Term Sheet

A. Categorized/Divided Scope Areas

- Categorizes and divides the Operations Services listed in the current contract into six specific Scope Functions and Scope Sub-Functions so as to:
  
  - provide a measure of granularity to the current contract’s generalized scope descriptions (including enhanced specificity of the related deliverables)
  
  - enable application of abbreviated service level agreements (“SLAs”), including Scope Function-Specific Performance Metrics, to the Scope Functions and permit streamlined revision of the Scope Functions and SLAs as utility industry developments and services emerge and evolve over time and Long Island’s need for them fluctuates
  
  - enable assignment of specific portions of the overall Variable Compensation Pool to each Scope Function through metrics which correspond to each Scope Function

B. Scope Function-Specific Performance Metrics and Revision thereof

- Scope Function-Specific Performance Metrics pertain to each of the six Scope Functions, and the Variable Compensation assigned to the Scope Functions is earned to the extent that the associated Scope Function-Specific Performance Metrics are achieved by PSEG LI. To clarify, the percentages of the Metrics Variable Compensation Pool assigned to the various Scope Functions would be in accordance with the percentages listed in Exhibit A attached to this document.

- There will be up to 110 Scope Function-Specific Metrics distributed across the six Scope Functions. The Scope Function-Specific Metrics will be quantitative- and/or qualitative-based.

- The Scope Function-Specific Performance Metrics applicable for 2022, 2023, 2024, and 2025 will be established annually through the following process:

  - LIPA will send the proposed Scope Function-Specific Performance Metrics to PSEG LI for review with any comments thereto by PSEG LI being sent by PSEG LI to LIPA and DPS and LIPA, after considering in good faith any comments of PSEG LI, will forward the LIPA-proposed finalized Scope Function-Specific Performance Metrics (the “LIPA Proposed Metrics”) to DPS for review and recommendation and to PSEG LI at the same time.

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1 This document is not intended to be a binding agreement and no party shall be bound by the provisions or concepts contained herein unless and until one or more definitive, binding agreements containing the same shall have been executed and delivered and the conditions to their effectiveness satisfied. The parties will work in good faith to include the provisions referenced in this Term Sheet and the Exhibits hereto (collectively, the “Term Sheet Provisions”) in a New OSA restating the Existing OSA and to adjust any provisions in the Existing OSA that are inconsistent with the Term Sheet Provisions for inclusion in such New OSA.
PSEG LI will provide any comments on the LIPA Proposed Metrics to DPS and LIPA. DPS will then consider both LIPA’s Proposed Metrics and PSEG LI’s comments (and afford the opportunity for PSEG LI and LIPA to meet with DPS to address the LIPA Proposed Metrics), and send to LIPA its final recommended Scope Function-Specific Performance Metrics (the “DPS Recommended Metrics”). LIPA will forward the DPS Recommended Metrics to the LIPA Board for review and approval without modification or return to DPS with LIPA’s comments for additional review and recommendation. The LIPA Board may only approve Scope Function-Specific Performance Metrics that have been so recommended by DPS, and may not modify the DPS Recommended Metrics prior to such approval.

- The Scope Function-Specific Performance Metrics must: (i) relate to the general nature of one or more Scope Functions or Sub-Scope Functions comprising the Operations Services under the revised contract, (ii) be objectively verifiable, such that their achievement is not based on LIPA’s subjective judgment or discretion (for the avoidance of doubt, “approval by LIPA which is not to be unreasonably withheld,” “acceptance by LIPA which is not to be unreasonably withheld” and similar “reasonable person” formulations do not violate this criterion), (iii) be reasonably achievable, and (iv) be such that the applicable budget available or to be made available by LIPA to PSEG LI is sufficient to provide PSEG LI a reasonable opportunity to achieve the applicable Scope Function-Specific Performance Metrics (the criterion in the immediately preceding clause (iv) is referred to herein as the “Budget Criterion” and the criteria in clauses (i) through (iv), inclusive, are collectively referred to herein as the “Metric Criteria”).

- For the avoidance of doubt, the LIPA Reform Act process for DPS review and recommendation with respect to variable compensation awards is retained.

- If PSEG LI reasonably concludes that any Scope Specific Performance Metrics do not meet the Metric Criteria, its sole and exclusive remedy shall be to commence an expedited arbitration proceeding pursuant to the revised contract to challenge that such metrics meet the Metric Criteria. The challenged metrics shall remain part of the revised contract unless and until the arbitration panel rules that they do not satisfy the Metric Criteria, provided that any failure of a challenged metric to meet the Budget Criterion may be cured by LIPA causing the applicable budget to be increased accordingly and any failure of a challenged metric to meet any other Metric Criteria may be cured by LIPA adjusting the metric so that it meets the Metric Criteria consistent with the ruling of the arbitration panel. If the arbitration panel finds that the challenged metric(s) do not meet the Metric Criteria, a new metric will be developed pursuant to the processes set forth above and the new metric shall replace the challenged metric(s) and shall be applied retroactively for the year in question. Any cure by LIPA, as provided for in this paragraph, shall also be applied retroactively for the year in question.

- The strategic planning process and these metrics will be aligned to serve the customers of Long Island.
C. Fixed Compensation, Variable Compensation subject to Metrics, and Variable Compensation subject to the PSL §25-a Construct

- PSEG LI’s compensation package shall be comprised of the following:
  - $38.0 million in Fixed Compensation (*i.e.*, ~48.7% of the total ~$78 million Management Services Fee)
  - $20.0 million in Variable Compensation (*i.e.*, ~25.6% of the total ~$78 million Management Services Fee) subject to the Gating Metrics described below and the Scope Function-Specific Metrics described above (such $15 million amount, as adjusted in accordance with the “CPI Increase Allocation” described below in this Part C and for an occurrence of the “Unenforceability Condition” described below in Part D, is referred to as the “Metrics Variable Compensation Pool”)
  - CPI-based increases to the overall Management Services Fee under the revised contract shall be allocated on a pro rata basis to Fixed Compensation, to the Metrics Variable Compensation Pool, and to the Compensation Pool Subject to DPS Reduction (the “CPI Increase Allocation,” is referred to as the “Compensation Pool Subject to DPS Reduction”)

D. Gating Performance Metrics, Default Performance Metrics, and PSL §25-a Construct

- **Gating Performance Metrics** (failure reduces the overall Metrics Variable Compensation Pool, by the percentage indicated, that may be earned across all Scope Function-Specific Performance Metrics; all of the Gating Performance Metrics below apply commencing 2022 except where otherwise expressly stated below)
  - **Cost Management** – commencing 2021, failure to achieve spending levels equal to or less than (i) 102% of the Capital Budget (the “Capital Budget Metric”), and/or (ii) 102% of the Operating Budget (the “Operating Budget Metric” and, together with the Capital Budget Metric, the “Budget Metrics”) in any Contract Year will, (A) in the case where one of the two Budget Metrics is not achieved, result in the Metrics Variable Compensation Pool for such Contract Year being reduced 50%, (B) in the case where both Budget Metrics are not achieved, result in the Metrics Variable Compensation Pool for such Contract Year being reduced by the percentage indicated, which may be earned across all Scope Function-Specific Performance Metrics by the percentage indicated, in the case where both Budget Metrics are not achieved, result in the Metrics Variable Compensation Pool for such Contract Year being reduced by the percentage indicated, which may be earned across all Scope Function-Specific Performance Metrics
are not achieved, result in the Metrics Variable Compensation Pool for such Contract Year being reduced 100%. In addition, where there is a failure to achieve the Capital Budget Metric or the Operating Budget Metric for two consecutive Contract Years (i.e., failing the same or different Budget Metric for two consecutive Contract Years), the Metrics Variable Compensation Pool for the second Contract Year will be reduced 100%.

- **Emergency Preparation and Response ("EP&R")** – commencing 2022 – the EP&R metric in the 1/19 Term Sheet applies, except such metric shall not be applicable to or include non-storm events and the "Event Owed Sum" feature of the EP&R metric in the 1/19 Term Sheet is not applicable and the Metrics Variable Compensation Pool is reduced 50%, rather than the 100% set forth in the 1/19 Term Sheet, i.e., failure, in any Contract Year, to achieve at least 47% of the applicable points of the Emergency Preparation and Response Scorecard (the “EP&R Scorecard”) set forth in Exhibit 6 of the 1/19 Term Sheet will result in the Metrics Variable Compensation Pool for such Contract Year being reduced 50%. For the avoidance of doubt, the EP&R metric shall not apply to non-storm events unless and until DPS develops and applies such a scorecard for IOUs, at which point it could be included with sufficient notice.

- **Customer Satisfaction** – commencing 2024 – if PSEG LI does not achieve a third quartile result on either component—Residential or Business—for any two consecutive Contract Years (e.g., a Residential score of fourth quartile and a Business score of third quartile in Contract Year 2024 does not fail the metric for Contract Year 2024 even though a third quartile score across both Residential and Business for 2024 was not achieved; but a Residential score of third quartile and a Business score of fourth quartile in Contract Year 2025 would fail the metric for Contract Year 2025 as, for the second consecutive year, a third quartile score across both Residential and Business was not achieved). Failing the metric results in the Metrics Variable Compensation Pool being reduced 15%.

- **SAIDI** – commencing 2021 – failure to achieve, in any Contract Year, a result at the 37.5 percentile or better, as calculated by using electric reliability benchmarking data from the US Energy Information Administration for companies with >500,000 customers, and utilizing the IEEE standard for SAIDI without major event days will result in the Metrics Variable Compensation Pool being reduced 50%.

**Default Performance Metrics** (failure provides LIPA the right, but not the obligation, to terminate the contract; all of the Default Performance Metrics below apply commencing 2022 except where otherwise expressly stated below)

- **EP&R** – same as the EP&R Gating Metric noted above, except failure provides LIPA with the right to terminate

- **Customer Satisfaction** – same as above, commencing 2024.

- **Cyber Security** – failure to comply with Cyber Security provisions below provides LIPA with the right to terminate (see the Cyber Security provisions below)

**Cyber Security provisions comprising the Cyber Security Default Metric**
“Cyber Security Incident” is the actual material loss or unauthorized destruction, alteration, disclosure of, or access to, customer information, LIPA Personal Information, or the Confidential Information of LIPA or LIPA Related Parties stored in a Digital Environment, or the unauthorized destruction, alteration, access to, control of, or rendering inoperable or unusable for its intended purpose of a Digital Environment. Inadvertent access in good faith to customer information, LIPA Personal Information, and the Confidential Information of LIPA or LIPA Related Parties by an employee or agent of the Service Provider, or inadvertent disclosure in good faith of such information by the Service Provider to an employee or agent of the Service Provider is not a Cyber Security Incident provided that customer information, LIPA Personal Information and the Confidential Information of LIPA or LIPA Related Parties is not subject to further unauthorized access or disclosure.

“Cyber Security Measures” is the technologies, processes, procedures, governance models, controls, and coding (including patches) that are designed to protect Digital Environments from Cyber Security Incidents.

“Digital Environment” is information technology systems, operational technology systems, data and communications networks, applications or devices and the data contained within such systems owned, leased, licensed, utilized, or accessed by or behalf of LIPA, the Service Provider, the Service Provider’s Affiliates, or Subcontractors in connection with providing Operations Services to LIPA.

(a) The Service Provider shall:

(i) in compliance with the Contract Standards, implement, update, and maintain Cyber Security Measures with respect to the Digital Environment;

(ii) maintain plans, procedures, and practices to allow it to proactively detect potential and actual Cyber Security Incidents;

(iii) maintain plans, procedures, and practices to allow it to respond and recover efficiently and effectively to a potential and actual Cyber Security Incident;

(iv) regularly review, exercise, and enforce the Cyber Security Measures being implemented, updated, and maintained with respect to the Digital Environment to ensure compliance with the Contract Standards, verify the application, in practice, of the Cyber Security Measures with respect to the Digital Environment, and keep and maintain records evidencing the same, copies of which shall be timely provided to LIPA;

(v) comply with all requirements of Applicable Law regarding data security, cyber security and information security, including written notification of Cyber Security Incidents, with respect to customer information, LIPA Personal Information or the Confidential Information of LIPA or LIPA Related Parties within 24 hours of Service Provider’s discovery or being made aware of the Cyber Security Incident; and

(vi) for Digital Environments that are operated by Service Provider and Digital Environments that are operated by Service Provider’s Affiliates operating a shared system affecting LIPA, maintain a cyber security program that achieves NIST Cyber Security Framework maturity tier 3 or better by June 30, 2022 (which tier shall be maintained for the duration of the Agreement (i.e., the revised contract)), in each case as evaluated by a qualified third-party selected by LIPA.
(b) Following the Effective Date of the New OSA LIPA will provide Service Provider with written safety and security policies and procedures of LIPA. LIPA will provide the Service Provider with a reasonable opportunity to view the proposed policies and procedures and to provide recommendations. LIPA will consider such recommendations in good faith and if implemented by LIPA Service Provider will comply with such safety and security policies so long as they are not inconsistent with this Cyber Security Default Metric or with industry standards.

(c) The terms of sub-clauses (a)(i) through (vi), inclusive, and clause (b) shall be complied with regardless of whether Service Provider or Service Provider Related Parties are performing such services, and in the case of one or more Subcontractors or other third parties performing such services, Service Provider will make good faith attempt to include such requirements in applicable agreements on and after the effective date of this Agreement.

(d) The Service Provider shall notify LIPA in writing of any actual or threatened Cyber Security Incidents within 24 hours of Service Provider becoming aware of the Cyber Security Incident. Service Provider shall cause an analysis of the cause of any Cyber Security Incident to be performed, shall cause commercially reasonable efforts to be utilized to remedy, and prevent and mitigate the effects of, any Cyber Security Incidents, and shall cooperate fully with any civil or criminal authority in any investigation or action relating to any Cyber Security Incidents. Notwithstanding the above, it shall not be considered a breach of this paragraph if Service Provider, in good faith, seeks the information necessary from a contractor required by this paragraph, and contractor fails to provide it to Service Provider. Moreover, Service Provider will make good faith attempt to include Cyber Security Incident notice and root cause analysis requirements in applicable agreements on and after the effective date of this Agreement.

(e) At least once per Contract Year, the Service Provider shall cause an enterprise security assessment (an “Assessment”), which will include, but not be limited to, network, system and application level penetration tests, vulnerability assessments, and reviews of security policies and procedures and compliance, to be performed by a qualified third-party based on recognized industry practices. The Service Provider shall provide a copy of each such Assessment to LIPA, which may be redacted to exclude information unrelated to LIPA or the Operations Services provided under this Agreement. Each Assessment shall be treated as Confidential Information of LIPA to the extent it relates to any Digital Environment owned, leased or licensed by or on behalf of LIPA and shall be treated as Confidential Information of the Service Provider to the extent it relates to any Digital Environment owned, leased, or licensed by or on behalf of the Service Provider (provided that any Digital Environment leased or licensed by the Service Provider on behalf of LIPA shall be deemed a Digital Environment leased or licensed by or on behalf of LIPA). The Service Provider shall also make available each Assessment for review by DPS, which may be redacted to exclude information unrelated to LIPA or the Operations Services provided under this Agreement. Any exceptions noted on an Assessment shall result in corrective and preventative actions promptly being taken by the Service Provider to remedy, resolve and prevent repetition of such exceptions.

(f) Any failure by the Service Provider to materially comply with the provisions of section (d) of this Cyber Security metric after receiving notice and a 30-day period to cure any violations (extended to 120 days if the Service Provider is
diligently pursuing in good faith to cure) shall be deemed a failure to achieve the metric.

- **Provisions Implementing the §25-a Construct** (Applicable to the Compensation Pool Subject to DPS Reduction)

  **Reduction of the Compensation Pool Subject to DPS Reduction**

  “Service Provider Failure” as used in this section means the Service Provider’s violation of one or more of the provisions of the applicable Emergency Response Plan, or the Service Provider’s failure to provide safe, adequate, and reliable service to Long Island and Rockaway customers.

  “Contract Year Maximum” as used in this section means, for each Contract Year, an amount equal to the amount of the Compensation Pool Subject to DPS Reduction for such Contract Year. The Compensation Pool Subject to DPS Reduction for any Contract may not be reduced more than the Contract Year Maximum for all Service Provider Failures combined that are allocable to such Contract Year. A Service Provider Failure is allocable to the Contract Year in which the event or circumstance underlying the Service Provider Failure occurred; and it is further agreed that the LIPA Board may not approve any DPS-recommended reduction to the Compensation Pool Subject to DPS Reduction to the extent that the approved reduction amount would exceed the Contract Year Maximum or cause the Overall Cap to be exceeded, in each case for the year in which such event or circumstance occurred.

  “Potential Reduction Notice” as used in this section shall have the meaning set forth in subsection (c).

  “Imposed Reduction Notice” as used in this section shall have the meaning set forth in subsection (e).

  (a) The Parties agree that, pursuant to the provisions of this section, reductions to the Compensation Pool Subject to DPS Reduction for any Contract Year may be made from time to time due to Service Provider Failures allocable to such Contract Year.

  (b) In determining the amount of the reduction to the Compensation Pool Subject to DPS Reduction to be recommended to the LIPA Board, DPS shall be subject to the applicable Contract Year Maximum and the Overall Cap for such year and may also consider: (i) the scope of damages caused by the Service Provider Failure to consumers, businesses, and the state; (ii) each individual act or omission that led to the Service Provider Failure; (iii) whether the Service Provider Failure was willful; (iv) whether the Service Provider Failure was recurring or had been the subject of a previous finding and/or recommendation; (v) the economic damage associated with the Service Provider Failure to ratepayers in the form of future investments that must be made to infrastructure weakened or damaged in the event, which was in the estimation of DPS preventable; (vi) whether the Service Provider Failure was caused in whole or in part by the systematic failure of the Service Provider to maintain or replace obsolete or deteriorated materials or equipment consistent with approved budgets; and (vii) such other factors as DPS may deem appropriate and relevant. For the avoidance of doubt, DPS shall not find a Service Provider Failure where LIPA did not approve a budget request that was sufficient to complete the work or action at issue.
(c) Whenever LIPA or the LIPA Board has reason to believe that one or more Service Provider Failures may have occurred that should be reviewed by DPS for possible DPS recommendation of a reduction to the Compensation Pool Subject to DPS Reduction to the LIPA Board for adoption, LIPA or the LIPA Board, as the case may be, shall notify DPS and Service Provider. If DPS responds that it plans to review the referred Service Provider Failures, DPS shall notify the Service Provider and LIPA thereof (the “Potential Reduction Notice”). The Potential Reduction Notice shall include, but need not be limited to, a brief description of the Service Provider Failure(s) that have been referred to DPS for review. Should DPS, regardless of any notification to it from LIPA or the LIPA Board, have reason to believe that one or more Service Provider Failures may have occurred and should be reviewed, DPS may issue notice thereof to the Service Provider and LIPA for any Service Provider Failure for which LIPA has not previously issued the Potential Reduction Notice, in which case the notice from DPS shall be deemed to be the Potential Reduction Notice.

(d) The Service Provider agrees to fully comply with any additional administrative or investigatory actions related to such failure or failures, including but not limited to, implementation of discovery, interviews, depositions, the holding of evidentiary hearings, entering into settlement negotiations or agreements to resolve Service Provider Failures, subject to the provisions of this section, following which such proposed settlement agreement will be provided as part of DPS’ recommendations to the LIPA Board. The Service Provider shall be entitled to and shall receive the same procedural protections and rights under law that are afforded to IOUs by applicable law (including but not limited to Public Service Law 25-a) and/or by the rules of the Public Service Commission or DPS. The Service Provider’s sole and exclusive remedy for review of any reduction to the Compensation Pool Subject to DPS Reduction shall be expedited arbitration under this Agreement.

(e) If DPS determines that the Service Provider has committed one or more Service Provider Failures, DPS may recommend in writing to the LIPA Board, with copy to Service Provider, that the Compensation Pool Subject to DPS Reduction for the year of the Service Provider Failure should be reduced by an amount recommended by DPS, which amount shall be subject to the Contract Year Maximum and the Overall Cap. The LIPA Board shall consider the recommendation of DPS for adoption and may adopt any reduction to the Compensation Pool Subject to DPS Reduction up to but not exceeding the reduction that was recommended by DPS, but in no event may any reduction be adopted to the extent that it would exceed the Contract Year Maximum or the Overall Cap for the applicable year. To the extent that the LIPA Board’s action with respect to the recommendation by DPS is in compliance with the immediately preceding sentence, the LIPA Board action shall be final and binding upon the Service Provider except that the Service Provider as its sole and exclusive remedy for review of the reduction to the Compensation Pool Subject to DPS Reduction, shall have the right of expedited arbitration under the New OSA. Subject to the expedited arbitration, as applicable, LIPA shall notify the Service Provider of the LIPA Board’s action with respect to DPS’s recommendation (the “Imposed Reduction Notice”) and shall implement the reduction to the Compensation Pool Subject to DPS Reduction adopted by the LIPA Board.

(f) Subject to the application of the Overall Cap, no reduction to the Compensation Pool Subject to DPS Reduction shall otherwise limit or have any other effect on the
application of any Scope Function-Specific Performance Metrics, Gating Performance Metrics, or Default Performance Metrics, or on any other rights or remedies of LIPA under the Agreement or Applicable Law, regardless of whether or not the conduct underlying the Service Provider Failure(s) that led to the reduction of the Compensation Pool Subject to DPS Reduction is the same or similar to the conduct that is at issue with respect to the application of any such metrics or any such other rights or remedies of LIPA.

(g) If any provision of this section shall be ruled invalid, unenforceable or in conflict with Applicable Law in any Legal Proceeding, then this section shall be inoperative and the amount of the Compensation Pool Subject to DPS Reduction shall be added to the Metrics Variable Compensation Pool that is subject to the Gating Performance Metrics and Scope Function-Specific Performance Metrics (the "Unenforceability Condition"). For purpose of clarity, Service Provider’s challenge pursuant to the expedited arbitration provisions of the New OSA, to whether a Service Provider Failure occurred or the amount of the reduction to the Compensation Pool Subject to DPS Reduction is not an Unenforceability Condition.

E. Long Island-Based Decision-Making, other Senior Management provisions

- Long Island-Based Decision-Making Material Obligation (non-compliance will be breach of the OSA).

The following language shall be included in Section 4.2(A)(4)(a)(i) of the new Agreement as follows:

General Activities. The Service Provider will be responsible for the following general activities with respect to the provision of electric service to customers of the T&D System:
(a) Governance
   (i) assigning a full-time, core Senior Management team from the Service Provider with defined responsibilities (each a “Senior Manager”) to carry out in a timely manner the Service Provider’s obligations under this Agreement and from which one such Senior Manager, located on Long Island, shall be designated as the Service Provider’s single point of contact for LIPA with decision making authority and overall oversight responsibility related to the Operations Services;

   (ii) Dedicated Long Island Team. To fulfill the requirements of subsection (ii), Service Provider shall appoint a dedicated Senior Management team whose duties focus exclusively on providing Operations Services and any other related services in Long Island. In addition to the existing Senior Managers dedicated exclusively to Long Island as of the effective date of this Agreement (including the CIO), the Service Provider shall hire a new Vice President of Emergency Management, a new Vice President of Business Services, and a new Chief Information Security Officer devoted exclusively to providing or supporting the Service Provider in providing Operations Services in Long Island under this Agreement.

   (iii) Operational Responsibility. The President and COO of the Service Provider shall be devoted exclusively to providing Operations Services in Long Island under this Agreement, and shall have full and final operational decision-making authority and responsibility for such Operations Services. All ServCo and PSEG LI personnel must have solid line reporting up to the President and COO of the Service Provider, except that the Chief Information Officer ("CIO") and the Chief Information Security Officer ("CISO") and the heads of Legal, Finance, and Human Resources may report to persons in New Jersey Affiliates of PSEG LI as long as their day-to-day operational
decision-making and prioritization of work are made in and devoted exclusively to Long Island and personnel in these positions also have a formal reporting relationship up to the President and COO of the Service Provider on Long Island (including input in performance evaluations and employment related decisions). “Solid line reporting” as used above means a primary reporting relationship between an employee and manager, where such manager supervises, conducts performance evaluations, and makes other employment related decisions.

(iv) Information & Assistance. In addition to the President and COO, the new Vice President of Emergency Management and Vice President of Business Services shall serve as points of contact for State and local government officials regarding emergency preparation and response, and other related matters, and provide other agencies and governments in the State with timely information and assistance.

(v) Community Involvement. Service Provider shall contribute at least $500,000 each year to charitable organizations in the communities served in Long Island, and the Senior Management Team members will serve on the boards of such organizations where possible.

(v) Materiality of Governance Provisions. For the avoidance of doubt, the provisions in this subsection (a) are material obligations and any violation thereof shall be considered an Event of Default under this Agreement pursuant to Section 8.1.

- **Other Provisions**

PSEG LI will cause all Senior Managers to at all times act in the best interests of LIPA and LIPA’s customers consistent with the provisions of the revised contract, to provide safe, adequate and reliable service to Long Island and Rockaway customers, and to not act, fail to act, or cause or permit others under their management, supervision or control to act in furtherance of any conflicting interest. This provision shall not create any fiduciary duty between the parties or create any obligations that would conflict with or undermine PSEG LI employees’ duties to the Company.

The positions of Chief Information Security Officer (“CISO”), Vice President-Emergency Management, and Vice President-Business Services will be added to ServCo. The position of Chief Information Officer (“CIO”) has been hired and added to PSEG LI and will be paid for as a Pass-Through Expenditure. The position of Director of Human Resources will be added to PSEG LI and be paid for as a Pass-Through Expenditure, and the position of Vice President-Legal Services will continue to be paid for as a Pass-Through Expenditure. Additional positions will be added in consultation with LIPA where additional resources are needed, such as in Real Estate and Asset Management, and will be paid for as a Pass-Through Expenditure.

Each position in PSEG LI must have the responsibility, authority, and direct and indirect reports sufficient to execute the management and performance of the scope of responsibilities associated with such position, with any new positions that must be created or filled at ServCo to accomplish this objective being paid for as Pass-Through Expenditures.

Each position in PSEG LI (i.e., ManagementCo) will have a description of responsibilities associated with it (each, a “Position Description”) and Service Provider will provide LIPA with copies of each Position Description. Following the Effective Date of the New OSA, new position descriptions and any changes to
existing Position Descriptions will be provided to LIPA for its review and recommendation prior to finalization and the Service Provider will, in good faith, consider such recommendations.

The Parties will work together in good faith to develop a Contract Administration Manual ("CAM") to address the standards and processes to be applied regarding the hiring of a ServCo employee by a PSEGLI Affiliate.

LIPA shall have approval rights only with respect to the replacement of the five positions at PSEG LI that are already subject to this right in the current contract, the above specified positions to be added to PSEGLI, and any other Vice President level or above positions at PSEG LI for which this right does not already exist in the current contract.

PSEG LI shall provide LIPA with a reasonable opportunity to prepare and submit annual evaluations of PSEG LI employees to PSEG LI (and in the case of the PSEG LI President/COO, to Public Service Enterprise Group Inc.), which PSEG LI shall (and in the case of the Top Officer, PSEG LI shall cause Public Service Enterprise Group Inc. to) give good faith consideration in connection with determining the compensation of the employees. PSEG LI agrees that two consecutive LIPA annual evaluations of below satisfactory with respect to any PSEG LI employee will result in a formal discussion between LIPA and the Top Officer (or in the case of the Top Officer, between LIPA and the Chief Operating Officer of Public Service Enterprise Group Inc.) concerning whether that employee should be terminated, reassigned, or otherwise managed to address the problems identified by LIPA in its evaluation.

PSEG LI will cause the compensation for PSEG LI employees to be substantially determined by and linked to the performance of the Service Provider under the revised contract’s Scope Function-Specific Performance Metrics and Gating Performance Metrics.

F. Duty of Candor and Duty of Loyalty

- **Duty of Candor; Remedies Provisions.**

In response to any request for information by LIPA or DPS, the Service Provider has an obligation to be honest, forthright, and transparent, and to fully and accurately disclose, and cause its Affiliates to fully and accurately disclose, in a timely fashion, and without obfuscation, sophistry, bias, or intent to inappropriately influence decision-making, all facts and circumstances relevant and responsive to such request of which the Service Provider and its Affiliates have Knowledge (as defined below) so as to permit, and enhance the ability of, LIPA and DPS to analyze events and occurrences relating to the T&D System, the Operations Services, the Service Provider, or ServCo, and conduct oversight of the same. In addition, when the Service Provider and its Affiliates have Knowledge (as defined below) of material facts and circumstances which significantly impair the Service Provider’s ability to provide reliable service, emergency preparedness and response, cybersecurity, and financial impairment, noncompliance with applicable laws, and circumstances which may endanger the public health, safety, and welfare, the Service Provider and its Affiliates will voluntarily (i.e., provide and/or self-disclose/divulge) disclose that information to LIPA and DPS in a timely fashion, fully and accurately, and without obfuscation, sophistry, bias, or intent to inappropriately influence decision-making. Any failure to comply with this duty of
candor will constitute a failure to perform a material obligation under this Agreement [i.e., the revised contract] for which PSEG LI shall have no right to cure and for which LIPA may, but shall not be obligated to, terminate this Agreement and, subject to any applicable limitation of liability set forth in this Agreement and the Overall Cap, seek the recovery of monetary damages.

The parties will work together on a CAM to operationalize the duty of candor in consultation with DPS.

“Knowledge” as used immediately above means (i) the actual knowledge of the employee(s) of PSEG LI whose management or other responsibilities involve, in whole or in part, the subject matter(s) of the communication or the fact(s) and circumstance(s) at issue, after reasonable, good faith investigation and inquiry, or (ii) if there are no such employee(s) of PSEG LI pursuant to the immediately preceding clause (i), the actual knowledge of the employee(s) of ServCo whose management or other responsibilities involve, in whole or in part, the subject matter(s) of the communication or the fact(s) and circumstance(s) at issue, after reasonable, good faith investigation and inquiry, or (iii) if there are no such employee(s) of PSEG LI or of ServCo pursuant to the immediately preceding clauses (i) or (ii), respectively, the actual knowledge of the employee(s) of an Affiliate of PSEG LI whose management or other responsibilities involve, in whole or in part, the subject matter(s) of the communication or the fact(s) and circumstance(s) at issue, after reasonable, good faith investigation and inquiry.

G. Budgetary Process/Controls

- **Budget Provisions:**

  The Consolidated LIPA Budget will include an underlying 8-year Financial Plan and Long Term Plans for each Scope Function.

  LIPA will establish, with collaboration with PSEG LI, a schedule governing the development of the Long Term Plans for each Scope Function and of the Consolidated LIPA Budget, including, without limitation, the Service Provider’s identification of projects and initiatives necessary to meet the LIPA Board-adopted recommendations, LIPA designated strategies, Scope Function-Specific Performance Metrics, and Scope Function- Specific Long-Term Plans; provision of project cost estimates and proposed work plans (including schedules); and the Service Provider’s uploading of all budget data to the budgeting system. The Budget Policy in the existing OSA shall be amended to include a requirement that Service Provider’s portion of the approved Consolidated Budget must include reasonably adequate funds in order to address any new requirement imposed by a governmental body.

  In accordance with such schedule, the Service Provider will submit to LIPA a proposed annual Operating Budget for the upcoming year that reflects an increase over prior actuals consistent with expected inflation, known and measurable baseline programmatic changes, at least a one percent productivity improvement measured pursuant to longstanding DPS practice, and reflecting any proposed initiatives (by either LIPA or PSEG LI) (which could have the effect of increasing or lowering the budget). Further, any proposals for additional funding should be accompanied by
an appropriate business case justification pursuant to a template provided by LIPA and containing an appropriate level of detail.

As part of the budget process, the Service Provider (taking into consideration any LIPA-recommended additional hiring) will submit a ServCo headcount and hiring plan at the Department level to LIPA for its review.

The Service Provider will identify as part of the submission proposed projects and initiatives (to the extent not designated by LIPA) and provide project scope, project cost estimates, and proposed work plans (including scopes and schedules) to implement all projects in the Service Provider Budget Portion for LIPA’s review and comment in accordance with the terms outlined below. Furthermore, the Service Provider will timely respond to LIPA’s inquiries and comments, including providing any requested revised projects, scopes, cost estimates and proposed work plans.

The Service Provider will not be permitted to reallocate expenditures between the approved Capital Budget and the approved Operating Budget without the prior written consent of LIPA in LIPA’s sole discretion.

The Service Provider will document and inform LIPA of the reallocation of budget funds pursuant to the Project Implementation Plan (“PIP”) for the Operating Budget, which is restated here below for convenience. The Service provider shall provide a variance explanation that includes the reason the department requires increased funding, the reason the original budget did not anticipate the issue, the impact to the department’s decreased spending, and the duration of the issue.

  o 2021:
    > Actual spending or forecasted year-end results that cause a year-end aggregate variance to budget at the Vice President level equal to or greater than the lesser of (i) $5.0 million, or (ii) 5% of the annual budget.

  o 2022:
    > Actual spending or forecasted year-end results that cause a year-end aggregate variance to budget at the Director level equal to or greater than 10% of the annual budget, and greater than $0.5 million.

  o 2023 and beyond:
    > Actual spending or forecasted year-end results that cause a year-end aggregate variance to budget at the Director level equal to or greater than 5% of the annual budget, and greater than $0.5 million.

Should any of the above provisions with respect to the Operating Budget be inconsistent with any subsequently approved PIP for the Operating Budget (“Subsequent Operating PIP”), such provisions shall be deemed amended to conform to the Subsequent Operating PIP.

Similar to the PIP for the Operating Budget, the process by which PSEG LI consults with LIPA prior to reallocating Capital Budget funds will be documented.
The Service Provider and LIPA are working in good faith to develop a PIP for the Capital Budget, including thresholds for variances, etc. For purposes of clarity, the PIP will relate to budget process only and will not change the substantive provisions of the existing OSA relating to the Budget Policy, the responsibilities of the parties in establishing their respective portions of the Consolidated Budget or the manner in which budget disputes are resolved under the existing OSA.

In the event that (i) an approved project is delayed for reasons beyond the Service Provider’s reasonable control (e.g., permit delays), or (ii) an operational need arises to implement a project that was not included in the approved Budget, the Service Provider must, as applicable, submit the nature and extent of the delay or the justification for the newly arising operational need to LIPA for review and approval in accordance with the budget procedure above. The budget for the current year and subsequent year will be adjusted to reflect carry over expenditures for approved delays. The budget for the current year will be amended for the costs, as Non-Storm Emergency Expenses, to the extent that LIPA determines that such costs cannot be funded by the unexpended costs of LIPA-approved delays or cancellations of other projects, initiatives or scopes.

H. Affiliate Services

- **Provisions for Shifting Scope from Affiliates to ServCo or Subcontractor**

As part of the annual budget process and in accordance with the schedule set forth in PIP # IAOR-R1, PSEG LI shall provide to LIPA a cost and quality justification for PSEG LI’s decision to perform particular Scope Functions or Scope Sub-Functions through an Affiliate as a Shared Service, rather than by a qualified Subcontractor or ServCo, unless such a justification for the applicable Scope Function or Scope Sub-Function has been previously provided in the preceding three years; provided that, notwithstanding having provided such a justification in the preceding three years, PSEG LI shall provide a new cost and quality justification to LIPA as part of the annual budget process if, prior to the conclusion of such budget process, LIPA is not reasonably satisfied with the performance of particular Scope Functions or associated Scope Sub-Functions by the PSEG LI Affiliate and has provided written notice thereof to PSEG LI.

PSEG LI shall provide the cost and quality justifications for Shared Services as set forth in PIP # IAOR-R1.

If LIPA, in its reasonable judgment, determines that the periodic cost and quality justification provided by PSEG LI for the performance or continued performance of the Scope Functions or associated Scope Sub-Functions by the PSEG LI Affiliate versus performance by Subcontractors and/or ServCo does not adequately justify moving forward (or continuing to move forward) with the performance of the Scope Functions or associated Scope Sub-Functions by PSEG LI’s Affiliate, the Service Provider and LIPA shall meet to discuss LIPA’s concerns and Service Provider shall have the option to submit a remediation plan to reduce costs or otherwise address LIPA’s concerns within 60 days and, if LIPA reasonably concludes that such remediation plan is insufficient to address its concerns, Service Provider shall submit a project plan, including a detailed budget submission, as required, for LIPA review and approval to transition such services from the Affiliate to one or
more Subcontractors and/or to ServCo (as directed by LIPA) within a period not to exceed 120 days, unless a longer period is mutually agreed to by the parties as necessary, which agreement shall not unreasonably be withheld.

I. Adherence to DPS and LIPA Board Recommendations

- **Provisions regarding Adherence to Board Recommendations:**

  PSEG LI agrees to implement recommendations ("Recommendations") adopted by the LIPA Board if (i) such Recommendations relate to the general nature of one or more Scope Functions or Sub-Scope Functions comprising the Operations Services under the revised contract; and (ii) either (A) such Recommendations originated as proposals, determinations, findings or recommendations (collectively, "Items") by LIPA, LIPA timely submitted the Items to PSEG LI for review and comment, LIPA in good faith considered any PSEG LI’s comments that were timely received when developing the LIPA-proposed finalized Items (the “LIPA Proposed Items”), LIPA submitted the LIPA Proposed Items to DPS for review and recommendation along with PSEG LI’s comments, and LIPA forwarded the LIPA Proposed Items as recommended by DPS without modification (the “DPS Recommended LIPA Proposed Items”) to the LIPA Board for review and consideration and approval without modification or return to DPS with LIPA’s comments for additional review and recommendation, or (B) such Recommendations originated as Items by DPS ("DPS Proposed Items"), and DPS submitted the DPS Proposed Items to PSEG LI and LIPA for their respective review and comment before the DPS-finalized version of the DPS Proposed items (the “DPS Recommended Items”) were submitted by LIPA to the LIPA Board for review and consideration and approval without modification or return to DPS with LIPA’s comments for additional review and recommendation; (iii) such Recommendations, including recommendations pursuant to an audit, are not inconsistent with any provision in this Agreement; and (iv) PSEG LI is provided a sufficient budget to execute the Recommendations, including recommendations pursuant to an audit, if any expenditure is required. For the avoidance of doubt, this process shall be applied prospectively and shall not affect the validity of board recommendations already approved before the effective date of this term sheet.

J. IT Separateness and Testing, including IV&V, of IT Systems

- **IT Testing and IT Separation provisions:**

  LIPA will have the unrestricted right, except as otherwise set forth below in this section, to perform, and cause others to perform, independent verification and validation ("IV&V") and otherwise test, audit and assess all Information Technology systems and processes utilized in whole or in part to serve LIPA, including, without limitation, compliance and performance audits, assessments, and testing, functional testing, stress testing, security and penetration testing, platform testing, and accessibility testing. LIPA will provide the Service Provider with prior written notice of the IV&V. These IV&V, test, audit and assessment rights will apply with respect to all Information Technology systems and processes serving LIPA before and after they are established and maintained separate and distinct from those of the Service Provider and its Affiliates; provided, however, with respect to any enterprise-wide production systems owned and operated by the Service Provider’s Affiliates that are utilized in whole or in part to serve LIPA, the Service Provider, at LIPA’s request, will conduct such tests and LIPA and its representatives and consultants may, if they wish, witness such tests of Affiliate systems, provided, further, that any such enterprise-wide testing of Service Provider’s affiliate systems must be of a
scope and nature that is reasonably acceptable to Service Provider as consistent with testing that Service Provider’s Affiliates perform for their Information Technology systems to protect cybersecurity or against system failures, in accordance with industry testing standards, and taking into account input from LIPA. To the extent that the Service Provider develops any test, audit or assessment plans or protocols for critical Information Technology systems and processes (including, without limitation, critical communication systems), they will be reviewed with LIPA and any reasonable LIPA input will be considered by PSEG LI before they are implemented and all reports and results of any tests, audits or assessments will be timely provided to LIPA. In addition, the Service Provider will provide DPS and its representatives with copies of such reports and results.

Prior to the separation of the IT systems, the Service Provider will provide LIPA and its representatives and consultants with the same access, including the same real-time access, where applicable, as the Service Provider and its Affiliates have to all information technology systems and processes that are utilized in whole or in part to serve LIPA, as well as to all of the financial-, customer-, and T&D system-related data, information and reports residing therein and accessible there through. For the avoidance of doubt, the “same access” as used above means access provided no less frequently or with any greater restrictions, and information, data and reports furnished no less frequently or in a different format, than provided, furnished or made available to the Service Provider or its Affiliates, excluding “administrative access” that permits users to not only access data but to manipulate and control systems. Such “administrative access” will be subject to the applicable Affiliate’s security protocols for third party access to its IT systems. In addition, the Service Provider will provide DPS and its representatives with the same access to information technology systems and processes and the data, information and reports residing therein and accessible there through as LIPA and its representatives and consultants have pursuant to the previous sentences of this paragraph. On and after the separation of the IT Systems, the foregoing access will apply with respect to all information technology systems and processes utilized in whole or in part to serve LIPA and the financial-, legal-, customer-, and T&D System-related data, information and reports residing therein and accessible there through.

On an annual basis and in the format requested by LIPA, the Service Provider will provide LIPA a complete description of the information technology systems used in connection with the provision of the Operating Services.

The emergency response plan (the “ERP”), which shall include as constituent parts thereof the annual crisis management plan (the “CMP”), the annual IT disaster recovery plan (the “DRP”), and the annual business continuity plan (the “BCP”), prepared by the Service Provider, together with all revisions thereto, will be subject to review and approval by LIPA. In connection with such review, LIPA will provide any specific recommendations in reasonable detail regarding the ERP, together with the CMP, DRP, and BCP that are parts thereof. The Service Provider will provide all proposed tabletop and emergency preparedness drill scenarios and plans with respect to the ERP, including the CMP, DRP, and BCP that are parts thereof, to LIPA for review and approval by LIPA before they are implemented.

LIPA and PSEG LI agree that, from an operational perspective, it would be beneficial for all information technology systems (including, without limitation litigation and litigation support systems, a regulatory filing and interrogatory system) serving LIPA, as well as the financial-, customer-, and T&D system-related data, information and reports residing therein and accessible there through, to be established and maintained in a manner that
is separate and distinct from the systems, data, reports and information of the Service Provider and its Affiliates, including, but not limited to, those Affiliates based in New Jersey ("IT System Separation"). LIPA agrees that all cost and expense associated with the IT System Separation will be paid for by LIPA as a Pass-Through Expenditure. To this end, PSEG LI and LIPA will form a joint cross-functional team (the "IT Team") to consider and attempt to reach mutual agreement, during a 120 day period commencing with the execution of the revised contract (the "IT Team Period"), concerning an initial plan for IT System Separation. The IT Team will consider, among other things the cost of IT Separation, costs of ongoing operation and maintenance, impact on Operations Services and customers, minimizing the impact on Service Provider’s ongoing ability to meet its obligations under the OSA, schedule, and prioritization among different information technology systems for IT System Separation. If, by the end of the IT Team Period, PSEG LI and LIPA reach mutual agreement concerning the information technology systems to undergo IT System Separation and the schedule for doing so, they will submit their mutually-agreed upon plan (the “IT Team Proposal”) to DPS for review and recommendation, and LIPA will submit the IT Team Proposal as recommended by DPS (the “DPS Recommended IT Team Proposal) to the LIPA Board for review and consideration; provided that if LIPA does not receive the DPS Recommended IT Team Proposal from DPS within 60 days after forwarding the IT Team Proposal to DPS for review and recommendation, LIPA will forward the IT Team Proposal to the LIPA Board for review and consideration. PSEG LI and LIPA agree to follow, as applicable, the DPS Recommended IT Team Proposal or the IT Team Proposal, as approved by the LIPA Board. If, by the end of the IT Team Period, PSEG LI and LIPA do not reach such mutual agreement, they shall submit their respective positions on cost of IT Separation, cost of ongoing operation and maintenance, impact on Operations Service and customers, schedule and prioritization of information technology systems to DPS for review and recommendation to the LIPA Board for review and consideration, in which case PSEG LI and LIPA agree to follow the DPS recommendations with respect to IT System Separation as approved by the LIPA Board.

Without limitation of the foregoing, the Service Provider will utilize the LIPA Enterprise Document Retention and Management ("EDRM") system, which is separate and distinct from the systems, data, reports and information used by the Service Provider and its Affiliates, and integrate and maintain real-time searchable data relating to or belonging to LIPA or its assets or customers, including, but not limited to, Service Provider human resources, information technology, financial, legal, and customer information and reports, and T&D System information and reports, on such EDRM system (including, but not limited to, data, information and reports required by Applicable Law to be maintained for audits or other reasons and to support LIPA’s financings). The timetable for this will be determined by the process set forth above.

K. Term.

- The Term of the revised contract shall end on December 31, 2025 and the Parties may extend the term upon mutual agreement.

L. Comprehensive Settlement

- The execution of the New OSA shall be accompanied by: (i) a release and waiver of all claims, known and unknown arising out of or relating to Tropical Storm Isaias; (ii) withdrawal of Nassau County Complaint with prejudice; (iii) a final resolution of DPS investigation (other than recommended ERM practices that are applicable to all of the NY
M. Overall Cap on Liability

- Overall Cap provisions:

The amount of the “Overall Cap” for a Contract Year is $40 million.

The Overall Cap for a Contract Year is an aggregate limitation on the sum of (i) the amount of the reduction to the Compensation Pool Subject to DPS Reduction approved by the LIPA Board in such Contract Year, plus (ii) the amount of the Metric Variable Compensation Pool for such Contract Year for which PSEG LI is ineligible due to its failure to satisfy Gating Performance Metrics and/or Scope Function-Specific Metrics, plus (iii) the amount of damages recovered by LIPA due to PSEG LI’s breach of representation, warranty or covenant or Event of Default under the revised contract; provided that, consistent with the language of the current contract, damages due to PSEG LI’s willful or bad faith breach of the revised contract are not limited by the Overall Cap. DPS and LIPA, separately or in combination, shall not reduce the Service Provider’s compensation (including Variable Compensation and the Compensation Pool Subject to DPS Reduction), or otherwise impose any penalties on Service provider, arising from a single event or circumstance that exceed the Overall Cap for the year in which such event or circumstance occurred. For the avoidance of doubt, the existing provisions in the Agreement governing limitations or caps on PSEG LI’s liability for damages obtained under the Agreement shall not be modified in the new OSA.

N. Termination Upon Change in Regulatory Law

- PSEG LI shall retain the right to terminate upon a change in regulatory law as set forth in the current OSA, but the regulatory law change that triggers such a right shall be narrowed to include only those changes that negatively affect PSEG LI’s economic position, exposure, or revenues from the contract.

The Service Provider Termination Fee for such termination shall be modified as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Fee Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$30 million</td>
</tr>
<tr>
<td>2022</td>
<td>$27 million</td>
</tr>
<tr>
<td>2023</td>
<td>$23 million</td>
</tr>
<tr>
<td>2024</td>
<td>$19 million</td>
</tr>
<tr>
<td>2025</td>
<td>$15 million</td>
</tr>
</tbody>
</table>

O. Financial Consideration

- In consideration of the releases and the other provisions in this Term Sheet and the New OSA contemplated herein, upon execution of a New OSA the Service Provider agrees that: (i) the DPS Compensation Pool Subject to Reduction shall be reduced by a total amount of seventeen million dollars ($17,000,000.00) over
the term of the New OSA (divided equally over 2022, 2023, 2024, and 2025), (ii) the Service Providers’ Incentive Compensation for 2020 in the amount of nine million one hundred thousand dollars ($9,100,000.00) shall be waived, and (iii), consistent with its commitment to Long Island ratepayers and the charitable organizations that serve their communities, the Service Provider shall contribute three million nine hundred thousand dollars ($3,900,000.00) in charitable contributions to benefit Long Island ratepayers and their communities over the term of the New OSA (divided equally over 2022, 2023, 2024, and 2025).

P. Exhibits

• Provisions included in Exhibits A and B are part of this Term Sheet.
In witness whereof, the undersigned parties do hereby execute this Term Sheet as of June 26, 2021.

LONG ISLAND LIGHTING COMPANY d/b/a LIPA

By: ____________________________
Thomas Falcone
Chief Executive Officer

PSEG LONG ISLAND LLC

By: ____________________________
Daniel Eichhorn
President and Chief Operating Officer
## Exhibit A

**Scope Functions, Scope Sub-Functions, Compensation Allocations**

<table>
<thead>
<tr>
<th>Scope Function</th>
<th>Scope Sub-Functions</th>
<th>% Variable Compensation Pool&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>• Organizational Performance&lt;br&gt;• System Development and Implementation&lt;br&gt;• Operational Performance&lt;br&gt;• Cybersecurity</td>
<td>15.00%</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td><strong>T&amp;D System Operations</strong>&lt;br&gt;• Asset Management&lt;br&gt;• Transmission Operations&lt;br&gt;• Distribution Operations&lt;br&gt;• Vegetation Management&lt;br&gt;• Support Services&lt;br&gt;• Emergency Planning &amp; Response&lt;br&gt;• NERC/CIP&lt;br&gt;<strong>T&amp;D System Planning and Construction</strong>&lt;br&gt;• Planning&lt;br&gt;• Design and Engineering&lt;br&gt;• Permitting&lt;br&gt;• Construction</td>
<td>40.00%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>• Organizational Performance&lt;br&gt;• Billing and Payments Processing&lt;br&gt;• Contact Center&lt;br&gt;• Meter Operations/Meter Reading&lt;br&gt;• Collections</td>
<td>20.00%</td>
</tr>
<tr>
<td>Power Supply and Clean Energy Programs</td>
<td>• Planning&lt;br&gt;• Power Resources and Contract Management&lt;br&gt;• Energy Markets&lt;br&gt;• NMP2 Oversight&lt;br&gt;• Energy Efficiency&lt;br&gt;• Beneficial Electrification</td>
<td>10.00%</td>
</tr>
<tr>
<td>Business Services</td>
<td><strong>Finance</strong>&lt;br&gt;• Accounting&lt;br&gt;• Budgeting / Forecasting&lt;br&gt;• Treasury Operations</td>
<td>15.00%</td>
</tr>
</tbody>
</table>

<sup>2</sup> In the event of termination prior to expiration of the New OSA’s term, 15% of the Variable Compensation shall be governed by metrics concerning the completion transition services.
<table>
<thead>
<tr>
<th>Category</th>
<th>Services</th>
</tr>
</thead>
</table>
| Pricing and tariff administration | • Payroll  
• Insurance  
• Performance measurement and reporting  
• Business and Strategic Planning and Board Recommendations |
| Facilities                      | • Facilities Management  
• Security |
| Human Resources                 | • Recruiting and new employee orientation  
• Compensation and benefit management  
• Performance management and development  
• Labor relations  
• Training |
| Procurement                     | • Procurement and contract management  
• MWBE & SDVOB  
• FEMA-compliant procurements |
| External Affairs and Communications | • Government relations  
• Communications  
• Branding/advertising |
| Legal                           | • Regulatory compliance  
• Records management  
• T&D System-related litigation and litigation management  
• Commercial matters  
• FOIL compliance  
• Environmental compliance  
• Real Estate management and compliance |
### Exhibit B

| **Elimination of Trade Name Requirement** | Note that the requirement in Existing OSA § 4.2(A)(6)(b) to conduct wholesale power markets operations under a trade name will not be carried forward into the Amended OSA. Rather, such operations will be conducted under the name of “Long Island Lighting Company” or as subsequently directed by LIPA. |
| **Timely Responses to Information Requests, Report Preparation** | The Service Provider will provide accurate and complete responses to all LIPA information and data requests as provided for in the existing Contract Administrative Manual-CAM-IA-D1 (Process for Timely Access to System and/or Sensitive Information) and, in any event, no later than ten days after such request unless otherwise agreed upon by the Parties. The periodic, standard, or routine reports prepared by the Service Provider, including, without limitation, those of the nature referenced in the “Information and Representations for LIPA Financings and Other Reporting or Disclosure Requirements” section of this Term Sheet below, will be in the format prescribed by LIPA from time to time. Without limitation of the foregoing, the Service Provider will establish an “emergency response dashboard” providing for real time emergency response monitoring in a format prescribed by LIPA in its sole discretion. The Service Provider will provide LIPA and its representatives with the same access, including the same real-time access, as the Service Provider and its Affiliates have to the dashboard as well as to all other information, data and reports with respect to the emergency response event. For the avoidance of doubt, the “same access” as used above means access provided no less frequently or with any greater restrictions, and information, data and reports furnished no less frequently or in a different format, than provided, furnished or made available to the Service Provider or its Affiliates. PSEG LI must be provided a sufficient budget to perform the obligations in this provision. |
| **Failure to Perform Material Obligation – Termination** | LIPA or the Service Provider may exercise this termination right upon written notice (the “Termination Notice”) to the breaching party specifying the failure to perform upon which termination of the Amended OSA is warranted. The Termination Notice will specify a period of at least 50 days (such specified period, the “Cure Period”), within which the breaching party may cure its failure to perform. If the breaching party cures the failure within |
the Cure Period (or if the failure to perform is not reasonably curable within the Cure Period, but the breaching party Provider commences, within the Cure Period, the actions reasonably necessary to cure the failure to perform and continues to diligently pursue the cure with the result that the failure to perform is cured within a period (the “Extended Cure Period”) equal to the Cure Period plus 50 days), then the noticing party may not terminate the Amended OSA due to the particular failure to perform specified in the Termination Notice. If the breaching party (i) does not cure the failure within the Cure Period, or (ii) in the event that the Extended Cure Period is applicable, if the breaching party either (A) does not commence, within the Cure Period, the actions reasonably necessary to cure the failure to perform, (B) does not continue to diligently pursue the cure, or (C) does not cure the failure to perform within the Extended Cure Period, then the Amended OSA will be deemed terminated as of the end of the Cure Period, or as of the end of the Extended Cure Period, as applicable, without the need for further notice from the noticing party, in each case subject to the Surviving Provisions.

| **Pass-Through Expenditures** | LIPA has a Pass-Through Expenditure obligation pursuant to § 5.2(A)(15) for certain costs incurred by the Service Provider in connection with the Service Provider’s branding. Any advertising of the Service Provider brand that is to be funded in whole or in part as a Pass-Through Expenditure will be subject to LIPA’s approval in its sole discretion. Further, any event sponsorships, or charitable contributions that are to be funded in whole or in part as a Pass-Through Expenditure, excluding any existing sponsorships, donations, or charitable contributions, will be subject to LIPA’s approval in its sole discretion. After the Effective Date of the Amended OSA and excluding any existing relationships, to the extent that the Service Provider (or an Affiliate) wishes to enter into any licensing or other business relationship with a third party by which the third party is permitted to use, license or otherwise exploit, directly or indirectly, any Service Provider Mark or derivative thereof in the LIPA service area, the Service Provider will provide LIPA with prior notice for the purpose of providing LIPA with the opportunity to discuss any concerns that LIPA may have with such use of the Service Provider Mark or derivative thereof in the LIPA service area. |
| **Information and Representations for LIPA Financings and Other Reporting or Disclosure Requirements** | The Service Provider’s obligation to provide information, data and reports (both financial and operational) to support LIPA’s financing activities, the administration of its debt service, and its required period filing requirements (including, but not limited to, quarterly and annual (year-end) financial reporting, monthly and annual federal agency reporting requirements, Federal ARRA and other federal and state stimulus program reporting requirements, Department of Energy reporting requirements, and filings relating to Operations Services in compliance with New York State and other Applicable Laws) will include furnishing signed certifications from the Service Provider’s management employees, that to the best of such employee’s knowledge the information provided in response to a LIPA request is accurate and complete. |
| **Timely Consultation concerning Labor Negotiations with IBEW** | Prior to commencing negotiations with the IBEW with respect to any new, amended, or extended CBA, the Service Provider shall advise LIPA of the Service Provider’s proposed negotiating objectives and strategies with respect to any financial terms such as wages, compensation and/or benefits. This advisement shall take place in the form of a meeting either in person or via conference call, as agreed to by LIPA and the Service Provider.  

During the negotiation process, the Service Provider will periodically and timely update LIPA with respect to the status of the negotiations, the principal issues under discussion with the IBEW, and the progress in achieving the Service Provider’s objectives. These updates will be made at least monthly and shall take place in the form of a meeting either in person or via conference call, as agreed to by LIPA and the Service Provider. Service Provider will provide LIPA with a copy of an agreed upon Memorandum of Understanding between Service Provider and the IBEW within 24 hours of it being fully executed by all parties.  

In the event that CBA negotiations between the Service Provider and IBEW cease without an agreement, the Service Provider shall promptly notify LIPA as to the reasons and the proposed strategy moving forward as well as planning or preparations for a potential work stoppage. |
<p>| <strong>Timely Consultation concerning Material Compensation or Benefits Changes for Servco MAST Employees</strong> | The Service Provider will submit any proposed material changes to the compensation or employee benefits for Servco MAST employees of PSEG Long Island to LIPA for recommendations, and such recommendations will be considered in good faith, but final decision-making rests with Service Provider. |
| <strong>Asset and Fleet Management</strong> | The Service Provider will provide LIPA with a cost analysis supporting the determination to lease or purchase vehicles, equipment and facilities. Title documents to acquired vehicles, equipment and facilities by Servco will be inventoried and maintained by the Service Provider with such inventory listing provided to LIPA quarterly. |
| <strong>Annual Reporting on Personnel</strong> | On an annual basis via electronic access, the Service Provider will provide to LIPA a complete list of the names of all current Service Provider, ServCo and contractor employees, together with their respective title, affiliation (Service Provider, ServCo, or contractor), job title and any other related information reasonably requested by LIPA; provided, however, that such information shall not include personally identifiable information such as by way of example and not limitation, SSN, dates of birth, medical information, compensation information, performance documentation, and driver’s license numbers. Such information will also be provided to DPS upon its request. |
| <strong>Annual Reporting on Contracts</strong> | On an annual basis and in the format requested by LIPA, the Service Provider will provide LIPA a complete list of contracts, including software licenses, real estate leases, licenses, easements, and consents, used in connection with the provision of the Operations Services. Such information will also be provided to DPS upon its request. |
| <strong>Regulatory Reporting and Filings</strong> | The Service Provider will identify and report to LIPA on all activities of the PSC and DPS potentially impacting or providing opportunities with respect to LIPA, LIPA’s customers, the T&amp;D System, or the Service Provider. The Service Provider will identify opportunities to comment in regulatory proceedings and will recommend positions to LIPA staff, with sufficient detail and advanced notice to allow LIPA staff to evaluate its position on the matters. The Service Provider will prepare and file comments in each matter at the direction of LIPA staff consistent with the conflict provision, Section 4.18. The Service Provider shall work with DPS to identify filings made by Investor-Owned Utilities in New York State that Service Provider could file in the same proceedings, if appropriate. |
| <strong>LIPA Approval for Certain Subcontracts, §4.15 Contracts, IBEW Agreements</strong> | Without the prior approval of LIPA, the Service Provider will not enter into any Subcontract, §4.15 Contract, or IBEW Agreement whose term extends beyond the earlier of (i) December 31, 2025, or (ii) if LIPA has provided notice of termination to the Service Provider, the effective termination date of the Amended OSA, if, after such date, the contract has a notional value in excess of $10,000,000. LIPA’s review and approval will not be delayed or unreasonably withheld. |</p>
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<td><strong>§4.15 Contracts</strong></td>
<td>Section 4.15 of the Existing OSA will be revised in the Amended OSA to reflect that the contracts there mentioned also include contracts for support and back office services related to LIPA, the T&amp;D System, and/or LIPA’s assets, all as may be required from time to time by LIPA, provided entering into such contracts is consistent with Applicable Law.</td>
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<td><strong>Force Majeure Definition</strong></td>
<td>The definition of Force Majeure will be clarified to provide that no act, event, or condition (including any act, event, or condition enumerated under the “Inclusions” portion of the definition) to the extent that the same reasonably could have been avoided or its effect mitigated by the Service Provider’s performance of Operations Services in accordance with the Contract Standards.</td>
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The parties will work in good faith to reach agreement on IP License Grants to LIPA, No Optional Capital Additions, and Potential Merger of LIPA into the Authority – Transfer of Rights and Obligations in the New OSA.