

Report to the LIPA Finance and Audit Committee

May 18, 2022

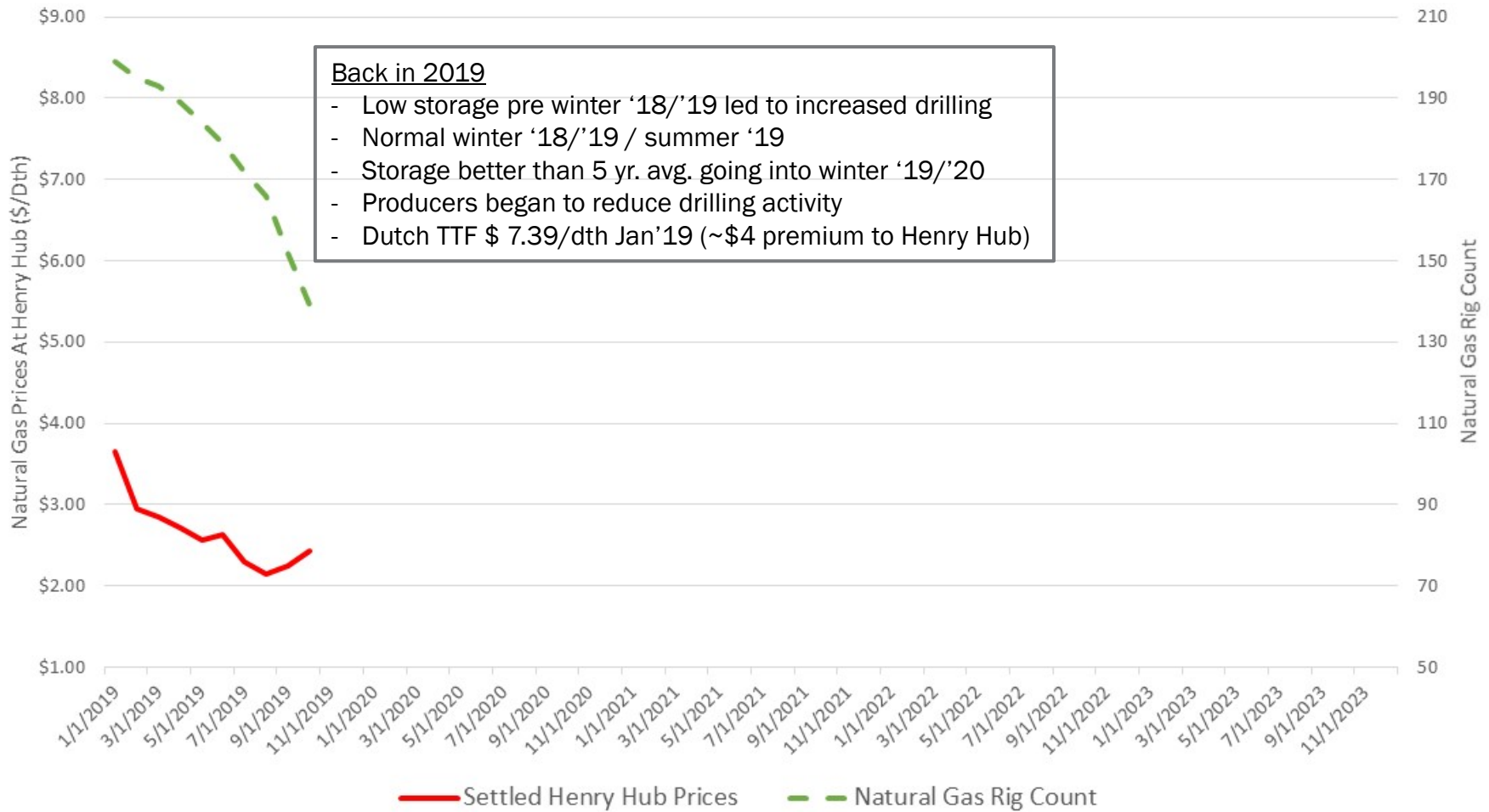
Power Supply Hedge Update
PSEG Energy Resources & Trade

Agenda

- Hedging Is Prudent – What Is Driving Natural Gas Prices
- Hedging Is Prudent – The Summer Weather Forecasts
- Hedging Is Prudent – Power Supply Charge vs. Market

Hedging Is Prudent – What Is Driving Natural Gas Prices

Recent Henry Hub Natural Gas Prices and Natural Gas Rig Count

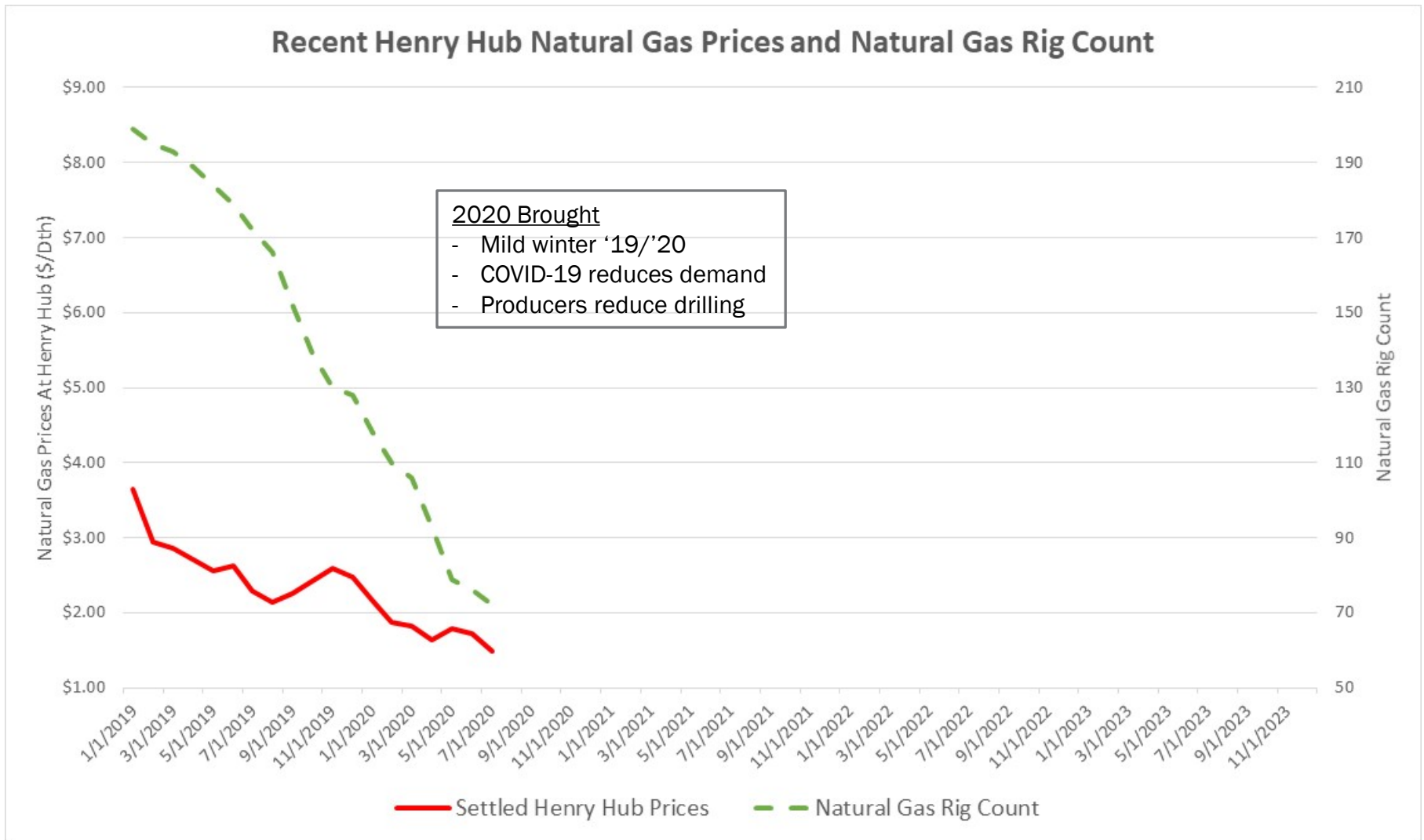


Back in 2019

- Low storage pre winter '18/'19 led to increased drilling
- Normal winter '18/'19 / summer '19
- Storage better than 5 yr. avg. going into winter '19/'20
- Producers began to reduce drilling activity
- Dutch TTF \$ 7.39/dth Jan'19 (~\$4 premium to Henry Hub)

Source: NYMEX and US EIA

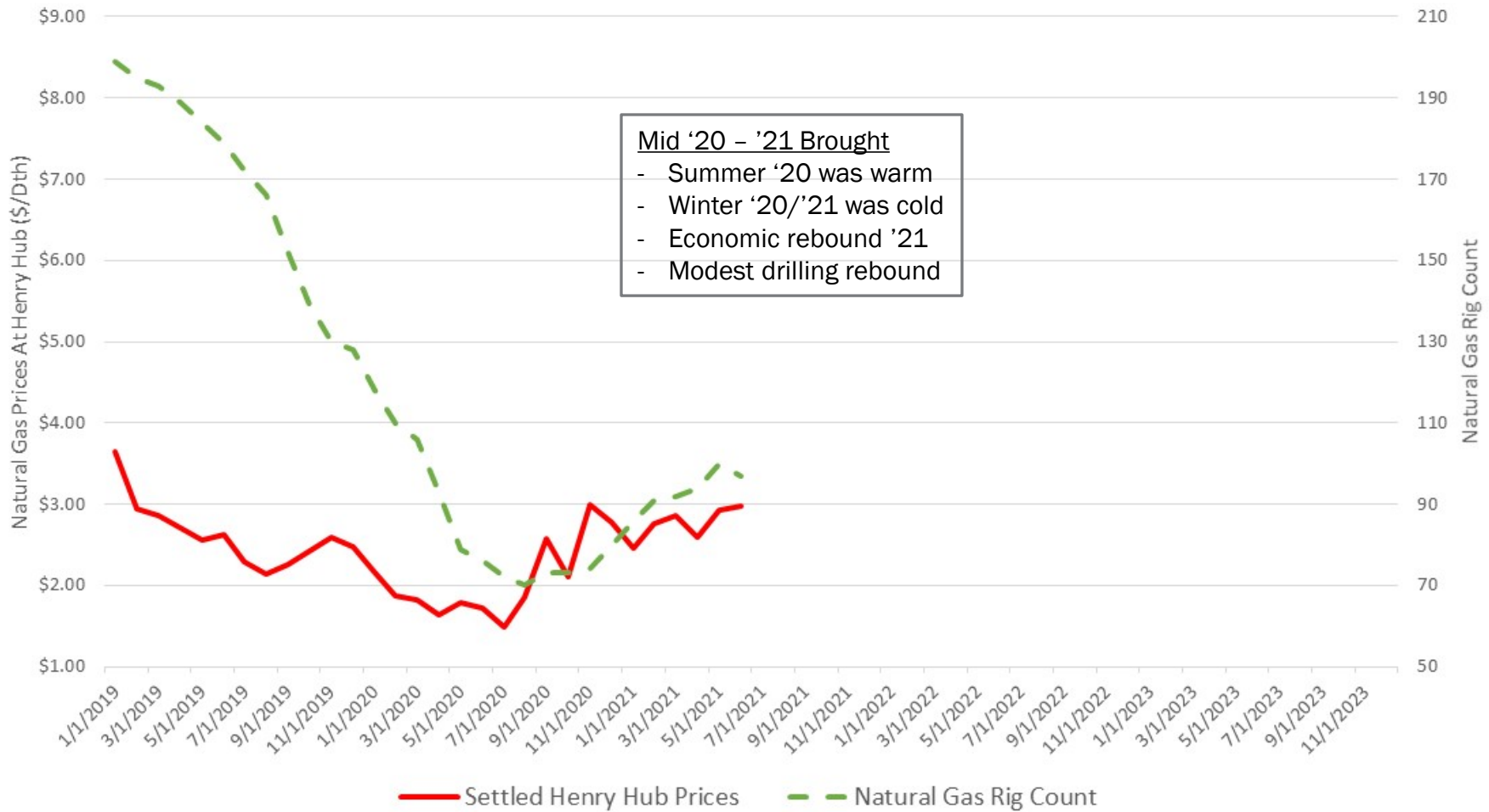
Hedging Is Prudent – What Is Driving Natural Gas Prices



Source: NYMEX and US EIA

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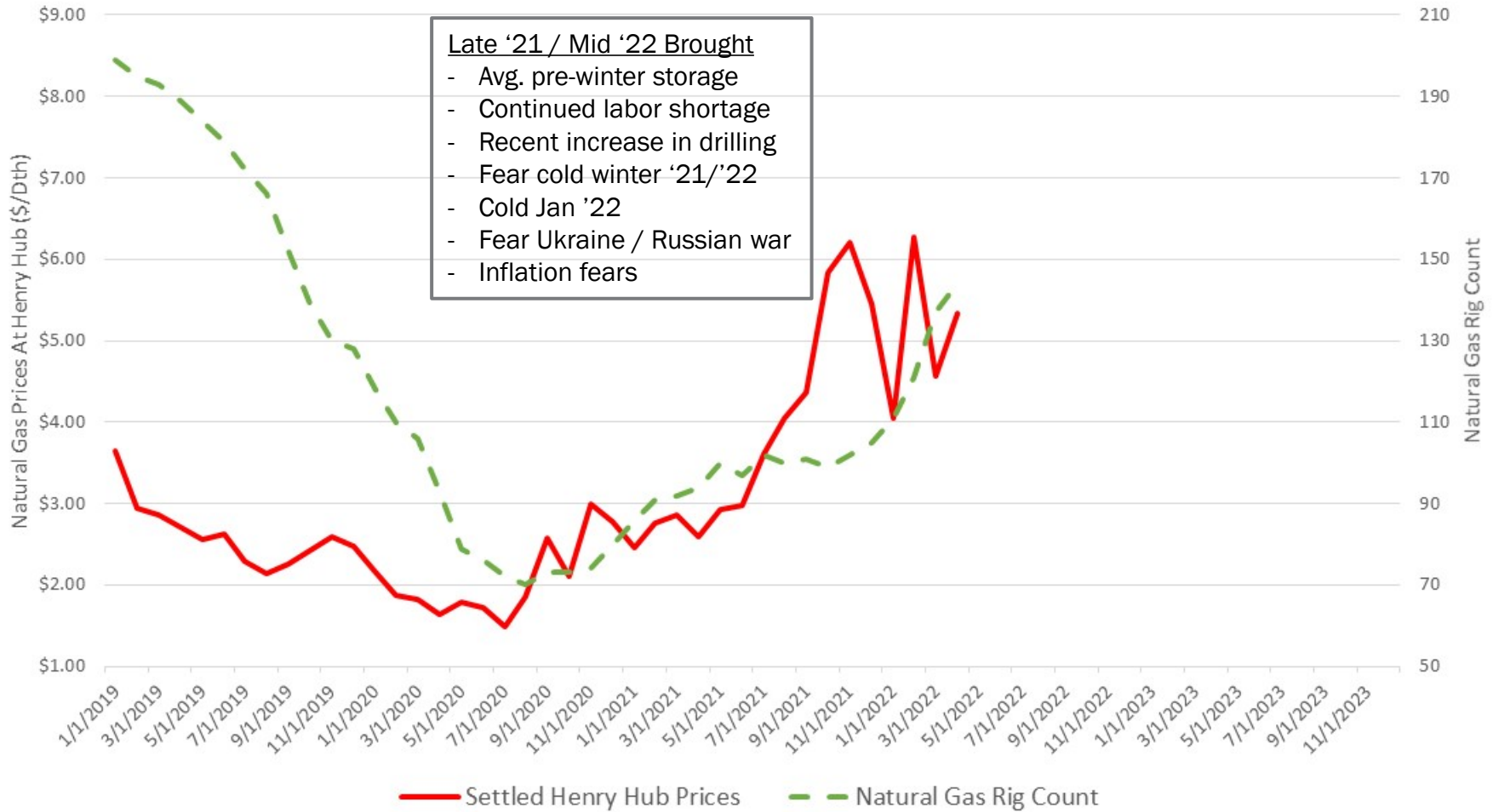
Mid '20 - '21 Brought

- Summer '20 was warm
- Winter '20/'21 was cold
- Economic rebound '21
- Modest drilling rebound

Source: NYMEX and US EIA

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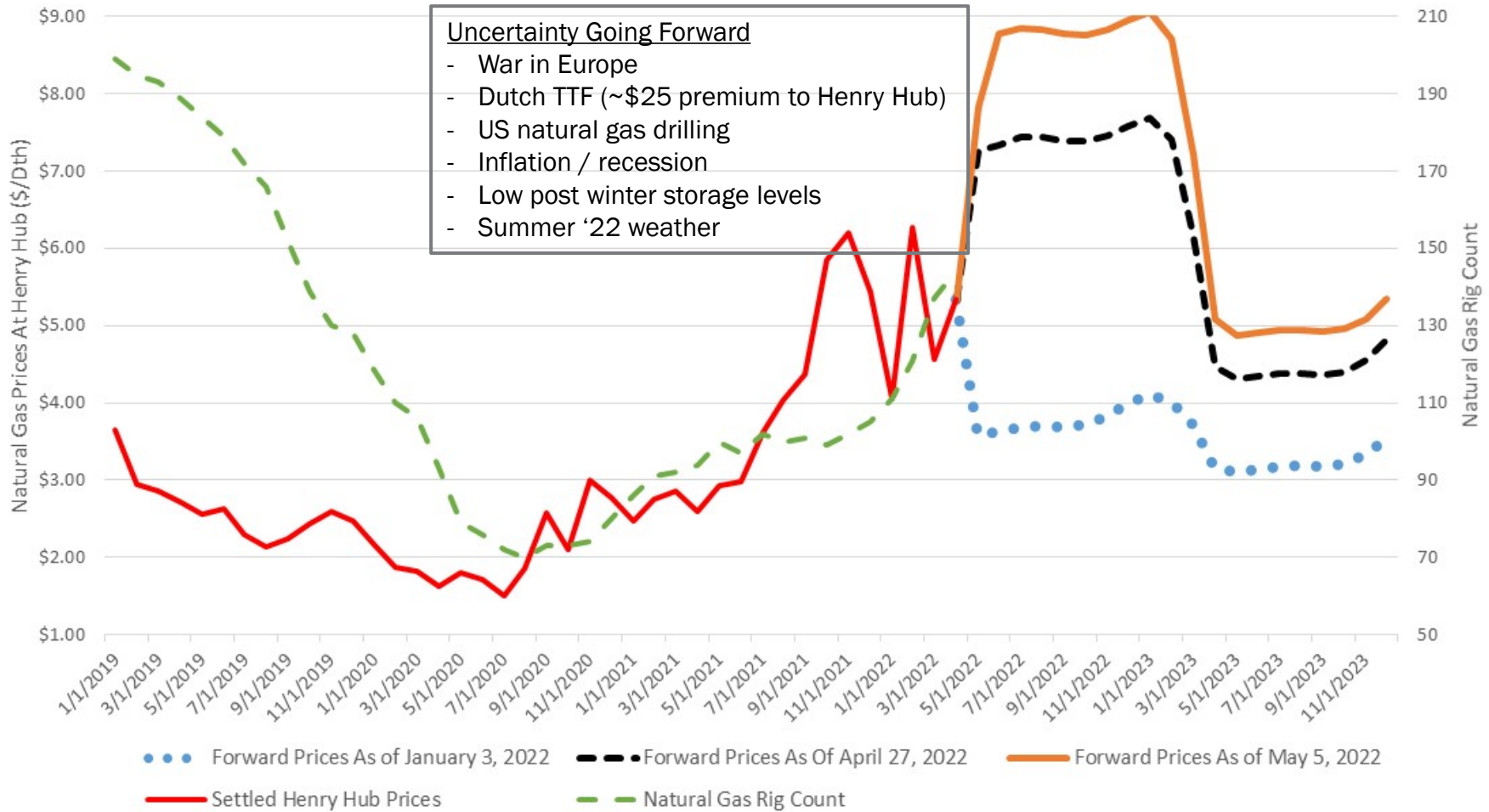
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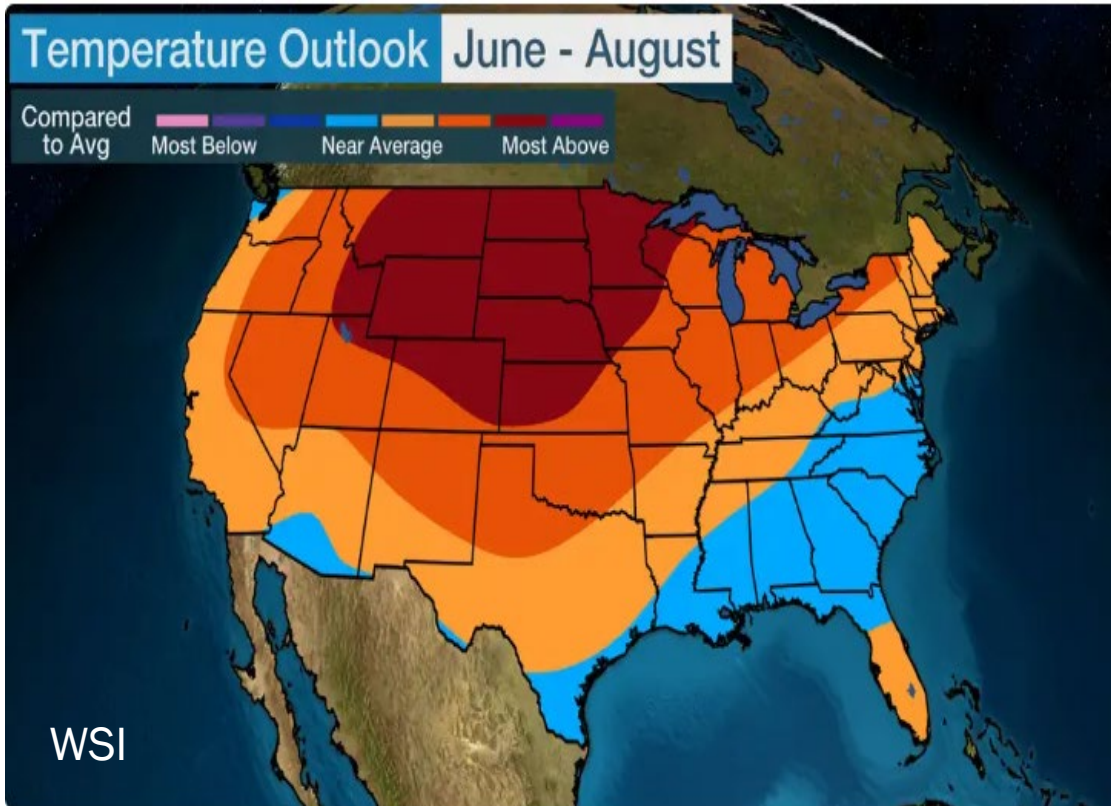
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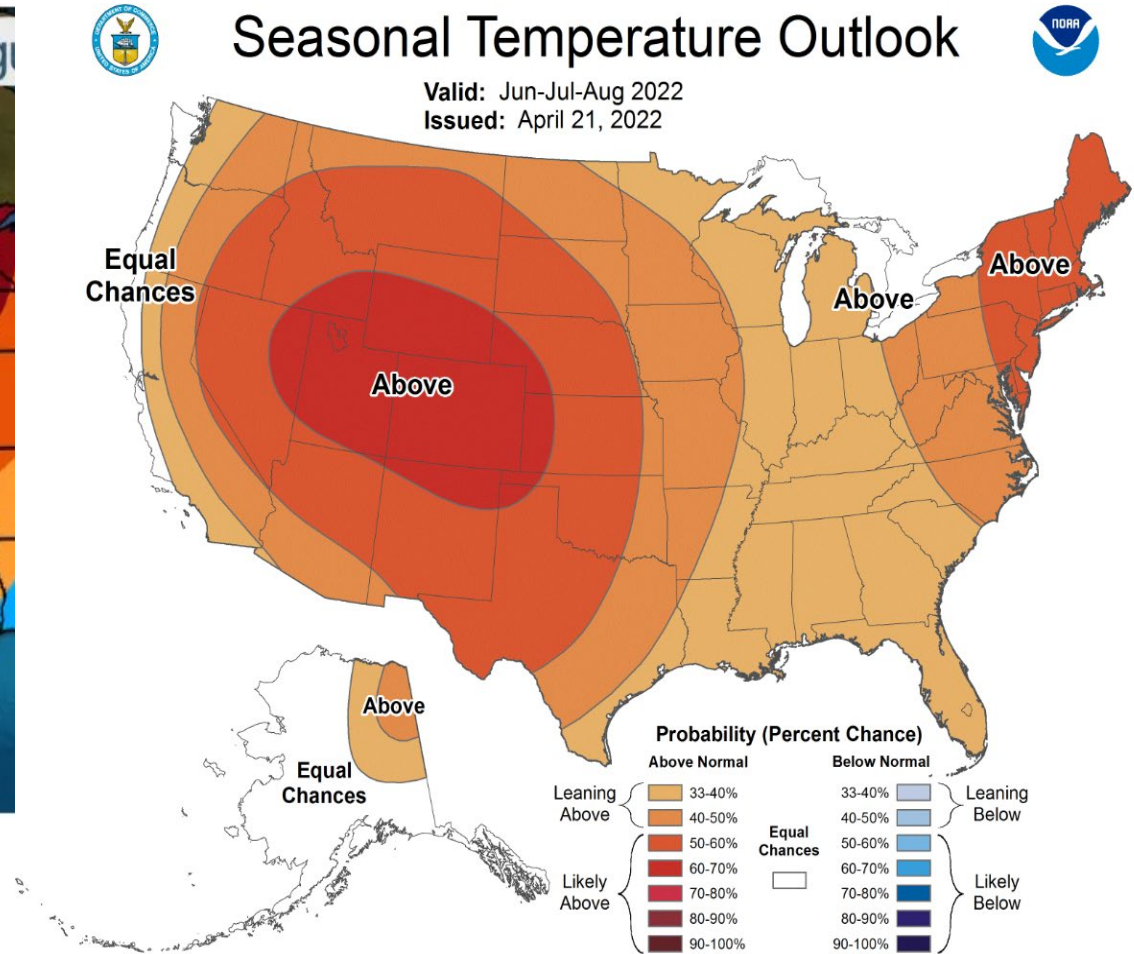
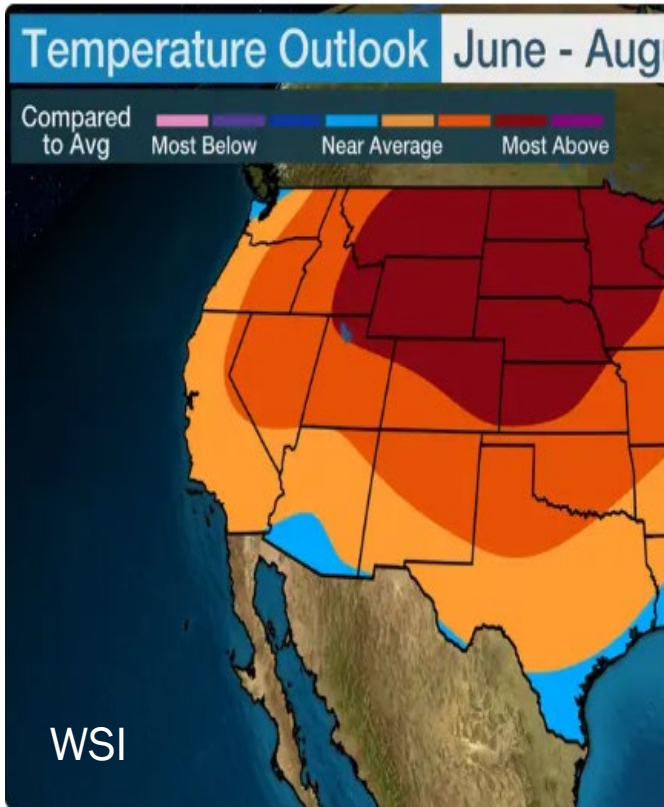
Source: NYMEX and US EIA

Hedging Is Prudent – The Summer Weather Forecasts



So the summer will be average here in the Northeast.. And above average in the Dakotas

Hedging Is Prudent – The Summer Weather Forecasts



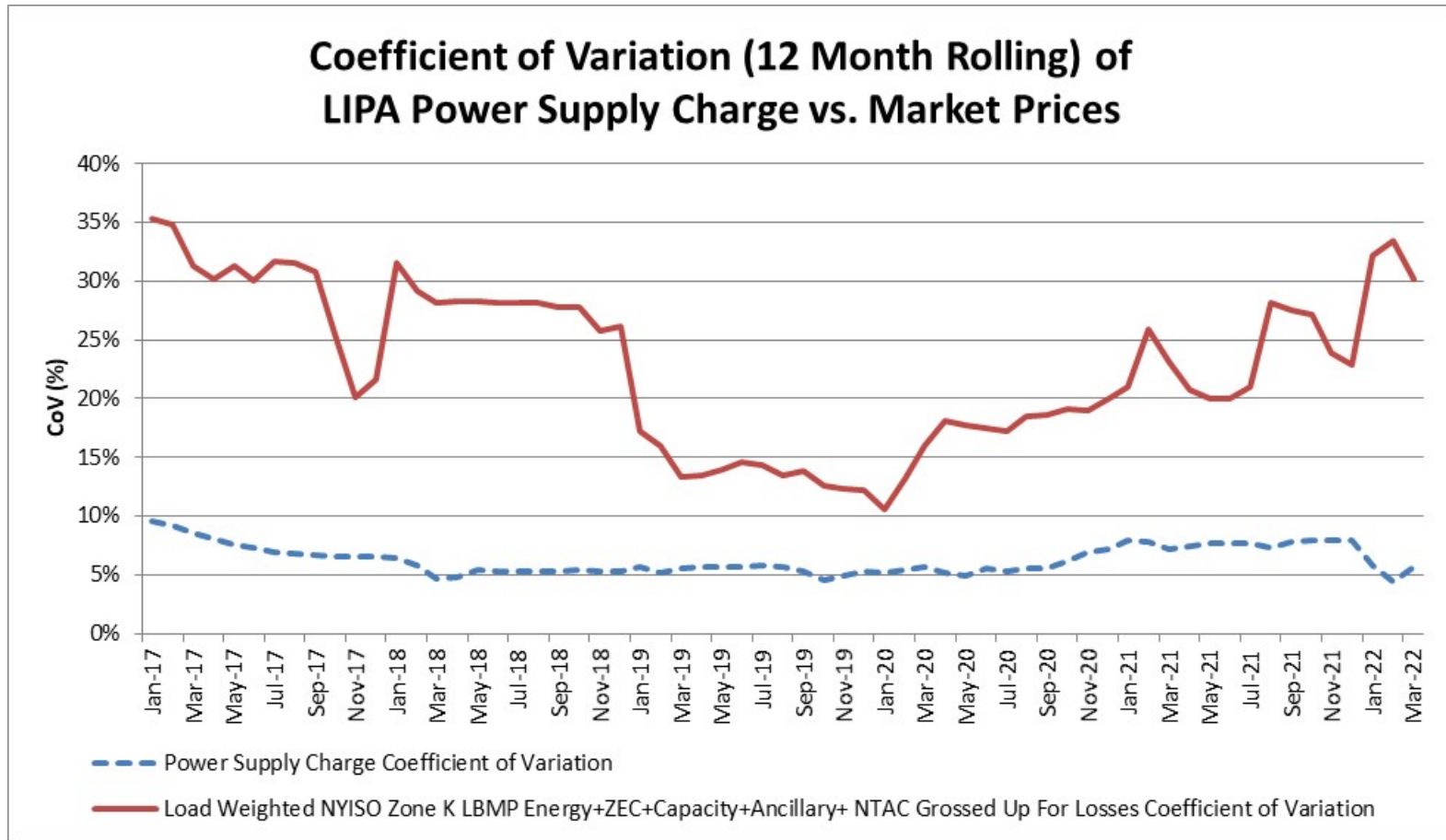
Or... the summer will be above average here in the Northeast and Rockies. Texas and California will have equal chances of everything.

Hedging Is Prudent – The Summer Weather Forecasts



Sorry, I meant California is scorching, Texas is broiling and the Northeast will be warm. We have a disciplined process to hedge that does not rely on weather forecasts or pundits.

Hedging Is Prudent–Volatility of Power Supply Charge vs. Market



Our hedging activity has led to a continuing decline in customer’s price volatility with current volatility levels substantially below wholesale spot market results.

PSC pre 1/1/2017 adjusted up by 2.5 cents/kwh associated with transfer of capacity costs