is a multi-regional energy supply company that integrates the operations of its merchant nuclear and fossil generating assets with its power marketing businesses and fuel supply functions through competitive energy sales in well-developed energy markets primarily in the Northeast and Mid-Atlantic United States through its principal direct wholly owned subsidiaries. In addition, PSEG Power owns and operates solar generation in various states. PSEG Power's subsidiaries are subject to regulation by FERC, the Nuclear Regulatory Commission (NRC), the Environmental Protection Agency (EPA) and the states in which they operate.

PSEG's other direct wholly owned subsidiaries are: PSEG Long Island LLC (PSEG LI), which operates the Long Island Power Authority's (LIPA) transmission and distribution (T&D) system under an Amended and Restated Operations Services Agreement (OSA); PSEG Energy Holdings L.L.C. (Energy Holdings), which earns its revenues from its portfolio of lease investments and holds our investment in offshore wind ventures; and PSEG Services Corporation (Services), which provides certain management, administrative and general services to PSEG and its subsidiaries at cost.

Our business discussion in Part I, Item 1. Business of our 2020 Annual Report on 10-K (Form 10-K) provides a review of the regions and markets where we operate and compete, as well as our strategy for conducting our businesses within these markets, focusing on operational excellence, financial strength and making disciplined investments. Our risk factor discussion in Part I, Item 1A. Risk Factors of Form 10-K provides information about factors that could have a material adverse impact on our businesses. The following supplements that discussion and the discussion included in the Executive Overview of 2020 and Future Outlook provided in Item 7 in our Form 10-K by describing significant events and business developments that have occurred during 2021 and changes to the key factors that we expect may drive our future performance. The following discussion refers to the Condensed Consolidated Financial Statements (Statements) and the Related Notes to Condensed Consolidated Financial Statements (Notes). This discussion should be read in conjunction with such Statements, Notes and the Form 10-K.

EXECUTIVE OVERVIEW OF 2021 AND FUTURE OUTLOOK

We are continuing our transformation into a primarily regulated electric and gas utility that is focused on meeting customer expectations and is aligned with public policy objectives promoting infrastructure investments to modernize and improve reliability and clean energy investments. Our business plan focuses on achieving growth while controlling costs and managing the risks associated with regulatory changes, fluctuating commodity prices and changes in customer demand. In furtherance of these goals, over the past few years, our investments have altered our business mix to reflect a higher percentage of earnings contribution by PSE&G. In May 2021, we entered into a purchase agreement to sell PSEG Power's solar portfolio and we are continuing to explore strategic alternatives for PSEG Power's more than 6,750 megawatts (MW) of fossil generation located in New Jersey, Connecticut, New York and Maryland. See Item 1. Note 4. Early Plant Retirements/Asset Dispositions for additional information.

PSE&G, PSEG Power and PSEG LI are providing essential services during this national emergency related to the ongoing coronavirus (COVID-19) pandemic. We have implemented a comprehensive set of enhanced safety actions to help protect our employees, customers and communities, and we will continue to closely monitor developments and adjust as needed to ensure that we provide reliable service while protecting the safety and health of our workforce and the communities we serve. We continue to be guided by the recommendations of health authorities at the federal, state and local levels. Employees who can perform their job duties remotely are doing so. Those employees who must report to a work site are wearing personal protective equipment and practicing physical distancing measures.

The COVID-19 pandemic and associated government actions and economic effects continue to impact our businesses. We have incurred additional expenses to protect our employees and customers, and PSE&G is experiencing significantly higher bad debts and lower cash collections, as discussed below. The potential future impact of the pandemic and the associated economic

impacts, which could extend beyond the duration of the pandemic, will depend on a number of factors outside of our control. These include the duration and severity of the outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects, and governmental or regulatory actions regarding customer collections, potential limitations on rate increases, recovery of incremental costs, and other matters. While we currently cannot estimate the potential impact to our results of operations, financial condition and cash flows, this MD&A includes a discussion of potential effects of a prolonged outbreak.

PSE&G

At PSE&G, our focus is on enhancing reliability and resiliency of our T&D system, meeting customer expectations and supporting public policy objectives by investing capital in T&D infrastructure and clean energy programs. For the five-year period ending December 31, 2025, PSE&G expects to invest between \$13 billion to \$15 billion, resulting in an expected compound annual growth in rate base of 6.5% to 8%. The low end of the range assumes an extension of our Gas System Modernization Program (GSMP) and Clean Energy Future (CEF)-Energy Efficiency (EE) program at their average annual investment levels, as these programs are expected to continue at least at those current rates beyond their currently approved timeframes of 2023 and 2024, respectively. The range is driven by certain unapproved investment programs, including a to-be- filed extension of the Energy Strong program, which otherwise concludes in 2023, as well as the remaining portion of our CEF proposal (portion of Electric Vehicle (EV) and Energy Storage (ES) programs) and a potentially higher amount of investment for GSMP and CEF-EE beyond current levels. See below for a description of the CEF program.

In January 2020, New Jersey released its Energy Master Plan (EMP) which, among other things, recognizes the importance of the State's EE targets and supported EVs, ES, and advanced metering infrastructure (AMI).

In September 2020, PSE&G reached a settlement with parties in the CEF-EE proceeding, which the BPU approved. The settlement commits \$1 billion over a three-year period, with the majority of the investment occurring over a five-year period. Costs will be recovered through annual rate-making, with returns aligned with our most recent base rate case and a ten-year amortization period.

The approval also included a Conservation Incentive Program, a mechanism that will provide for recovery of lost electric and gas variable margin revenues relative to a baseline of the test year in our last base rate case from July 2017 to June 2018. The deferral period for this mechanism is effective beginning in June 2021 for electric and October 2021 for gas. PSE&G will suspend its gas Weather Normalization Charge (WNC) when the gas deferral period begins.

In January 2021, the BPU approved a settlement with PSE&G and other parties in the CEF-Energy Cloud (EC) proceeding. The capital cost of the program, which includes implementation of AMI, is estimated to be approximately \$700 million, invested over the next four years.

Also in January 2021, the BPU approved a settlement with PSE&G and other parties in the CEF-EV proceeding for a majority of the components of the program. The approved investment under the program is for \$166 million, primarily relating to preparatory work to deliver infrastructure to the charging point for three programs: residential smart charging; Level-2 mixed use charging; and direct current fast charging.

All of the capital costs and expenses of the CEF-EC and CEF-EV programs will be recovered in PSE&G's next base rate case, expected in the second half of 2024. From the start of the program until the commencement of new base rates, the return on and of the capital portion of each of these programs, as well as expenses incurred to implement the CEF-EV program and operating costs and stranded costs associated with the retirement of existing meters under the CEF-EC program, will be included for recovery in those rates. The remaining component of our CEF-EV proposal, the vehicle innovation subprogram, as well as the overall CEF-ES program, are being held in abeyance pending future policy guidance from the BPU.

We also continue to invest in transmission infrastructure in order to (i) maintain and enhance system integrity and grid reliability, grid security and safety, (ii) address an aging transmission infrastructure, (iii) leverage technology to improve the operation of the system, (iv) reduce transmission constraints, (v) meet growing demand and (vi) meet environmental requirements and standards set by various regulatory bodies. Our planned capital spending for transmission in 2021-2023 is \$2.5 billion.

PSE&G has been deemed by New Jersey to provide essential services during the ongoing coronavirus pandemic. Our capital programs, including GSMP II, Energy Strong II and our transmission infrastructure investments, have not been materially impacted to date. However, a prolonged outbreak and the associated economic impacts, which could extend beyond the duration of the pandemic, could impact our ability to obtain necessary permits and approvals and could lead to shortages of necessary materials, supplies and labor. In addition, a determination by any state or federal regulatory authority that one or all of our projects is non-essential could require us to temporarily halt work. Any delay in our planned capital program could impact our operational performance and could materially impact our results of operations and financial condition through decreased cost recovery.

Further, the ongoing coronavirus pandemic could impact regulatory agencies' ability to review proposed programs and delay the timing of approvals for matters subject to regulatory approval, including the approval of various clause recovery mechanisms.

PSE&G has experienced a reduction in demand from its commercial and industrial (C&I) customers, partially offset by increases in residential demand, and adverse changes to residential and C&I payment patterns. PSE&G expects these changes to continue during the prolonged coronavirus pandemic. In March 2021, the state formally extended its moratorium on non-safety related service disconnections for non-payment for residential customers through June 30, 2021. During the moratorium, PSE&G has experienced a significant decrease in cash inflow and higher Accounts Receivable aging and an associated increase in bad debt expense, which we expect could extend beyond the duration of the coronavirus pandemic. PSE&G's electric distribution bad debt expense is recoverable through its Societal Benefits Clause (SBC) mechanism. PSE&G has deferred its incremental gas distribution bad debt expense as a result of COVID-19 as a Regulatory Asset and will seek recovery of that cost, as well as other net incremental COVID-19 costs, in its next base rate case.

In July 2020, the BPU authorized regulated utilities in New Jersey, including PSE&G, to create a COVID-19-related Regulatory Asset by deferring on their books and records the prudently incurred incremental costs related to COVID-19 beginning on March 9, 2020 through September 30, 2021, or 60 days after the New Jersey governor determines that the Public Health Emergency is no longer in effect, or in the absence of such a determination, 60 days from the time the Public Health Emergency automatically terminates by law, whichever is later. Deferred costs are to be offset by any federal or state assistance that the utility may receive as a direct result of the COVID-19 pandemic. As of March 31, 2021, PSE&G has recorded a Regulatory Asset related to COVID-19 to defer incremental costs of \$60 million, which PSE&G expects are probable of recovery under the BPU order.

While the impact on our results of operations, financial condition and cash flows for the three months ended March 31, 2021 has not been material, a prolonged coronavirus pandemic and the associated economic impacts, which could extend beyond the duration of the pandemic, could materially impact cash from operations, Accounts Receivable and bad debt expense.

PSEG Power

In July 2020, we announced that we are exploring strategic alternatives for PSEG Power's non-nuclear generating fleet with the intention of accelerating the transformation of our business into a primarily regulated electric and gas utility, with a significantly contracted generation business. It is expected to reduce overall business risk and earnings volatility, improve PSEG's credit profile and is consistent with PSEG's climate strategy and sustainability efforts, which is to focus on clean energy investments, methane reduction, and zero-carbon generation. PSEG intends to retain ownership of PSEG Power's existing nuclear fleet. Since the announcement, we have engaged in proprietary activities relating to the potential divestiture of these assets and any potential transactions are expected to be completed sometime in 2021.

In May 2021, PSEG Power Ventures LLC (Power Ventures), a direct wholly owned subsidiary of PSEG Power, entered into a purchase agreement with Quattro Solar, LLC, an affiliate of LS Power, relating to the sale by Power Ventures of 100% of its ownership interest in PSEG Solar Source LLC including its related assets and liabilities. The transaction is expected to close during the second or third quarter of 2021, subject to certain closing conditions, adjustments and regulatory approvals.

There is no assurance that the strategic review will result in a sale or other disposition of all or any portion of the fossil generation assets on terms that are favorable to us, or at all. Any transaction would be subject to market conditions and customary closing conditions, including the receipt of all required regulatory approvals.

At PSEG Power, we have sought to achieve operational excellence and manage costs in order to optimize cash flow generation from our fleet in light of low wholesale power and gas prices, environmental considerations and competitive market forces that reward efficiency and reliability. In the first three months of 2021, our natural gas and nuclear units generated 4.7 and 8.2 terawatt hours and operated at a capacity factor of 41.7% and 98.8%, respectively. Our commitments for load, such as basic generation service (BGS) in New Jersey and other bilateral supply contracts, are backed by this generation or may be combined with the use of physical commodity purchases and financial instruments from the market to optimize the economic efficiency of serving our obligations. PSEG Power's hedging practices help to manage some of the volatility of the merchant power business. More than 75% of PSEG Power's expected gross margin in 2021 relates to hedging of our energy margin, our expected revenues from the capacity market mechanisms, Zero Emission Certificate (ZEC) revenues and certain ancillary service payments such as reactive power.

As discussed further below under "Wholesale Power Market Design," FERC issued an order establishing new rules for PJM's capacity market, extending the PJM Minimum Offer Price Rule (MOPR) to include both new and existing resources that receive or are entitled to receive certain out-of-market payments, with certain exemptions. PSEG Power's New Jersey nuclear plants that receive ZEC payments will be subject to the new MOPR. In addition, as a result of FERC's finding that default procurement auctions such as BGS could be considered subsidies, it is possible that other PSEG units could be subject to the MOPR. The MOPR's floor prices are not expected to prevent either our nuclear or gas-fired units from clearing in the next

Reliability Pricing Model (RPM) auction. We cannot predict whether additional changes will be made to the MOPR, or whether changes will occur in the PJM market that would impact our ability to clear any of these units in future RPM auctions.

PSEG LI

Following the effects of Tropical Storm Isaias, the New York Attorney General initiated an inquiry into PSEG LI's preparation and response to the storm. In addition, the Department of Public Service (DPS) within the New York State Public Service Commission launched an investigation of state electric service providers, including PSEG LI, and other state telephone, cable and internet providers into their preparation and restoration efforts following Tropical Storm Isaias. Although the inquiry by the New York Attorney General remains pending, the DPS issued an interim storm investigation report. With respect to PSEG LI, the DPS' report found that PSEG LI violated its Emergency Response Plan and DPS Regulations, and recommended that LIPA consider taking various actions, including terminating or renegotiating the OSA. LIPA also initiated its own review of PSEG LI's performance and issued a report with recommendations for improvements to PSEG LI's structure and processes, including a timeline for implementing those recommendations. That report also recommended that LIPA either renegotiate or terminate the OSA.

In December 2020, LIPA filed a complaint against PSEG LI in New York State court alleging multiple breaches of the OSA in connection with PSEG LI's preparation for and response to Tropical Storm Isaias seeking specific performance and \$70 million in damages. Pursuant to recommendations by the New York State DPS, LIPA has initiated a series of actions to allow its board to determine whether to seek to terminate the OSA or instead continue with PSEG LI as its Service Provider. LIPA and PSEG LI are engaged in settlement discussions concerning various amendments to the OSA during which the litigation has been tolled. If the parties reach a settlement agreement, any amendments to the OSA will require the approval of the New York Attorney General and the New York Comptroller.

PSEG LI is fully cooperating with the inquiries by the New York Attorney General and the DPS, and we cannot predict their outcome. PSEG LI also continues to work closely with LIPA to address the recommendations in LIPA's report. In the absence of a settlement agreement and the required approvals, PSEG LI intends to vigorously defend itself with regard to the allegations in LIPA's complaint alleging breaches of the OSA; however, a decision in this proceeding requiring specific performance or the payment of damages by PSEG LI or resulting in the termination of the OSA could have a material adverse effect on PSEG's results of operations and financial condition.

Climate Strategy and Sustainability Efforts

For more than a century, our mission has been to provide safe access to an around-the-clock supply of reliable, affordable energy. Building on this mission, we believe in a future where customers universally use less energy, the energy they use is cleaner, and its delivery is more reliable and more resilient. In July 2019, we announced that we expect to cut carbon emissions at PSEG Power's generation fleet by 80% by 2046, from 2005 levels. We have also announced our vision of attaining net zero- carbon emissions by 2050, assuming advances in technology, public policy and customer behavior.

PSEG has also undertaken a number of initiatives that support the reduction of greenhouse gas (GHG) emissions and the implementation of energy efficiency initiatives. The first phase of our GSMP replaced approximately 450 miles of cast-iron and unprotected steel gas infrastructure, and the second phase of this program is expected to replace an additional 875 miles of gas pipes through 2023. The GSMP is designed to significantly reduce gas leaks in our distribution system, which would reduce the release of methane, a potent GHG, into the air. Through GSMP II, from 2018 through 2023 we expect an approximate 22% reduction in methane, and assuming a continuation of GSMP, we expect an approximate 60% reduction in methane emissions from 2011 through 2030. In addition, PSEG's CEF-EE which was approved by the BPU in September 2020, the CEF-EC and CEF-EV programs, which were approved by the BPU in January 2021, and the proposed CEF-ES program are intended to support New Jersey's EMP through programs designed to help customers increase their energy efficiency, support the expansion of the electric vehicle infrastructure in the State, install energy storage capacity to supplement solar generation and enhance grid resiliency, install smart meters and supporting infrastructure to allow for the integration of other clean energy technologies and to more efficiently respond to weather and other outage events. We also continue to assess physical risks of climate change and adapt our capital investment program to improve the reliability and resiliency of our system in an environment of increasing frequency and severity of weather events, notably through our investments in Energy Strong.

Offshore Wind

In December 2020, PSEG entered into a definitive agreement with Ørsted North America to acquire a 25% equity interest in Ørsted's Ocean Wind project. Ocean Wind was selected by New Jersey to be the first offshore wind farm as part of the state's intention to add 7,500 MW of offshore wind generating capacity by 2035. The Ocean Wind project could provide first power in late 2024. On March 31, 2021, the BPU approved PSEG's investment in Ocean Wind and the acquisition was completed in April 2021. Additionally, PSEG and Ørsted each owns 50% of Garden State Offshore Energy LLC which holds rights to an offshore wind lease area. PSEG and Ørsted are exploring other offshore wind opportunities.

Operational Excellence

We emphasize operational performance while developing opportunities in both our regulated and competitive businesses. In the first three months of 2021, our utility continued its efforts to control costs while maintaining strong operational performance and has implemented protocols to ensure that we are providing essential services to our customers during the ongoing coronavirus pandemic in a safe and reliable manner.

Financial Strength

Our financial strength is predicated on a solid balance sheet, positive operating cash flow and reasonable risk-adjusted returns on increased investment. Our financial position remained strong during the first three months of 2021 as we

- maintained sufficient liquidity,
- maintained solid investment grade credit ratings, and
- increased our indicative annual dividend for 2021 to \$2.04 per share.

We expect to be able to fund our planned capital requirements, as described in Liquidity and Capital Resources without the issuance of new equity. Our planned capital requirements, which are driven by growth in our regulated utility, and the potential sale of our non-nuclear generation fleet are expected to improve our business and financial profile.

Financial Results

The results for PSEG, PSE&G and PSEG Power for the three months ended March 31, 2021 and 2020 are presented as follows:

Earnings (Losses)	Three Months Ended March 31,	
	2021	2020
	Millions	
PSE&G	\$ 477	\$ 440
PSEG Power	161	13
Other (A)	10	(5)
PSEG Net Income	\$ 648	\$ 448
PSEG Net Income Per Share (Diluted)	\$ 1.28	\$ 0.88

(A) Other includes after-tax activities at the parent company, PSEG LI, and Energy Holdings as well as intercompany eliminations.

PSEG Power's results above include the Nuclear Decommissioning Trust (NDT) Fund activity and the impacts of non-trading commodity mark-to-market (MTM) activity, which consist of the financial impact from positions with future delivery dates.

The variances in our Net Income attributable to changes related to the NDT Fund and MTM are shown in the following table:

	Three Months Ended March 31,	
	2021	2020
	Millions, after tax	
NDT Fund Income (Expense) (A) (B)	\$ 32	\$ (135)
Non-Trading MTM Gains (Losses) (C)	\$ (34)	\$ 77

(A) NDT Fund Income (Expense) includes gains and losses on NDT securities which are recorded in Net Gains (Losses) on Trust Investments. See Item 1. Note 9. Trust Investments for additional information. NDT Fund Income (Expense) also includes interest and dividend income and other costs related to the NDT Fund recorded in Other Income (Deductions), interest accretion expense on PSEG Power's nuclear Asset Retirement Obligation (ARO) recorded in Operation and Maintenance Expense and the depreciation related to the ARO asset recorded in Depreciation and Amortization (D&A) Expense.

(B) Net of tax (expense) benefit of \$(23) million and \$84 million for the three months ended March 31, 2021 and 2020, respectively.

(C) Net of tax (expense) benefit of \$13 million and \$(30) million for the three months ended March 31, 2021 and 2020, respectively.

Our \$200 million increase in Net Income for the three months ended March 31, 2021 was driven primarily by

- net gains on NDT Fund equity securities as compared to significant net losses in 2020 at PSEG Power,
- higher earnings due to continued investments in T&D programs at PSE&G,
- higher average realized prices in the PJM, New England (NE) and New York (NY) regions coupled with higher volumes of electricity sold in the NE region at PSEG Power, and
- higher pension and OPEB credits,
- partially offset by MTM losses in 2021 as compared to MTM gains in 2020 at PSEG Power.

The greater emphasis on capital spending in recent years for projects at PSE&G relative to PSEG Power, particularly those on which we receive contemporaneous returns at PSE&G has yielded strong results, which when combined with the cash flow generated by PSEG Power, has allowed us to meet customer needs and address market conditions and investor expectations. We continue our focus on operational excellence, financial strength and disciplined investment. These guiding principles have provided the base from which we have been able to execute our strategic initiatives.

Disciplined Investment

We utilize rigorous criteria and consider a number of external factors, focusing on the value for our stakeholders, as well as other impacts, when determining how and when to efficiently deploy capital. We principally explore opportunities for investment in areas that complement our existing business and provide reasonable risk-adjusted returns and continuously assess and optimize our business mix as appropriate. In the first three months of 2021, we

- made additional investments in T&D infrastructure projects on time and on budget,
- continued to execute our Energy Efficiency and other existing BPU-approved utility programs,
- continued to evaluate potential additional offshore wind opportunities, and
- continued the process to potentially sell PSEG Power's non-nuclear generation business, which is expected to improve our business profile and accelerate our transition to a primarily regulated electric and gas utility, with a significantly contracted energy business.

Regulatory, Legislative and Other Developments

In our pursuit of operational excellence, financial strength and disciplined investment, we closely monitor and engage with stakeholders on significant regulatory and legislative developments. Transmission planning rules and wholesale power market design are of particular importance to our results and we continue to advocate for policies and rules that promote fair and efficient electricity markets. For additional information about regulatory, legislative and other developments that may affect us, see Part I, Item 1. Business—Regulatory Issues in our Form 10-K and Item 5. Other Information in this Quarterly Report on Form 10-Q.

Transmission Rate Proceedings and Return on Equity (ROE)

In March 2019, FERC issued a Notice of Inquiry seeking comments on improvements to FERC's electric transmission incentives policy. Subsequently, in April 2021, FERC issued a supplemental notice of proposed rulemaking to eliminate the incentive for Regional Transmission Organization (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 could reduce PSE&G's annual Net Income and annual cash inflows by approximately \$30 million.

In May 2020, FERC issued an order revising an earlier order that established a new ROE policy for reviewing existing transmission ROEs. The revised methodology uses the Discounted Cash Flow model, the Capital Asset Pricing model and the Risk Premium model to determine if an existing base ROE is unjust and unreasonable and, if so, what replacement ROE is appropriate. FERC's order indicated that it would not be bound by this revised methodology when considering the just and reasonableness of a utility's ROE in future proceedings. We continue to analyze the potential impact of these methodologies.

ROE complaints have been pending before FERC regarding MISO transmission owners, the ISO New England Inc. transmission owners and utilities in other jurisdictions. In addition, over the past few years, several companies have negotiated settlements that have resulted in reduced ROEs.

We are engaged in settlement discussions with the BPU Staff and the New Jersey Division of Rate Counsel about the level of PSE&G's base transmission ROE and other formula rate matters. An adverse change to PSE&G's base transmission ROE or ROE incentives could be material. We estimate that for each 25 basis point reduction in PSE&G's base transmission ROE, and all other factors unchanged, PSE&G's annual Net Income and annual cash inflows would decrease by approximately \$15 million. While we cannot predict the outcome of the settlement discussions, it may result in a change to our base transmission ROE that is multiples of this sensitivity measure.

Wholesale Power Market Design

In December 2019, FERC issued an order establishing new rules for PJM's capacity market, extending the PJM MOPR to include both new and existing resources that receive or are entitled to receive certain out-of-market payments, with certain exemptions.

PSEG Power's New Jersey nuclear plants that receive ZEC payments will be subject to the new MOPR. Resources that are subject to the MOPR continue to have the ability to justify a bid below the MOPR floor price under the unit-specific exemption. The MOPR floor prices are not expected to prevent either our nuclear units or gas-fired units from clearing in the next RPM auction. In May 2020, FERC issued an order modifying PJM's methodology for pricing energy reserves. It also directed PJM to use forward-looking energy and ancillary service revenues, which can affect how the MOPR offer floors are calculated. In addition, if one or more electric distribution zones in New Jersey (or another state) were to become fixed resource requirement (FRR) alternative service areas, procurements needed for that area could provide an alternate means for nuclear units whose ability to clear in RPM auctions was affected by the MOPR to provide capacity within PJM. We cannot predict whether additional changes will be made to the MOPR, or whether changes will occur in the PJM market that would impact our ability to clear any of these units in future RPM auctions.

States that have clean energy programs designed to achieve public policy goals that support such resources as solar, offshore wind and nuclear, are not prevented from pursuing those programs by the expanded MOPR and could choose to utilize the existing FRR approach authorized under the PJM tariff. Subsidized units that cannot clear in a RPM capacity auction because of the expanded MOPR could still count as capacity resources to a load serving entity using the FRR approach. In a March 2020 order, the BPU initiated an investigation to examine whether New Jersey can achieve its long-term clean energy and environmental objectives under the current resource adequacy procurement paradigm and potential alternatives. One of the areas of inquiry concerns the potential creation of FRR service areas within New Jersey. We cannot predict the impact these rules or any measures taken by the BPU will have on the capacity market or our generating stations.

In January 2020, New Jersey rejoined the Regional Greenhouse Gas Initiative (RGGI). As a result, generating plants operating in New Jersey, including those owned by PSEG Power, that emit CO₂ emissions will be required to procure credits for each ton they emit. In response to RGGI, PJM initiated a process in 2019 to investigate the development of a carbon pricing mechanism that may mitigate the environmental and financial distortions that could occur when emissions "leak" from non-participating states to the RGGI states. If the process leads to a market solution, it could have a material impact on the value of PSEG Power's generating fleet.

Environmental Regulation

We are subject to liability under environmental laws for the costs and penalties of remediating environmental contamination of property now or formerly owned by us and of property contaminated by hazardous substances that we generated. In particular, the historic operations of PSEG companies and the operations of numerous other companies along the Passaic and Hackensack Rivers are alleged by Federal and State agencies to have discharged substantial contamination into the Passaic River/Newark Bay Complex in violation of various statutes. We are also currently involved in a number of proceedings relating to sites where other hazardous substances may have been discharged and may be subject to additional proceedings in the future, and the costs and penalties of any such remediation efforts could be material.

For further information regarding the matters described above, as well as other matters that may impact our financial condition and results of operations, see Item 1. Note 11. Commitments and Contingent Liabilities.

Nuclear

In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded ZECs by the BPU. Pursuant to a process established by the BPU, ZECs are purchased from selected nuclear plants and recovered through a non-bypassable distribution charge in the amount of \$0.004 per kilowatt-hour used (which is equivalent to approximately \$10 per megawatt hour (MWh) generated in payments to selected nuclear plants (ZEC payment)). Each nuclear plant is expected to receive ZEC revenue for approximately three years, through May 2022.

In April 2021, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded ZECs for the three-year eligibility period starting June 2022 at the same approximate \$10 per MWh received during the current ZEC period through May 2022 referenced above. As a result, each nuclear plant is expected to receive ZEC revenue for approximately three years

starting June 2022. The terms and conditions of this April 2021 ZEC award are generally similar to the current ZEC period as discussed above.

The award of ZECs attaches certain obligations, including an obligation to repay the ZECs in the event that a plant ceases operations during the approximate three-year period that it was awarded ZECs, subject to certain exceptions specified in the ZEC legislation. PSEG Power has and will continue to recognize revenue monthly as the nuclear plants generate electricity and satisfy their performance obligations. Further, 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. For instance, the New Jersey Division of Rate Counsel (New Jersey Rate Counsel), in written comments filed with the BPU, has advocated for the BPU to offset market benefits resulting from New Jersey's rejoining the Regional Greenhouse Gas Initiative from the ZEC payment. PSEG intends to vigorously defend against these arguments. Due to its preliminary nature, PSEG cannot predict the outcome of this matter.

The BPU's April 2019 decision awarding ZECs through May 2022 has been appealed by the New Jersey Rate Counsel. In March 2021, the New Jersey Appellate Division affirmed the BPU's April 2019 decision granting ZECs for the first eligibility period. In April 2021, New Jersey Rate Counsel has petitioned to the New Jersey Supreme Court for further appellate review. PSEG cannot predict the outcome of this matter.

In the event that (i) the ZEC program is overturned or is otherwise materially adversely modified through legal process; or (ii) any of the Salem 1, Salem 2 and Hope Creek plants is not sufficiently valued for its environmental, fuel diversity or resilience attributes in future periods and does not otherwise experience a material financial change that would remove the need for such attributes to be sufficiently valued, PSEG Power will take all necessary steps to cease to operate all of these plants. Alternatively, even with sufficient valuation of these attributes, if the financial condition of the plants is materially adversely impacted by changes in commodity prices, FERC's changes to the capacity market construct (absent sufficient capacity revenues provided under a program approved by the BPU in accordance with a FERC-authorized capacity mechanism), 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 Clean Water Act and related state regulations, or other factors, PSEG Power will take all necessary steps to cease to operate all of these plants. Ceasing operations of these plants would result in a material adverse impact on PSEG's and PSEG Power's results of operations.

Tax Legislation

On March 31, 2021, the White House released an overview of The American Jobs Plan and Made in America Tax Plan. Although very few details of the plans have been released, the Made in America Tax Plan includes an increase in the federal corporate tax rate and a minimum tax levied on book earnings. If either provision is enacted, it would have an unfavorable impact on PSEG's and PSEG Power's financial statements and would increase PSEG's customers' bills.

A prolonged coronavirus pandemic or further economic stimulus could result in future federal or state legislation which could have a material impact on our effective tax rate and cash tax position.

The Consolidated Appropriations Act, 2021 (CAA) was enacted in late December 2020. The CAA provides a 30% investment tax credit for offshore wind projects that begin construction before December 31, 2025. Also, on December 31, 2020, Notice 2021-05 was issued. For qualifying offshore wind projects, the notice extends the four year continuity safe harbor to ten calendar years commencing the calendar year after which construction of the project begins.

In July 2020, the Internal Revenue Service (IRS) issued final and proposed regulations addressing the limitation on deductible business interest expense contained in the Tax Cuts and Jobs Act (Tax Act). These regulations retroactively allow depreciation to be added back in computing the 30% adjusted taxable income (ATI) cap, increasing the amount of interest that can be deducted by unregulated businesses in years before 2022. For 2022 and after, the regulations continue to disallow the addback of depreciation in the computation of ATI, effectively lowering the cap on the amount of deductible business interest. The portion of PSEG's and PSEG Power's business interest expense that was disallowed in 2018 and 2019 will now be deductible in those respective years.

In March 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. The CARES Act allows a five-year carryback of any net operating loss (NOL) generated in a taxable year beginning after December 31, 2017 and before January 1, 2021.

Future Outlook

Our future success will depend on our ability to continue to maintain strong operational and financial performance to capitalize on or otherwise address regulatory and legislative developments that impact our business and to respond to the issues and challenges described below. In order to do this, we will continue to:

- obtain approval of and execute on our utility capital investment program to enhance the resiliency of our infrastructure, maintain the reliability of the service we provide to our customers, and align our sustainability and climate goals with

New Jersey's energy policy,

- focus on controlling costs while maintaining safety, reliability and customer satisfaction and complying with applicable standards and requirements,
- deliver on our Human Capital Management strategy to attract, develop and retain a diverse, high-performing workforce,
- successfully manage our energy obligations and re-contract our open supply positions in response to changes in prices and demand, mindful of the cost and affordability impacts to our electric and gas distribution customers,
- advocate for federal and state programs to properly value New Jersey's largest zero-carbon generation resource and measures that promote fair and efficient electricity markets, including recognition of the cost of emissions,
- engage constructively with our multiple stakeholders, including regulators, government officials, customers, employees, investors, suppliers and the communities in which we do business,
- finalize our strategic alternatives review for PSEG Power's non-nuclear generating assets and successfully execute any transactions involving those assets as we transform our business mix into a mostly regulated utility and contracted generating company with a carbon-free nuclear and offshore wind fleet,
- successfully operate the LIPA T&D system and manage LIPA's fuel supply and generation dispatch obligations, and
- manage the risks and opportunities in environmental, social and governance (ESG) matters, which is an integral part of our long-term strategy to be a clean energy leader for the benefit of all stakeholders.

In addition to the risks described elsewhere in this Form 10-Q and in our Form 10-K, for 2021 and beyond, the key issues and challenges we expect our business to confront include:

- regulatory and political uncertainty, both with regard to future energy policy, design of energy and capacity markets, transmission policy and environmental regulation, as well as with respect to the outcome of any legal, regulatory or other proceedings,
- the continuing impact of the ongoing coronavirus pandemic and the associated economic impact, which could extend beyond the duration of the pandemic,
- future changes in federal and state tax laws, including The American Jobs Plan and Made in America Tax Plan, and
- the impact of changes in demand, natural gas and electricity prices, and expanded efforts to decarbonize several sectors of the economy.

We continually assess a broad range of strategic options to maximize long-term stockholder value and address the interests of our multiple stakeholders. In assessing our options, we consider a wide variety of factors, including the performance and prospects of our businesses; the views of employees, investors, regulators, customers and rating agencies; our existing indebtedness and restrictions it imposes; and tax considerations, among other things. Strategic options available to us include:

- investments in T&D facilities to enhance reliability, resiliency and modernize the system to meet the growing needs and increasingly higher expectations of customers, and clean energy investments such as CEF-EE, CEF-EV and CEF-ES,
- the disposition or restructuring of our merchant generation business or portions thereof or other existing businesses or the acquisition or development of new businesses,
- investments in offshore wind with long-term contracts that provide predictability and a reasonable risk-adjusted return,
- continued operations of our nuclear generation facilities, to the extent there is sufficient certainty that their operation will render an acceptable risk-adjusted return, and
- acquisitions, dispositions and other transactions involving assets or businesses that could provide value to customers and shareholders.

There can be no assurance, however, that we will successfully develop and execute any of the strategic options noted above, or any additional options we may consider in the future. The execution of any such strategic plan may not have the expected benefits or may have unexpected adverse consequences.

RESULTS OF OPERATIONS

PSEG

Our results of operations are primarily comprised of the results of operations of our principal operating subsidiaries, PSE&G and PSEG Power, excluding charges related to intercompany transactions, which are eliminated in consolidation. For additional information on intercompany transactions, see Item 1. Note 20. Related-Party Transactions.

	Three Months Ended March 31,		Increase/ (Decrease) 2021 vs. 2020	
	2021	2020	2021 vs. 2020	
	Millions		Millions	%
Operating Revenues	\$ 2,889	\$ 2,781	\$ 108	4
Energy Costs	1,029	906	123	14
Operation and Maintenance	778	754	24	3
Depreciation and Amortization	341	324	17	5
Income from Equity Method Investments	3	3	—	—
Net Gains (Losses) on Trust Investments	60	(221)	281	N/A
Other Income (Deductions)	25	4	21	N/A
Net Non-Operating Pension and OPEB Credits (Costs)	82	62	20	32
Interest Expense	146	153	(7)	(5)
Income Tax (Benefit) Expense	117	44	73	N/A

The following discussions for PSE&G and PSEG Power provide a detailed explanation of their respective variances.

PSE&G

	Three Months Ended March 31,		Increase/ (Decrease) 2021 vs. 2020	
	2021	2020	2021 vs. 2020	
	Millions		Millions	%
Operating Revenues	\$ 2,073	\$ 1,883	\$ 190	10
Energy Costs	849	708	141	20
Operation and Maintenance	424	386	38	10
Depreciation and Amortization	241	222	19	9
Net Gains (Losses) on Trust Investments	1	—	1	N/A
Other Income (Deductions)	28	27	1	4
Net Non-Operating Pension and OPEB Credits (Costs)	66	51	15	29
Interest Expense	98	96	2	2
Income Tax Expense (Benefit)	79	109	(30)	(28)

Three Months Ended March 31, 2021 as Compared to 2020

Operating Revenues increased \$190 million due to changes in delivery, commodity, clause and other operating revenues.

Delivery Revenues increased \$23 million due primarily to

- Transmission revenues were \$26 million higher due to an increase in revenue requirements attributable to higher rate base investment.
- Electric distribution revenues increased \$12 million due primarily to a \$10 million increase attributable to higher sales volumes and a \$2 million increase in Green Program Recovery Charge (GPRC) collections.

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- Gas distribution revenues increased \$9 million due primarily to a \$57 million increase due to higher sales volumes and a \$3 million increase in GPRC revenues. These increases were partially offset by \$51 million in accrued WNC revenues in the first quarter of 2020.
- Electric and Gas revenues decreased by \$24 million due to a net increase in the flowback to customers of excess deferred tax liabilities and tax repair-related accumulated deferred income tax benefits resulting from rate reductions, which is offset in Income Tax Expense.

Commodity Revenues increased \$144 million as a result of higher Gas revenues and higher Electric revenues. The changes in Commodity revenues for both gas and electric are entirely offset by the changes in Energy Costs. PSE&G earns no margin on the provision of basic gas supply service (BGSS) and BGS to retail customers.

- Gas commodity revenues increased \$102 million due primarily to higher BGSS sales volumes of \$57 million and higher BGSS prices of \$45 million.
- Electric commodity revenues increased \$42 million due primarily to a \$67 million increase in sales volumes, partially offset by \$25 million in lower BGS prices.

Clause Revenues increased \$23 million due primarily to higher SBC revenues of \$22 million and a \$1 million net increase in Tax Adjustment Credit (TAC) and GPRC deferrals. The changes in SBC revenues and TAC and GPRC deferral amounts are entirely offset by changes in the amortization of Regulatory Assets and Regulatory Liabilities and related costs in O&M, D&A, Interest and Income Tax Expenses. PSE&G does not earn margin on SBC revenues or TAC and GPRC deferrals.

Other Operating Revenues were flat. An \$11 million decrease in Solar Renewable Energy Certificate (SREC) revenues was entirely offset by an \$8 million increase in Transition Renewable Energy Certificate (TREC) revenues and a \$3 million increase in appliance service revenues. The changes in SREC and TREC components of revenues are entirely offset by changes to Energy Costs.

Operating Expenses

Energy Costs increased \$141 million. This is entirely offset by changes in Commodity Revenues and Other Operating Revenues.

Operation and Maintenance increased \$38 million due primarily to a \$21 million increase in clause and renewable-related expenses, a \$7 million increase in appliance service costs, a \$4 million increase in transmission expenditures, a \$3 million increase in grounds maintenance for snow removal, a \$2 million increase in distribution corrective and preventative maintenance and \$1 million increase in vegetation management expenditures.

Depreciation and Amortization increased \$19 million due primarily to a \$13 million increase related to additional plant in service and a \$5 million increase in the amortization of Regulatory Assets.

Net Non-Operating Pension and OPEB Credits (Costs) increased \$15 million due primarily to a \$12 million decrease in interest cost and a \$7 million increase in the expected return on plan assets, partially offset by a \$2 million increase in the amortization of the net actuarial loss and a \$2 million increase in the amortization of net prior service cost.

Interest Expense increased \$2 million due primarily to a \$1 million increase from net debt issuances in 2021 and a \$3 million increase from net debt issuances in 2020. These increases were partially offset by a decrease of \$2 million due to a reduction in short-term borrowings and a decrease in the allowance for funds used during construction.

Income Tax Expense decreased \$30 million due primarily to an increase in the 2021 flowback of PSE&G's excess deferred income tax liabilities and CEF program investments, partially offset by an increase in bad debt flow-through.

PSEG Power

	Three Months Ended March 31,		Increase/ (Decrease)	
	2021	2020	2021 vs. 2020	
	Millions		Millions	%
Operating Revenues	\$ 1,167	\$ 1,220	\$ (53)	(4)
Energy Costs	682	676	6	1
Operation and Maintenance	222	241	(19)	(8)
Depreciation and Amortization	92	94	(2)	(2)
Income from Equity Method Investments	3	3	—	—
Net Gains (Losses) on Trust Investments	58	(220)	278	N/A
Other Income (Deductions)	(4)	(23)	19	(83)
Net Non-Operating Pension and OPEB Credits (Costs)	12	8	4	50
Interest Expense	27	34	(7)	(21)
Income Tax Expense (Benefit)	52	(70)	122	N/A

Three Months Ended March 31, 2021 as Compared to 2020

Operating Revenues decreased \$53 million due primarily to changes in generation and gas supply revenues.

Generation Revenues decreased \$128 million due primarily to

- a net decrease of \$202 million due to MTM losses in 2021 as compared to MTM gains in 2020. Of this amount, there was a \$167 million decrease due to changes in forward prices in 2021 as compared to 2020 coupled with a \$35 million decrease due to losses on positions reclassified to realized upon settlement in 2021 compared to gains in 2020, and
- a net decrease of \$22 million in electricity sold primarily due to the transfer of responsibility for firm transmission services under the BGS contracts from the BGS suppliers to the Electric Distribution Companies (EDCs),
- partially offset by a net increase of \$81 million due primarily to higher average realized prices in the PJM, NE and NY regions coupled with higher volumes of electricity sold in the NE region. This was partially offset by lower volumes of electricity sold in the PJM region, and
- a net increase of \$10 million in capacity revenues due primarily to increases in auction prices in the PJM region, partially offset by decreases in capacity prices and higher load obligations in the NE region.

Gas Supply Revenues increased \$75 million due primarily to

- a net increase of \$63 million in sales under the BGSS contract primarily due to higher sales volumes, and
- a net increase of \$12 million related to sales to third parties, of which \$23 million was due to higher average sales prices, partially offset by a decrease of \$11 million due to lower volumes sold.

Operating Expenses

Energy Costs represent the cost of generation, which includes fuel costs for generation as well as purchased energy in the market, and gas purchases to meet PSEG Power's obligation under its BGSS contract with PSE&G. Energy Costs increased \$6 million due to

Gas costs increased \$48 million due mainly to

- a net increase of \$38 million in costs related to sales under the BGSS contract, of which \$58 million was due to higher send out volumes, partially offset by a decrease of \$20 million due to the lower average cost of gas, and
- a net increase of \$8 million related to sales to third parties, of which \$18 million was due to an increase in the average cost of gas, partially offset by a decrease of \$10 million due to lower volumes sold.

Generation costs decreased \$42 million due primarily to

- a net decrease of \$48 million due to net MTM gains in 2021 compared to MTM losses in 2020. Of this amount, there was a \$32 million decrease due to changes in forward prices in 2021 as compared to 2020 coupled with a \$16 million

decrease due to gains on positions reclassified to realized upon settlement in 2021 as compared to losses in 2020,

- a net decrease of \$28 million in transmission costs primarily due to a \$22 million impact from the transfer of responsibility for firm transmission services under BGS contracts from BGS suppliers to the EDCs, coupled with a \$6 million decrease from changes in BGS and other load, and
- a decrease of \$20 million due to a lower of cost or market adjustment recorded in the first quarter of 2020 on oil inventory caused by a decrease in oil demand and pricing,
- partially offset by a net increase of \$46 million in fuel costs reflecting higher gas prices in the PJM, NY, and NE regions coupled with the utilization of higher volumes of coal in the NE region. This was partially offset by utilization of lower volumes of gas in the PJM region.

Operation and Maintenance decreased \$19 million due primarily to higher planned outage costs in 2020 at our fossil and nuclear plants.

Net Gains (Losses) on Trust Investments increased \$278 million due primarily to a \$214 million decrease in net unrealized losses on equity investments in the NDT Fund, and a \$60 million increase in net realized gains on NDT Fund investments.

Other Income (Deductions) increased \$19 million primarily due to lower purchases of NOL tax benefits in 2021 under the New Jersey Technology Tax Benefit Transfer Program.

Non-Operating Pension and OPEB Credits (Costs) increased \$4 million due to a \$3 million decrease in interest cost and a \$1 million increase in the expected return on plan assets.

Interest Expense decreased \$7 million due primarily to debt maturities in April 2020.

Income Tax Expense increased \$122 million due primarily to higher pre-tax income, an additional trust tax on the NDT qualified fund net gains, and the purchase of less New Jersey NOL tax benefits in 2021 as compared to 2020 under the New Jersey Technology Tax Benefit Transfer Program.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of our liquidity and capital resources is on a consolidated basis, noting the uses and contributions, where material, of our two direct major operating subsidiaries.

Operating Cash Flows

We continue to expect our operating cash flows combined with cash on hand and financing activities to be sufficient to fund planned capital expenditures and shareholder dividends.

For the three months ended March 31, 2021, our operating cash flow decreased \$126 million as compared to the same period in 2020. The net decrease was primarily due to the net changes from our subsidiaries, as discussed below, offset by higher tax refunds in 2021 at the parent company and tax refunds in 2021 as compared to tax payments in 2020 at Energy Holdings.

Given the current economic challenges, PSE&G has informed both our residential customers and state regulators that all non-safety related service disconnections for non-payment will be temporarily suspended. In addition, the current economic conditions have adversely impacted residential and C&I customer payment patterns. During the moratorium, PSE&G has experienced a significant decrease in cash inflow and higher Accounts Receivable aging and an associated increase in bad debt expense, which we expect will extend beyond the duration of the coronavirus pandemic. While the impact on our results of operations, financial condition and cash flows for the three months ended March 31, 2021 was not material, a prolonged coronavirus pandemic and the associated economic impacts, which could extend beyond the duration of the pandemic, could materially impact cash from operations, Accounts Receivable and bad debt expense.

PSE&G

PSE&G's operating cash flow decreased \$117 million from \$635 million to \$518 million for the three months ended March 31, 2021, as compared to the same period in 2020, due primarily to higher accounts receivable reflecting lower collections due to the economic impacts of the pandemic and the moratorium on collections, increases in electric energy and vendor payables, and higher tax payments in 2021. These decreases were partially offset by a net decrease in regulatory deferrals.

PSEG Power

PSEG Power's operating cash flow decreased \$9 million from \$484 million to \$475 million for the three months ended March 31, 2021, as compared to the same period in 2020, due to a \$99 million reduction related to cash collateral posting requirements, and tax payments in 2021 as compared to tax refunds in 2020, partially offset by higher earnings and a \$41 million increase in the usage of fuels, materials and supplies.

Short-Term Liquidity

PSEG meets its short-term liquidity requirements, as well as those of PSEG Power, primarily through the issuance of commercial paper and, from time to time, short-term loans. PSE&G maintains its own separate commercial paper program to meet its short-term liquidity requirements. Each commercial paper program is fully back-stopped by its own separate credit facilities.

We continually monitor our liquidity and seek to add capacity as needed to meet our liquidity requirements. Each of our credit facilities is restricted as to availability and use to the specific companies as listed below; however, if necessary, the PSEG facilities can also be used to support our subsidiaries' liquidity needs.

In March 2020, PSEG entered into a \$300 million, 364-day term loan agreement which was prepaid in January 2021. In March 2021, PSEG entered into a \$500 million, 364-day variable rate term loan agreement. This term loan is not included in the credit facility amounts presented in the following table.

Our total credit facilities and available liquidity as of March 31, 2021 were as follows:

Company/Facility	As of March 31, 2021		
	Total Facility	Usage	Available Liquidity
	Millions		
PSEG	\$ 1,500	\$ 167	\$ 1,333
PSE&G	600	18	582
PSEG Power	2,100	152	1,948
Total	\$ 4,200	\$ 337	\$ 3,863

As of March 31, 2021, our credit facility capacity was in excess of our projected maximum liquidity requirements over our 12 month planning horizon, including access to capital to meet redemptions. Our maximum liquidity requirements are based on stress scenarios that incorporate changes in commodity prices and the potential impact of PSEG Power losing its investment grade credit rating from S&P or Moody's, which would represent a three level downgrade from its current Moody's rating and a two level downgrade from its current S&P rating. In the event of a deterioration of PSEG Power's credit rating, certain of PSEG Power's agreements allow the counterparty to demand further performance assurance. The potential additional collateral that we would be required to post under these agreements if PSEG Power were to lose its investment grade credit rating was approximately \$818 million and \$840 million as of March 31, 2021 and December 31, 2020, respectively.

For additional information, see Item 1. Note 12. Debt and Credit Facilities.

Long-Term Debt Financing

During the next twelve months,

- PSEG has \$300 million of 2.00% Senior Notes maturing in November 2021,
- PSE&G has \$134 million of 9.25% Mortgage Bonds Series CC maturing in June 2021, and
- PSEG Power has \$700 million of 3.00% Senior Notes maturing in June 2021 and \$250 million of 4.15% Senior Notes maturing in September 2021. PSEG Power has a letter of credit backing \$44 million of Pennsylvania Economic Development Financing Authority Variable Rate Demand Bonds which expires in March 2022.

PSEG, PSEG Power, Energy Holdings, PSEG LI and Services participate in a corporate money pool, an aggregation of daily cash balances designed to efficiently manage their respective short-term liquidity needs, which are accounted for as intercompany loans. Servco does not participate in the corporate money pool. Servco's short-term liquidity needs are met through an account funded and owned by LIPA.

For additional information see Item 1. Note 12. Debt and Credit Facilities.

Guarantor Financial Information

PSEG Power's Senior Notes are fully and unconditionally guaranteed on a joint and several basis by its subsidiaries, PSEG Fossil LLC, PSEG Nuclear LLC and PSEG Energy Resources & Trade LLC. Each guarantor subsidiary is a wholly owned consolidated subsidiary of PSEG Power.

Summarized financial information is being presented, on a combined basis, only for PSEG Power (parent company) and the guarantors of PSEG Power's Senior Notes, excluding investments in, and earnings (losses) from, subsidiaries that are not guarantors. All transactions between PSEG Power (parent company) and the guarantor subsidiaries are eliminated in the

combined summarized financial information. The required disclosures for the year-to-date interim period and the most recent fiscal year are provided in the following tables.

	Three Months Ended		Year Ended	
	March 31, 2021		December 31, 2020	
	Millions			
Operating Revenues (A)	\$	1,151	\$	3,564
Operating Income	\$	171	\$	598
Net Income	\$	162	\$	597

- (A) Operating Revenues include sales to affiliates of \$498 million and \$1,218 million, respectively for the three months ended March 31, 2021 and year ended December 31, 2020, respectively.

	As of		As of	
	March 31, 2021		December 31, 2020	
	Millions			
Current Receivables from Subsidiaries and Affiliates	\$	2,525	\$	2,350
Total Current Assets	\$	3,397	\$	3,365
Noncurrent Receivables from Affiliates	\$	17	\$	17
Total Noncurrent Assets	\$	7,178	\$	7,228
Current Payables to Subsidiaries and Affiliates	\$	286	\$	258
Total Current Liabilities	\$	1,800	\$	1,734
Noncurrent Payables to Affiliates	\$	57	\$	57
Total Noncurrent Liabilities	\$	3,974	\$	4,027

Pension and NDT Fund Obligations

IRS minimum funding requirements for pension plans are determined based on the fund's assets and liabilities at the end of a calendar year for the subsequent calendar year. In the event of a prolonged economic downturn associated with the ongoing coronavirus pandemic, our contributions to the pension plans may increase in future periods to meet IRS minimum funding requirements. PSEG had accumulated funding credits totaling approximately \$600 million through 2020, which represent historical contributions in excess of IRS minimum funding requirements, and these credits can be applied to offset any future cash contribution obligations.

In addition, the NRC requires a biennial filing of the NDT fund balances against the decommissioning liability estimate. Any funding shortfalls are required to be cured prior to the next NRC reporting period. To the extent of a prolonged economic downturn associated with the ongoing coronavirus pandemic, our funding requirements may increase in future periods to meet NRC minimum funding requirements.

Common Stock Dividends

On April 20, 2021, our Board of Directors declared a \$0.51 dividend per share of common stock for the second quarter of 2021. This reflects an indicative annual dividend rate of \$2.04 per share. We expect to continue to pay cash dividends on our common stock; however, the declaration and payment of future dividends to holders of our common stock will be at the discretion of the Board of Directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our businesses, alternate investment opportunities, legal requirements, regulatory constraints, industry practice and other factors that the Board of Directors deems relevant. For additional information related to cash dividends on our common stock, see Item 1. Note 18. Earnings Per Share (EPS) and Dividends.

Credit Ratings

If the rating agencies lower or withdraw our credit ratings, such revisions may adversely affect the market price of our securities and serve to materially increase our cost of capital and limit access to capital. Credit Ratings shown are for securities that we typically issue. Outlooks are shown for Issuer Credit Ratings and can be Stable, Negative, or Positive. There is no assurance that the ratings will continue for any given period of time or that they will not be revised by the rating agencies, if in their

respective judgments, circumstances warrant. Each rating given by an agency should be evaluated independently of the other agencies' ratings. The ratings should not be construed as an indication to buy, hold or sell any security.

	Moody's (A)	S&P (B)
PSEG		
Outlook	Stable	Stable
Senior Notes	Baa1	BBB
Commercial Paper	P2	A2
PSE&G		
Outlook	Stable	Stable
Mortgage Bonds	Aa3	A
Commercial Paper	P1	A2
PSEG Power		
Outlook	Stable	Stable
Senior Notes	Baa1	BBB

(A) Moody's ratings range from Aaa (highest) to C (lowest) for long-term securities and P1 (highest) to NP (lowest) for short-term securities.

(B) S&P ratings range from AAA (highest) to D (lowest) for long-term securities and A1 (highest) to D (lowest) for short-term securities.

CAPITAL REQUIREMENTS

We expect that all of our capital requirements over the next three years will come from a combination of internally generated funds and external debt financing. There were no material changes to our projected capital expenditures at PSEG Power and Services as compared to amounts disclosed in our 2020 Form 10-K.

PSE&G

During the three months ended March 31, 2021, PSE&G made capital expenditures of \$586 million, primarily for T&D system reliability. This does not include expenditures for cost of removal, net of salvage, of \$27 million, which are included in operating cash flows.

PSEG Power

During the three months ended March 31, 2021, PSEG Power made capital expenditures of \$36 million, excluding \$10 million for nuclear fuel, primarily related to various nuclear and fossil projects.

ACCOUNTING MATTERS

For information related to recent accounting matters, see Item 1. Note 2. Recent Accounting Standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risk inherent in our market-risk sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices, equity security prices and interest rates as discussed in the Notes to Condensed Consolidated Financial Statements. It is our policy to use derivatives to manage risk consistent with business plans and prudent practices. We have a Risk Management Committee comprised of executive officers who utilize a risk oversight function to ensure compliance with our corporate policies and risk management practices.

Additionally, we are exposed to counterparty credit losses in the event of non-performance or non-payment. We have a credit management process, which is used to assess, monitor and mitigate counterparty exposure. In the event of non-performance or non-payment by a major counterparty, there may be a material adverse impact on our financial condition, results of operations or net cash flows.

Commodity Contracts

The availability and price of energy-related commodities are subject to fluctuations from factors such as weather, environmental policies, changes in supply and demand, state and federal regulatory policies, market rules and other events. To reduce price risk caused by market fluctuations, we enter into supply contracts and derivative contracts, including forwards, futures, swaps and options with approved counterparties. These contracts, in conjunction with physical sales and other services, help reduce risk and optimize the value of owned electric generation capacity.

Value-at-Risk (VaR) Models

VaR represents the potential losses, under normal market conditions, for instruments or portfolios due to changes in market factors, for a specified time period and confidence level. We estimate VaR across our commodity businesses.

MTM VaR consists of MTM derivatives that are economic hedges. The MTM VaR calculation does not include market risks associated with activities that are subject to accrual accounting, primarily our generating facilities and some load-serving activities.

The VaR models used are variance/covariance models adjusted for the change of positions with 95% and 99.5% confidence levels and a one-day holding period for the MTM activities. The models assume no new positions throughout the holding periods; however, we actively manage our portfolio.

From January through March 2021, MTM VaR was relatively stable between a low of \$7 million and a high of \$24 million at the 95% confidence level. The range of VaR was slightly wider for the three months ended March 31, 2021 as compared with the year ended December 31, 2020.

	MTM VaR	
	Three Months Ended March 31, 2021	Year Ended December 31, 2020
	Millions	
<i>95% Confidence Level, Loss could exceed VaR one day in 20 days</i>		
Period End	\$ 8	\$ 16
Average for the Period	\$ 14	\$ 10
High	\$ 24	\$ 18
Low	\$ 7	\$ 5
<i>99.5% Confidence Level, Loss could exceed VaR one day in 200 days</i>		
Period End	\$ 13	\$ 24
Average for the Period	\$ 22	\$ 16
High	\$ 38	\$ 29
Low	\$ 11	\$ 8

See Item 1. Note 13. Financial Risk Management Activities for a discussion of credit risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

PSEG, PSE&G and PSEG Power

We have established and maintain disclosure controls and procedures as defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to provide reasonable assurance that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported and is accumulated and communicated to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of each respective company, as appropriate, by others within the entities to allow timely decisions regarding required disclosure. We have established a disclosure committee which includes several key management employees and which reports directly to the CFO and CEO of each of PSEG, PSE&G and PSEG Power. The committee monitors and evaluates the effectiveness of these disclosure controls and procedures. The CFO and CEO of each of PSEG, PSE&G and PSEG Power have evaluated the effectiveness of the disclosure controls and procedures and, based on this evaluation, have concluded that disclosure controls and procedures at each respective company were effective at a reasonable assurance level as of the end of the period covered by the report.

Internal Controls**PSEG, PSE&G and PSEG Power**

There have been no changes in internal control over financial reporting that occurred during the first quarter of 2021 that have materially affected, or are reasonably likely to materially affect, each registrant's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

We are party to various lawsuits and environmental and regulatory matters, including in the ordinary course of business. For information regarding material legal proceedings, including updates to information reported in Item 3 of Part I of the Form 10-K, see Part I, Item 1. Note 11. Commitments and Contingent Liabilities and Item 5. Other Information.

ITEM 1A. RISK FACTORS

The discussion of our business and operations in this Quarterly Report on Form 10-Q should be read together with the risk factors contained in Part I, Item 1A of our Form 10-K, which describes various risks and uncertainties that 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. We expect that the risks and uncertainties described in this Form 10-Q and our Form 10-K will be further adversely impacted by the ongoing coronavirus pandemic and any related, sustained economic downturn, which could extend beyond the duration of the pandemic.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In December 2020, we entered into a share repurchase plan that complies with Rule 10b5-1 of the Exchange Act, as amended, solely with respect to the repurchase of shares to satisfy obligations under equity compensation awards that are expected to be issued in 2021 and the repurchase of shares to satisfy purchases by employees under the Employee Stock Purchase Plan during 2021. The following table indicates our common share repurchases in the open market during the first quarter of 2021. There are no remaining shares available for repurchase under the plan.

Three Months Ended March 31, 2021	Total Number of Shares Purchased	Average Price Paid per Share
January 1 - January 31	1,000,000	\$56.22
February 1 - February 28	—	—
March 1 - March 31	—	—

ITEM 5. OTHER INFORMATION

Certain information reported in the Form 10-K is updated below. Additionally, certain information is provided for new matters that have arisen subsequent to the filing of the Form 10-K. References are to the related pages on the Form 10-K.

Federal Regulation***Transmission Rate Proceedings***

In March 2019, FERC issued a Notice of Inquiry (NOI) seeking comment on improvements to FERC's electric transmission incentives policy to ensure that it appropriately encourages the development of the infrastructure needed to ensure grid reliability and reduce congestion to lower the cost of power for consumers. The NOI is intended to examine whether existing incentives, such as the 50 basis point adder for RTO membership, should continue to be granted and whether new incentives should be established. The NOI includes the consideration of incentives for economic efficiency and reliability benefits, RTO membership, improvements to existing transmission facilities, consideration of the costs and benefits of projects in awarding incentives, and determination of whether to review incentive applications on a case-specific or standardized basis. However, 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 could be material to PSE&G.

Energy Clearing Prices

December 31, 2020 Form 10-K page 13. In April 2019, FERC issued an order directing PJM and NYISO to change their rules governing pricing for fast-start resources. In its Order, FERC found that current fast-start pricing practices are unjust and unreasonable because they do not allow prices to reflect the marginal cost of serving load. FERC required PJM and NYISO to make various changes to their respective tariffs to allow the start-up costs of fast-start resources to be reflected in prices, among other things. In August 2019, PJM stated that new tariff provisions would apply fast-start pricing to all eligible fast-start resources. However, in January 2020, FERC decided to hold the proceeding in abeyance in order to allow PJM and its stakeholders to address FERC's concern that PJM's pricing and dispatch are misaligned. In December 2020, FERC issued an order accepting aspects of PJM's proposed reforms, but also directed PJM to submit an additional filing that includes an implementation date. In February 2021, PJM submitted the additional filing and requested an effective date of May 1, 2021. The new rules will not be implemented until FERC issues an order approving PJM's final compliance filing. We will continue to participate in this proceeding.

State Regulation

BGSS Process

December 31, 2020 Form 10-K page 16. In September 2019, the BPU formally opened a stakeholder proceeding to explore gas capacity procurement and related issues with respect to service to all New Jersey natural gas customers, whether served through BGSS or a third-party supplier. In addition, the BPU directed that the proceeding review whether, and to what extent, third-party suppliers are providing savings to New Jersey customers on their natural gas supply. In 2019, the Board Staff conducted a public hearing and interested parties, including PSE&G, submitted oral and written comments while also answering the Staff's specific questions concerning, among other things, capacity procurement (e.g., timing, price, sufficiency); the sufficiency of pipeline capacity within New Jersey; the cost impacts if gas distribution companies were made responsible for securing incremental capacity for their transportation customers; and economic benefits to residential customers. In early 2020, the BPU announced that it had retained a consultant, and in February 2021 that consultant issued discovery requests focused on PSE&G's June 2020 BGSS filing. The proceeding remains open.

ITEM 6. EXHIBITS

A listing of exhibits being filed with this document is as follows:

a. PSEG:

Exhibit 31:	Certification by Ralph Izzo Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 31.1:	Certification by Daniel J. Cregg Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 32:	Certification by Ralph Izzo Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 32.1:	Certification by Daniel J. Cregg Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 101.INS:	Inline XBRL Instance Document - The Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH:	Inline XBRL Taxonomy Extension Schema
Exhibit 101.CAL:	Inline XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.LAB:	Inline XBRL Taxonomy Extension Labels Linkbase
Exhibit 101.PRE:	Inline XBRL Taxonomy Extension Presentation Linkbase
Exhibit 101.DEF:	Inline XBRL Taxonomy Extension Definition Document
Exhibit 104:	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

b. PSE&G:

Exhibit 31.2:	Certification by Ralph Izzo Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 31.3:	Certification by Daniel J. Cregg Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 32.2:	Certification by Ralph Izzo Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 32.3:	Certification by Daniel J. Cregg Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 101.INS:	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH:	Inline XBRL Taxonomy Extension Schema
Exhibit 101.CAL:	Inline XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.LAB:	Inline XBRL Taxonomy Extension Labels Linkbase
Exhibit 101.PRE:	Inline XBRL Taxonomy Extension Presentation Linkbase
Exhibit 101.DEF:	Inline XBRL Taxonomy Extension Definition Document
Exhibit 104:	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

c. PSEG Power:

Exhibit 3:	PSEG Power LLC Limited Liability Company Agreement, amended and restated
Exhibit 22:	Guaranteed Securities
Exhibit 31.4:	Certification by Ralph Izzo Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 31.5:	Certification by Daniel J. Cregg Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 32.4:	Certification by Ralph Izzo Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 32.5:	Certification by Daniel J. Cregg Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 101.INS:	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
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Exhibit 101.DEF:	Inline XBRL Taxonomy Extension Definition Document
Exhibit 104:	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

(Registrant)

By: /S/ ROSE M. CHERNICK

Rose M. Chernick
Vice President and Controller
(Principal Accounting Officer)

Date: May 5, 2021

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

(Registrant)

By: /S/ ROSE M. CHERNICK

Rose M. Chernick
Vice President and Controller
(Principal Accounting Officer)

Date: May 5, 2021

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

PSEG POWER LLC

(Registrant)

By: /S/ ROSE M. CHERNICK

Rose M. Chernick
Vice President and Controller
(Principal Accounting Officer)

Date: May 5, 2021

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
PSEG POWER LLC

This Amended and Restated Limited Liability Company Agreement (together with the schedules attached hereto, this "Agreement") of PSEG Power LLC, a Delaware limited liability company (the "Company"), is entered into by Public Service Enterprise Group Incorporated, a New Jersey corporation, as the sole member (the "Initial Member"). Capitalized terms used herein and not otherwise defined have the meanings set forth on Schedule A hereto.

The Initial Member, by execution of this Agreement, (i) hereby formed and continues the Company as a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del. C. §18-101, et seq.), as amended from time to time (the "Act"), and (ii) hereby agrees as follows:

1. Name.

The name of the limited liability company heretofore formed and continued hereby is PSEG Power LLC.

2. Principal Business Office.

The principal business office of the Company shall be located at such location as may hereafter be determined by the Members.

3. Registered Office.

The address of the registered office of the Company in the State of Delaware is 3411 Silverside Road Tatnall Building #104, Wilmington, Delaware 19810.

4. Registered Agent.

The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is Corporate Creations Network Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, Delaware 19810.

5. Members.

The name and the mailing address of the Members are set forth on Schedule B attached hereto.

6. Certificates.

Bernard J. Kelley, as an “authorized person” within the meaning of the Act, executed, delivered and filed the Certificate of Formation with the Secretary of State of the State of Delaware. Upon the filing of the Certificate of Formation with the Secretary of State of the State of Delaware, his powers as an “authorized person” ceased, and the Member thereupon became the designated “authorized person” and shall continue as the designated “authorized person” within the meaning of the Act. The Member or an Officer shall execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in New Jersey and in any other jurisdiction in which the Company may wish to conduct business.

7. Purposes.

The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is, engaging in any lawful act or activity for which limited liability companies may be formed under the Act.

8. Powers.

The Company shall have the power and right to do any and all acts necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purposes and business described herein or as permitted by the Act and shall have, without limitation, the power and right to:

- a. acquire by purchase, lease, transfer, contribution of property or otherwise, own, hold, sell, convey, transfer or dispose of any real or personal property and all associated rights and liabilities which may be necessary, convenient or incidental to the accomplishment of the purpose of the Company;
- b. act as a nominee, bailee, director, officer, agent or in some other fiduciary capacity for any person or entity and to exercise all of the powers, duties, rights and responsibilities associated therewith;
- c. take any and all actions necessary, convenient or appropriate as nominee, bailee, director, officer, agent or other fiduciary, including the granting or approval of waivers, consents or amendments of rights or powers relating thereto and the execution of appropriate documents to evidence such waivers, consents or amendments;
- d. operate, purchase, maintain, finance, improve, own, sell, convey, assign, mortgage, lease or demolish or otherwise dispose of any real or personal property which may be necessary, convenient or incidental to the accomplishment of the purposes of the Company;
- e. borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and secure the same by mortgage, pledge or other lien on the assets of the Company;

- f. invest any funds of the Company pending distribution or payment of the same pursuant to the provisions of this Agreement;
- g. prepay in whole or in part, refinance, recast, increase, modify or extend any indebtedness of the Company and, in connection therewith, execute any extensions, renewals or modifications of any mortgage or security agreement securing such indebtedness;
- h. enter into, perform and carry out contracts of any kind, including, without limitation, contracts with any person or entity affiliated with the Member, necessary to, in connection with, convenient to, or incidental to the accomplishment of the purposes of the Company;
- i. employ or otherwise engage employees, managers, contractors, advisors, attorneys and consultants and pay reasonable compensation for such services;
- j. form, own, acquire and dispose of wholly-owned limited liability companies, trusts, associations, partnerships (general and limited), corporations or other ventures in furtherance of the purposes of the Company;
- k. enter into partnerships (general and limited), limited liability companies, trusts, associations, corporations or other ventures with other persons or entities, including affiliated entities, in furtherance of the purposes of the Company; and
- l. do such other things and engage in such other activities related to the foregoing as may be necessary, appropriate, proper, advisable, incidental or convenient to the conduct of the business of the Company, and have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

The listing of powers and rights in this Section 8 shall not in any manner be deemed a restriction on the power or right of the Company to engage in any other activities permitted or not prohibited by the Act. Notwithstanding anything in this Agreement to the contrary, without the need for any additional action on the part of any Person, the Company, and any officer on behalf of the Company, are hereby authorized to execute, deliver and perform the Limited Liability Company Agreements of PSEG Fossil LLC, PSEG Nuclear LLC and PSEG Energy Resources & Trade LLC, each dated June 16, 1999.

9. Management.

- a. Board of Directors. The business and affairs of the Company shall be managed by or under the direction of a Board comprised of one or more Directors to be elected, designated or appointed by the Member. The Member may determine at any time in its sole and absolute discretion the number of Directors to constitute the entire Board. The authorized number of Directors may be increased or decreased by the Member at any time in its sole and absolute discretion. The initial number of Directors shall be five. The names and mailing addresses of the persons designated as Directors are set forth in Schedule C attached hereto. Each Director elected,

designated or appointed by the Member shall hold office until his or her successor is elected and qualified or until such Director's earlier death, resignation or removal. As a condition and qualification to serving as a Director, each Director shall execute and deliver to the Company the Management Agreement set forth in Schedule D attached hereto. Directors need not be Members.

b. Powers. The Board shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise.

c. Meeting of the Board of Directors. The Board of Directors of the Company may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board. Special meetings of the Board may be called by the Chairman of the Board or President on not less than 24 hours' notice to each Director by telephone, facsimile, mail, telegram or any other means of communication, and special meetings shall be called by the President, the Chairman of the Board or Secretary in like manner and with like notice upon the written request of any one or more of the Directors. A special meeting of the Board may be held without prior notice if all Directors waive in writing the requirement for such notice.

d. Quorum: Acts of the Board. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business and, except as otherwise provided in any other provision of this Agreement, the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board. If a quorum shall not be present at any meeting of the Board, the Directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

e. Electronic Communications. Members of the Board, or any committee designated by the Board, may participate in meetings of the Board, or any committee, by means of telephone conference or similar communications equipment that allows all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting. If all the participants are participating by telephone conference or similar communications equipment, the meeting shall be deemed to be held at the principal place of business of the Company.

f. Committees of Directors.

(i) The Board may designate one or more committees, each committee to consist of one or more of the Directors of the Company. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

(ii) In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

(iii) Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and report the same to the Board when required. If not otherwise specified by the Board, unless there is only one member of a committee (in which case one member shall constitute a quorum for the transaction of business), one-third of the entire committee, or two members, whichever is greater, shall constitute a quorum for the transaction of business.

g. Compensation of Directors: Expenses. The Board shall have the authority to fix the compensation of Directors. The Directors may be paid their expenses, if any, of attendance at meetings of the Board, which may be a fixed sum for attendance at each meeting of the Board and/or a stated retainer for each Director. No such payment shall preclude any Director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

h. Removal of Directors. Unless otherwise restricted by law, any Director or the entire Board of Directors may be removed, with or without cause, by the Member, and, any vacancy caused by any such removal may be filled by action of the Member.

i. Directors as Agents. To the extent of their powers set forth in this Agreement, the Directors are agents of the Company for the purpose of the Company's business, and the actions of the Directors taken in accordance with such powers set forth in this Agreement shall bind the Company. However, except as provided in this Agreement, no Director shall have the authority to bind the Company in his or her individual capacity. Any and all actions of the Board must be taken at a duly authorized meeting of the Board or upon unanimous written consent of the Board.

10. Duties of Directors.

Except as provided in this Agreement, in exercising their rights and performing their duties under this Agreement, the Directors shall have a fiduciary duty of loyalty and care similar to that of a director of a business corporation organized under the General Corporation Law of the State of Delaware.

11. Officers.

a. Officers. The Officers of the Company are listed on Schedule E attached hereto. The Officers of the Company shall be chosen by the Board and shall consist of a President,

a Secretary and a Treasurer. The Board of Directors may also choose a Chairman of the Board, one or more Senior Vice Presidents, one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. Any number of offices may be held by the same person. Each Officer shall hold office until his or her successor is elected and qualified or until such officer's earlier resignation or removal. Any Officer may resign at any time upon written notice to the Company. In addition, the Board may appoint such other Officers and agents as it shall deem necessary or advisable who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. The salaries of all Officers and employees of the Company shall be fixed by or in the manner prescribed by the Board. Any Officer elected or appointed by the Board may be removed at any time, with or without cause, by the affirmative vote of a majority of the Board. Any vacancy occurring in any office of the Company shall be filled by the Board. The Chairman of the Board, the President, each Senior Vice President and each Vice President, severally, shall have the power to sign deeds, contracts and other instruments; to attend, act and vote at any meeting of stockholders, partners, members, beneficial owners or the substantial equivalent of any corporation, partnership (limited and general), limited liability company, trust or any other entity in which the Company may hold stock, partnership interests, limited liability company interests, beneficial interests or other interests and to appoint, if permitted by the relevant entity, one or more other persons as proxy or proxies to attend, act, and vote at any such meeting and such officer or such proxy or proxies shall possess and may exercise on behalf of the Company any and all rights and powers incident to its ownership of such stock, partnership interests, limited liability company interests, beneficial interests or other interests; and shall have such powers and perform such duties as may be assigned by the Board of Directors, and any Committee of the Board, or the Chief Executive Officer, in addition to any powers and duties that are assigned specifically by this Agreement.

b. Chairman of the Board. If there be a Chairman of the Board, he shall preside at all meetings of the Board of Directors, and shall have such other powers and perform such other duties as may be assigned to him by the Board of Directors or the Executive Committee. If there be a Chairman of the Board, the Board of Directors shall designate either the Chairman of the Board or the President as the chief executive officer of the Company with plenary powers of supervision and direction of the business and affairs of the Company, unless such offices are occupied by the same person.

c. President. If there be no Chairman of the Board, the President shall be the chief executive officer. If there be a Chairman of the Board and if he be designated as the chief executive officer of the Company, the President shall have charge of the coordination and supervision of all matters of operation of the Company. In the absence of the Chairman of the Board, the President shall have the powers and perform the duties of the Chairman of the Board.

d. Senior Vice President. The Senior Vice Presidents, severally, in the order designated by the chief executive officer, shall, in the absence of the President, have the powers and perform the duties of the President, and if there be a Chairman of the Board, they shall, in the absence of the Chairman of the Board and the President, have the powers and perform the duties of the Chairman of the Board.

e. Vice President. The Vice Presidents, severally, in the order designated by the chief executive officer, shall, in the absence of the President and the Senior Vice Presidents, have the powers and perform the duties of the President, and if there be a Chairman of the Board, they shall, in the absence of the Chairman of the Board, the President and the Senior Vice Presidents, have the powers and perform the duties of the Chairman of the Board.

f. Secretary and Assistant Secretary. The Secretary shall be responsible for filing legal documents and maintaining records for the Company. The Secretary shall attend all meetings of the Board and all meetings of the Members, if any, and record all the proceedings of the meetings of the Company and of the Board and shall perform like duties for special and standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the Members, if any, and special meetings of the Board, and shall perform such other duties as may be prescribed by the Board, the Chairman of the Board or the President, under whose supervision the Secretary shall serve. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board (or if there be no such determination, then in order of their election), shall, in the absence of the Secretary or in the event of the Secretary's inability to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

g. Treasurer and Assistant Treasurer. The Treasurer shall have the custody of the Company funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board or, if authorized by the Board, the Treasurer. The Treasurer shall disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, the President and to the Board, at its regular meetings or when the Board so requires, an account of all of the Treasurer's transactions and of the financial condition of the Company. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of the Treasurer's inability to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

h. Officers as Agents. The Officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by action of the Board not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business, and, the actions of the Officers taken in accordance with such powers shall bind the Company.

i. Duties of Officers. Except to the extent otherwise provided herein, each Officer shall have a fiduciary duty of loyalty and care similar to that of officers of business corporations organized under the General Corporation Law of the State of Delaware.

12. Limited Liability.

Except as otherwise expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and neither any Member nor any Director nor any Officer shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member, a Director or an Officer of the Company.

13. Capital Contributions.

The Member shall be deemed admitted as the Member of the Company effective as of the date of this Agreement. The Initial Member shall contribute the amount of cash to the Company listed on Schedule B attached hereto.

14. Additional Contributions.

The Initial Member is not required to make any additional capital contribution to the Company. However, a Member may make additional capital contributions to the Company at any time upon the written consent of such Member. To the extent that the Member makes an additional capital contribution to the Company, Schedule B of this Agreement does not need to be revised; rather, the Secretary or Treasurer shall modify the books and records of the Company to reflect such additional capital contribution. The provisions of this Agreement, including this Section 14, are intended solely to benefit the Member and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company (and no such creditor of the Company shall be a third-party beneficiary of this Agreement) and no Member shall any duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Agreement.

15. Allocation of Profits and Losses.

The Company's profits and losses shall be allocated to the Member.

16. Distributions.

Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Board. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not be required to make a distribution to any Member on account of its interest in the Company if such distribution would violate Section 18-607 of the Act or any other applicable law.

17. Books and Records.

The Board shall keep or cause to be kept complete and accurate books of account and records with respect to the Company's business. Each Member and its duly authorized representatives shall have the right to examine the Company books, records and documents during

normal business hours. The Company, and the Board on behalf of the Company, shall not have the right to keep confidential from the Member any information that the Board would otherwise be permitted to keep confidential from the Member pursuant to Section 18-305(c) of the Act. The Company's books of account shall be kept using the method of accounting determined by the Board. The Company's independent auditor shall be an independent public accounting firm selected by the Member.

18. Exculpation and Indemnification.

a. No Member, Officer, Director, employee or agent of the Company and no employee, representative, agent or Affiliate of the Member (collectively, the "Covered Persons") shall be liable to the Company or any other Person who has an interest in or claim against the Company for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's willful misconduct.

b. To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 18 shall be provided out of and to the extent of Company assets only, and no Member shall have personal liability on account thereof.

c. To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in this Section 18.

d. A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

e. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any other Covered

Person, a Covered Person acting under this Agreement shall not be liable to the Company or to any other Covered Person for its good faith reliance on the provisions of this Agreement or any approval or authorization granted by the Company or any other Covered Person. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Member to replace such other duties and liabilities of such Covered Person.

f. The Company may purchase and maintain insurance, to the extent and in such amounts as the Treasurer, in his sole discretion, shall deem reasonable, on behalf of Covered Persons and such other persons or entities as the Treasurer shall determine, against any liability that may be asserted against or expenses that may be incurred by any such person or entity in connection with the activities of the Company or such indemnities, regardless of whether the Company would have the power to indemnify such person or entity against such liability under the provisions of this Agreement. The Company may enter into indemnity contracts with Covered Persons and such other persons or entities as the Board shall determine and adopt written procedures pursuant to which arrangements are made for the advancement of expenses and the funding of obligations under Section 18(c) and containing such other procedures regarding indemnification as are appropriate.

g. The foregoing provisions of this Section 18 shall survive any termination of this Agreement.

19. Assignments.

The Member may assign in whole or in part its limited liability company interest in the Company. If the Member transfers any or all of its limited liability company interest in the Company pursuant to this Section 19, the transferee shall be admitted to the Company as a member of the Company upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. Such admission shall be deemed effective immediately prior to the transfer, and, if the transfer is a transfer of the transferor Member's entire limited liability company interest in the Company, the transferor Member shall cease to be a member of the Company immediately following such admission.

20. Resignation.

A Member may resign from the Company with the written consent of the remaining Members. If a Member is permitted to resign pursuant to this Section 20, an additional member of the Company may be admitted to the Company, subject to Section 21, upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. Such admission shall be deemed effective immediately prior to the resignation, and, immediately following such admission, the resigning Member shall cease to be a member of the Company.

21. Admission of Additional Members.

One or more additional members of the Company may be admitted to the Company with the written consent of the Member.

22. Dissolution.

a. The Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) the retirement, resignation or dissolution of the last remaining Member or the occurrence of any other event which terminates the continued membership of the last remaining Member in the Company unless the business of the Company is continued in a manner permitted by the Act or (ii) the entry of a decree of judicial dissolution under Section 18- 802 of the Act.

b. The bankruptcy (as defined in Sections 18-101(1) and 18-304 of the Act) of the Member shall not cause the Member to cease to be a member of the Company and upon the occurrence of such an event, the business of the Company shall continue without dissolution.

c. In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act.

23. Waiver of Partition: Nature of Interest.

Except as otherwise expressly provided in this Agreement, to the fullest extent permitted by law, each Member hereby irrevocably waives any right or power that such Member might have to cause the Company or any of its assets to be partitioned, to cause the appointment of a receiver for all or any portion of the assets of the Company, to compel any sale of all or any portion of the assets of the Company pursuant to any applicable law or to file a complaint or to institute any proceeding at law or in equity to cause the dissolution, liquidation, winding up or termination of the Company. No Member shall have any interest in any specific assets of the Company, and no Member shall have the status of a creditor with respect to any distribution pursuant to Section 16 hereof. The interest of the Members in the Company is personal property.

24. Benefits of Agreement: No Third-Party Rights.

None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of any Member. Nothing in this Agreement shall be deemed to create any right in any Person (other than Covered Persons) not a party hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person.

25. Other Business.

The Member may engage in or possess an interest in other business ventures (unconnected with the Company) of every kind and description, independently or with others. The

Company shall not have any rights in or to such independent ventures or the income or profits therefrom by virtue of this Agreement.

26. Severability of Provisions.

Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

27. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

28. Governing Law.

This Agreement shall be governed by and construed under the laws of the State of Delaware (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

29. Amendments.

This Agreement may not be modified, altered, supplemented or amended except pursuant to a written instrument executed and delivered by the Member.

30. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument.

31. Notices.

Any notices required to be delivered hereunder shall be in writing and personally delivered, mailed or sent by telecopy, electronic mail, or other similar form of rapid transmission, and shall be deemed to have been duly given upon receipt (a) in the case of the Company, to the Company at its address in Section 2, (b) in the case of a Member, to such Member at its address as listed on Schedule B attached hereto and (c) in the case of either of the foregoing, at such other address as may be designated by written notice to the other party.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Agreement as of the 26th day of October 2020.

MEMBER:

**PUBLIC SERVICE ENTERPRISE GROUP
INCORPORATED**

By: /s/ DANIEL J. CREGG

Name: Daniel J. Cregg

Title: Executive Vice President and
Chief Financial Officer

SCHEDULE A

Definitions

A. Definitions

When used in this Agreement, the following terms not otherwise defined herein have the following meanings:

“Act” has the meaning set forth in the preamble to this Agreement.

“Affiliate” means with respect to any Person, any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such Person.

“Agreement” means this Amended and Restated Limited Liability Company Agreement of the Company, together with the schedules attached hereto, as amended, restated or supplemented from time to time.

“Board” or “Board of Directors” means the Board of Directors of the Company.

“Certificate of Formation” means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware, as amended or amended and restated from time to time.

“Control” means the possession, directly or indirectly, or the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or general partnership or managing member interests, by contract or otherwise. “Controlling” and “Controlled” shall have correlative meanings. Without limiting the generality of the foregoing, a Person shall be deemed to Control any other Person in which it owns, directly or indirectly, a majority of the ownership interests.

“Covered Persons” has the meaning set forth in Section 18(a).

“Initial Member” has the meaning set forth in the recitals.

“Management Agreement” means the agreement of the Directors in the form attached hereto as Schedule D. The Management Agreement shall be deemed to be and constitute part of this Agreement.

“Directors” means the directors elected to the Board of Directors from time to time by the Members. A Director is hereby designated as a “director” of the Company within the meaning of Section 18-101(10) of the Act.

“Member” means the Initial Member and includes any Person admitted as an additional member of the Company or a substitute member of the Company pursuant to the provisions of this Agreement.

“Officer” means an officer of the Company described in Section 11.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint-stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

B. Rules of Construction

Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. The words “include” and “including” shall be deemed to be followed by the phrase “without limitation.” The terms “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph or subdivision. The Section titles appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All Section, paragraph, clause, Exhibit or Schedule references not attributed to a particular document shall be references to such parts of this Agreement.

SCHEDULE B

Members

<u>Name</u>	<u>Mailing Address</u>	Agreed Value of Capital <u>Contribution</u>	Percentage <u>Interest</u>
Public Service Enterprise Group Incorporated	80 Park Plaza P.O. Box 1171 Newark, NJ 07102-1171	\$10,000	100%

SCHEDULE C

to PSEG Power LLC Limited Liability Company Agreement

Directors

<u>Name</u>	<u>Mailing Address</u>
Daniel J. Cregg	c/o PSEG Services Corporation 80 Park Plaza, T4B Newark, NJ 07102
Derek M. DiRisio	c/o PSEG Services Corporation 80 Park Plaza, T4 Newark, NJ 07102
Ralph Izzo	c/o PSEG 80 Park Plaza, T4 Newark, NJ 07102
Ralph A. LaRossa	c/o PSEG Power LLC 80 Park Plaza, T4 Newark, NJ 07102
Tamara L. Linde	c/o PSEG Services Corporation 80 Park Plaza, T4 Newark, NJ 07102
Sheila Rostiac	c/o PSEG Services Corporation 80 Park Plaza, T4 Newark, NJ 07102

SCHEDULE D
Management Agreement

February 17, 2021

PSEG Power LLC

Re: Management Agreement
PSEG Power LLC

Ladies and Gentlemen:

For good and valuable consideration, the undersigned, who has been elected a Directors of PSEG Power LLC, a Delaware limited liability company (the “Company”), in accordance with the Amended and Reinstated Limited Liability Company Agreement of the Company, dated as of October 26, 2020, as it may be amended or restated from time to time (the “LLC Agreement”), hereby agrees as follows:

1. The undersigned accepts such person’s rights and authority as a Director (as defined in the LLC Agreement) under the LLC Agreement and agrees to perform and discharge such person’s duties and obligations as a Director under the LLC Agreement, and further agrees that such rights, authorities, duties and obligations under the LLC Agreement shall continue until such person’s successor as a Director is elected or until such person’s resignation or removal as a Director in accordance with the LLC Agreement. The undersigned agrees and acknowledges that he has been designated as a “manager” of the Company within the meaning of the Delaware Limited Liability Company Act.

2. THIS MANAGEMENT AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, AND ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

IN WITNESS WHEREOF, the undersigned has executed this Management Agreement as of the day and year first above written.

/s/ DANIEL J. CREGG
Daniel J. Cregg

/s/ DEREK DIRISIO
Derek DiRisio

/s/ RALPH IZZO
Ralph Izzo

/s/ RALPH A. LAROSSA
Ralph A. LaRossa

/s/ TAMARA L. LINDE
Tamara L. Linde

/s/ SHEILA ROSTIAC
Sheila Rostiac

SCHEDULE E

**to Limited Liability Company Agreement of
PSEG POWER LLC**

Ralph Izzo	Chairman of the Board and Chief Executive Officer
Ralph A. LaRossa	President and Chief Operating Officer
Tamara L. Linde	Executive Vice President and General Counsel
Daniel J. Cregg	Executive Vice President and Chief Financial Officer
Rose M. Chernick	Vice President and Controller
Carl J. Fricker	Vice President - Power Operations Support
Bradford D. Huntington	Vice President and Treasurer
Peter W. Caruso	Assistant Treasurer
Benjamin Zoe	Assistant Treasurer
Michael K. Hyun	Secretary
Rosalyn M. Pichardo	Assistant Secretary
Andrew J. Woodworth	Assistant Secretary
Clifford Pardo	Assistant Controller - Tax
Lynn C. Ukejianya	Assistant Controller - Tax

EXHIBIT 22

The following wholly owned subsidiaries of PSEG Power LLC have fully and unconditionally guaranteed all Senior Notes issued by PSEG Power LLC on a joint and several basis.

<u>Name</u>	<u>State of Incorporation</u>
PSEG Fossil LLC	Delaware
PSEG Nuclear LLC	Delaware
PSEG Energy Resources & Trade LLC	Delaware

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Ralph Izzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Enterprise Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Ralph Izzo

Ralph Izzo

Public Service Enterprise Group Incorporated
Chief Executive Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Daniel J. Cregg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Enterprise Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Enterprise Group Incorporated
Chief Financial Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Ralph Izzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Electric and Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Ralph Izzo

Ralph Izzo

Public Service Electric and Gas Company
Chief Executive Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Daniel J. Cregg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Electric and Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Electric and Gas Company
Chief Financial Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Ralph Izzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PSEG Power LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Ralph Izzo

Ralph Izzo
PSEG Power LLC
Chief Executive Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Daniel J. Cregg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PSEG Power LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Daniel J. Cregg

Daniel J. Cregg
PSEG Power LLC
Chief Financial Officer

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Ralph Izzo, Chief Executive Officer of Public Service Enterprise Group Incorporated, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Enterprise Group Incorporated on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Enterprise Group Incorporated.

/s/ Ralph Izzo

Ralph Izzo

Public Service Enterprise Group Incorporated

Chief Executive Officer

May 5, 2021

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Daniel J. Cregg, Chief Financial Officer of Public Service Enterprise Group Incorporated, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Enterprise Group Incorporated on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Enterprise Group Incorporated.

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Enterprise Group Incorporated

Chief Financial Officer

May 5, 2021

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Ralph Izzo, Chief Executive Officer of Public Service Electric and Gas Company, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Electric and Gas Company on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Electric and Gas Company.

/s/ Ralph Izzo

Ralph Izzo

Public Service Electric and Gas Company
Chief Executive Officer
May 5, 2021

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Daniel J. Cregg, Chief Financial Officer of Public Service Electric and Gas Company, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Electric and Gas Company on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Electric and Gas Company.

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Electric and Gas Company
Chief Financial Officer
May 5, 2021

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Ralph Izzo, Chief Executive Officer of PSEG Power LLC, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of PSEG Power LLC on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PSEG Power LLC.

/s/ Ralph Izzo

Ralph Izzo

PSEG Power LLC
Chief Executive Officer
May 5, 2021

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Daniel J. Cregg, Chief Financial Officer of PSEG Power LLC, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of PSEG Power LLC on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PSEG Power LLC.

/s/ Daniel J. Cregg

Daniel J. Cregg

PSEG Power LLC
Chief Financial Officer
May 5, 2021