

Report to the LIPA Finance and Audit Committee

March 29, 2023

2022 Power Supply and Fuel Management Metric Performance

Power Supply Hedge Update PSEG Energy Resources & Trade

Agenda

- Review of ER&T Operational Performance Metrics
 - Power Supply Management (PSM)
 - Fuel Management (FM)
- Power Supply Hedging Update

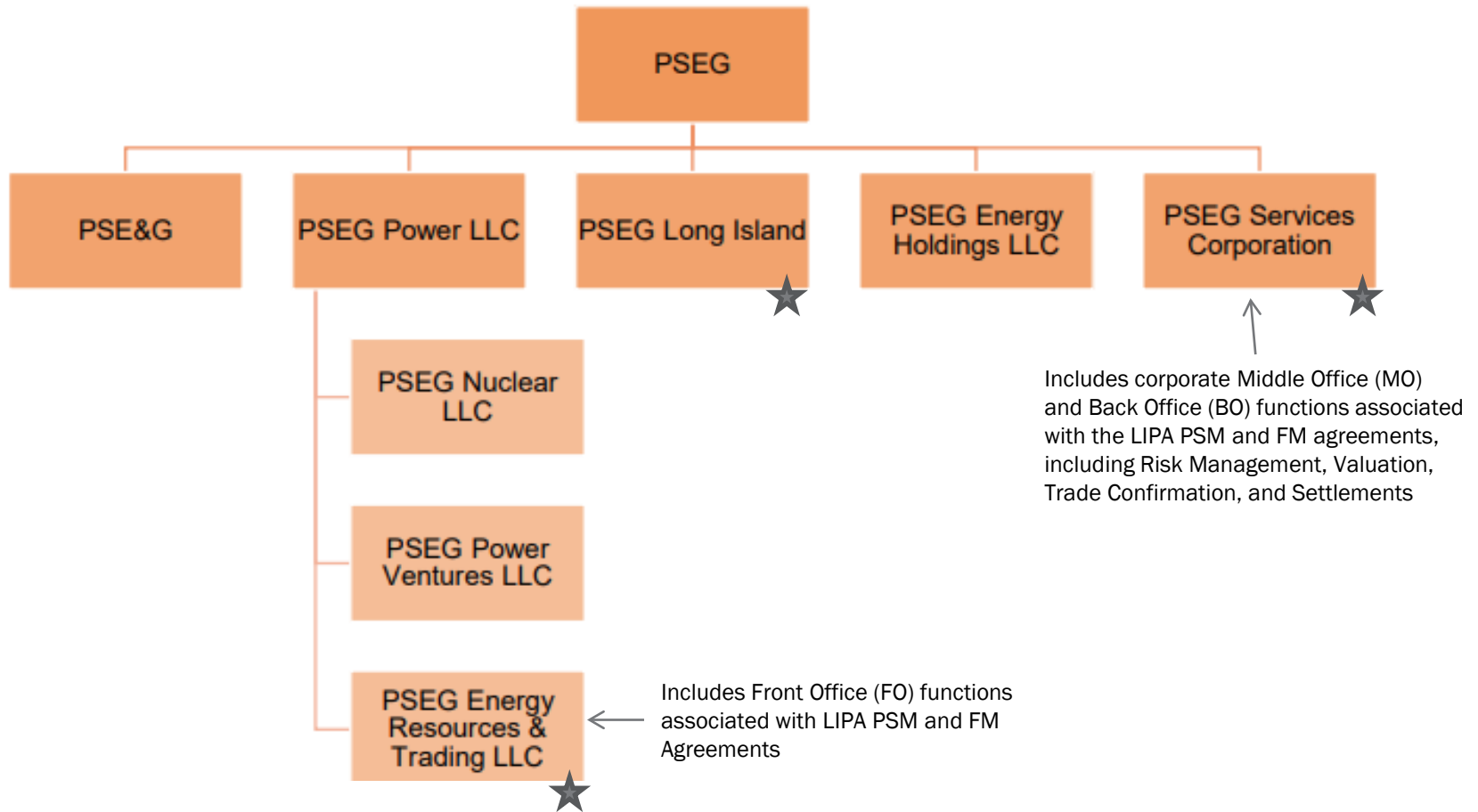
LIPA Finance and Audit Committee

Review of ER&T Operational Performance Metrics

by

Glenn Nafey, PSEG Middle Office

The PSEG Organization






★ Provides support to LIPA

PSEG - Middle Office Update:

PSM / FM Operational Performance Metrics

- Middle Office tracks the operating performance of ER&T under the Power Supply Management (PSM) and Fuel Management (FM) contracts
- The overall PSM metric has 9 individual metric components. The overall FM metric has 6 individual metric components.
- Each individual metric has a performance benchmark, as well as an offset trigger at or above the benchmark and a penalty trigger at or below the benchmark. The triggers define a band of reasonableness around benchmarks.
- Performance above the offset trigger on one individual metric can partially offset performance below the penalty trigger on another individual metric.
- ER&T is subject to an annual financial penalty if performance on the PSM metrics, and/or the FM metrics, nets out to a penalty. There is no possibility of financial bonus.
- ER&T's overall performance on PSM and FM metrics has been above target performance for all years since the contract started.

PSM Operational Performance Metrics

PSM Performance Metrics	L/H	2020		2021		2022	
		Metric	Benchmark	Metric	Benchmark	Metric	Benchmark
PSM 1: Cable Effectiveness (CSC/Neptune)	H	87.4%	82.6%	88.2%	84.3%	88.2%	84.2%
PSM 2: Critical Report Timeliness	H	99.8%	95.0%	99.8%	95.0%	99.9%	95.0%
PSM 3: Generation Bid Accuracy	H	99.9%	98.0%	100.0%	98.0%	100.0%	98.0%
PSM 4: Adherence to Bidding Strategy	H	99.9%	98.0%	99.9%	98.0%	99.9%	98.0%
PSM 5: Contingent Bid Responsiveness	H	99.3%	95.0%	97.2%	95.0%	95.1%	95.0%
PSM 6: Annual Significant Loss ⁽¹⁾	L	0	0	0	0	0	0
PSM 7: Load Forecasting	L	4.0%	5.0%	3.6%	5.0%	3.5%	5.0%
PSM 8: Capacity Market (\$/kW-month)	L	(\$0.00)	\$0.00	(\$0.06)	\$0.00	(\$0.01)	\$0.00
PSM 9: Quarterly Satisfaction Report	H	4.1	3.0	4.1	3.0	4.3	3.0
Overall PSM Metric							

1) PSM 6: Cannot gain offset points. Zero is best rating. Not possible to be green.

Performance above offset trigger	Performance within tolerance band	Performance below penalty trigger
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PSM 1: Cable Effectiveness	Measures how much of the potential Day Ahead cost saving is captured when utilizing the Neptune and Cross Sound cables.
PSM 2: Critical Report Timeliness	Evaluates the timeliness of uploading critical reports specified by LIPA to the SharePoint website.
PSM 3: Generation Bid Accuracy	All generation bids submitted to the ISO by the Power Supply Manager are independently calculated and compared for any variances.
PSM 4: Adherence to Bidding Strategy	Tracks that all bids for Load, Bear Swamp, Neptune and CSC are submitted to the ISO appropriately.
PSM 5: Contingent Bid Responsiveness	Tracks the response time to contingent events (generator, cable, fuel, supply disruptions) and samples them for accuracy.
PSM 6: Annual Significant Loss	The intent of this metric is to incent the Power Supply Manager to minimize errors in the performance of its duties not covered by other performance metrics that have an adverse impact on LIPA's financial results.
PSM 7: Load Forecasting	Evaluates the performance of the Power Supply Manager's load forecast.
PSM 8: Capacity Market	The objective is for the Power Supply Manager to purchase capacity to meet LIPA's Statewide Capacity Obligation at a cost lower than the volume-weighted average auction price.
PSM 9: Quarterly Satisfaction Report	Rates LIPA's overall satisfaction with the Power Supply Manager's services based on a survey of LIPA management.

FM Operational Performance Metrics

FM Performance Metrics	L/H	2020		2021		2022	
		Metric	Benchmark	Metric	Benchmark	Metric	Benchmark
FM 1: Gas Price Forecasting	L	8.8%	11.8%	8.7%	10.5%	12.4%	17.9%
FM 2: Gas Purchase Price	L	-0.3%	1.4%	-0.1%	1.6%	0.2%	1.9%
FM 3: Gas Balancing Charge	L	0.0%	0.25%	0.0%	0.25%	0.0%	0.25%
FM 4: Quarterly Satisfaction Report	H	4.2	3.0	4.1	3.0	4.3	3.0
FM 5: Oil Inventory Monitoring	H	100.0%	98.0%	100.0%	98.0%	100.0%	98.0%
FM 6: Invoice Processing	H	99.9%	98.0%	99.9%	98.0%	97.9%	98.0%

Overall FM Metric			
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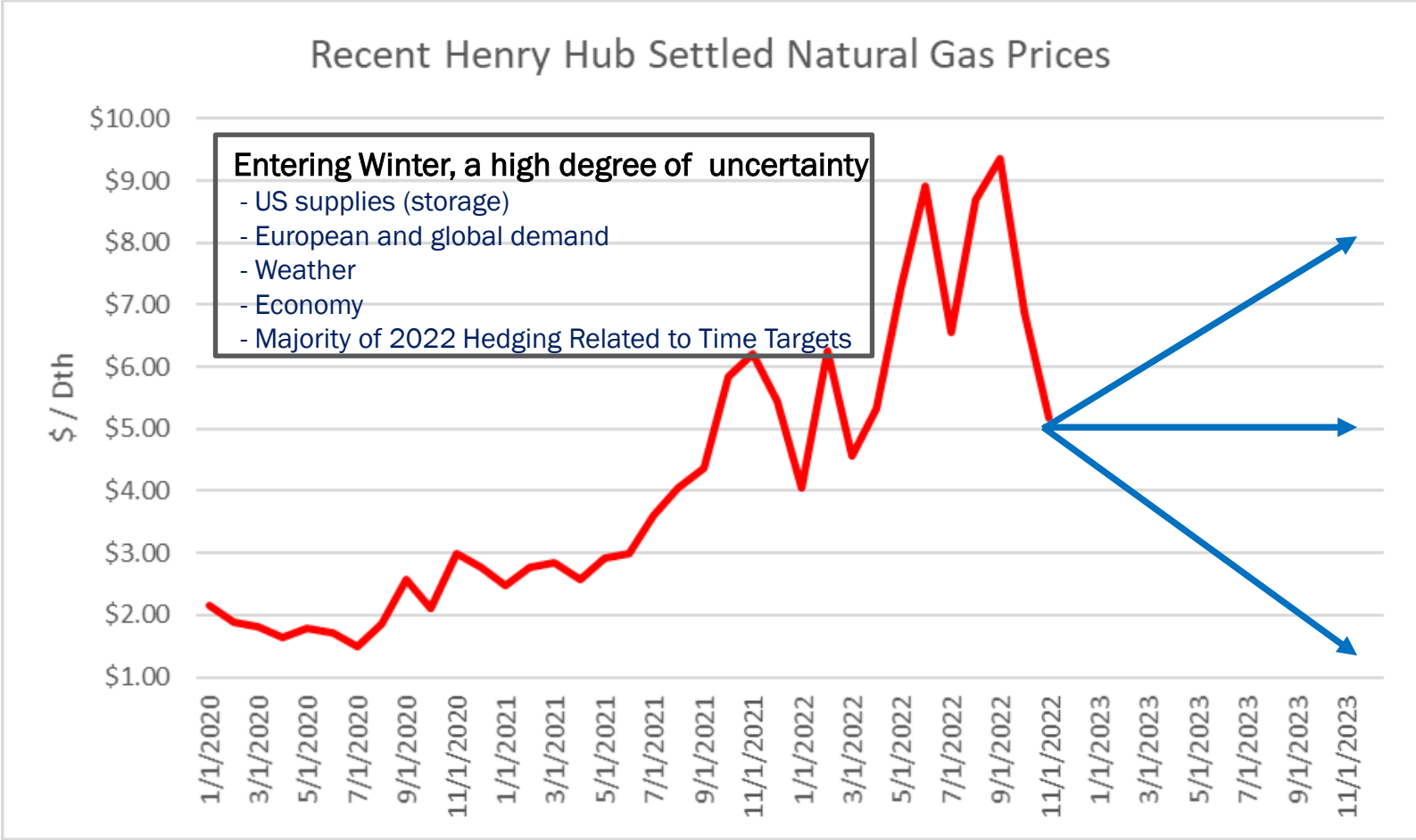
Performance above offset trigger
Performance within tolerance band
Performance below penalty trigger

FM 1: Gas Price Forecasting	Measures the Fuel Manager's ability to accurately estimate the Gas Daily Settle price of natural gas.
FM 2: Gas Purchase Price	Measures the Fuel Manager's ability to secure a favorable price relative to daily market activity.
FM 3: Gas Balancing Charge	Measures the Fuel Manager's ability to minimize balancing penalties associated with natural gas nominations while optimizing the use of cashout gas when it is economic to do so based upon market conditions.
FM 4: Quarterly Satisfaction Report	Rates LIPA's overall satisfaction with the Fuel Manager's services based on a survey of LIPA management.
FM 5: Oil Inventory Monitoring	Monitors the fuel oil inventories to ensure the appropriate oil inventory levels are maintained.
FM 6: Invoice Processing	Measures the Fuel Manager's ability to validate and process invoice payments on behalf of LIPA.

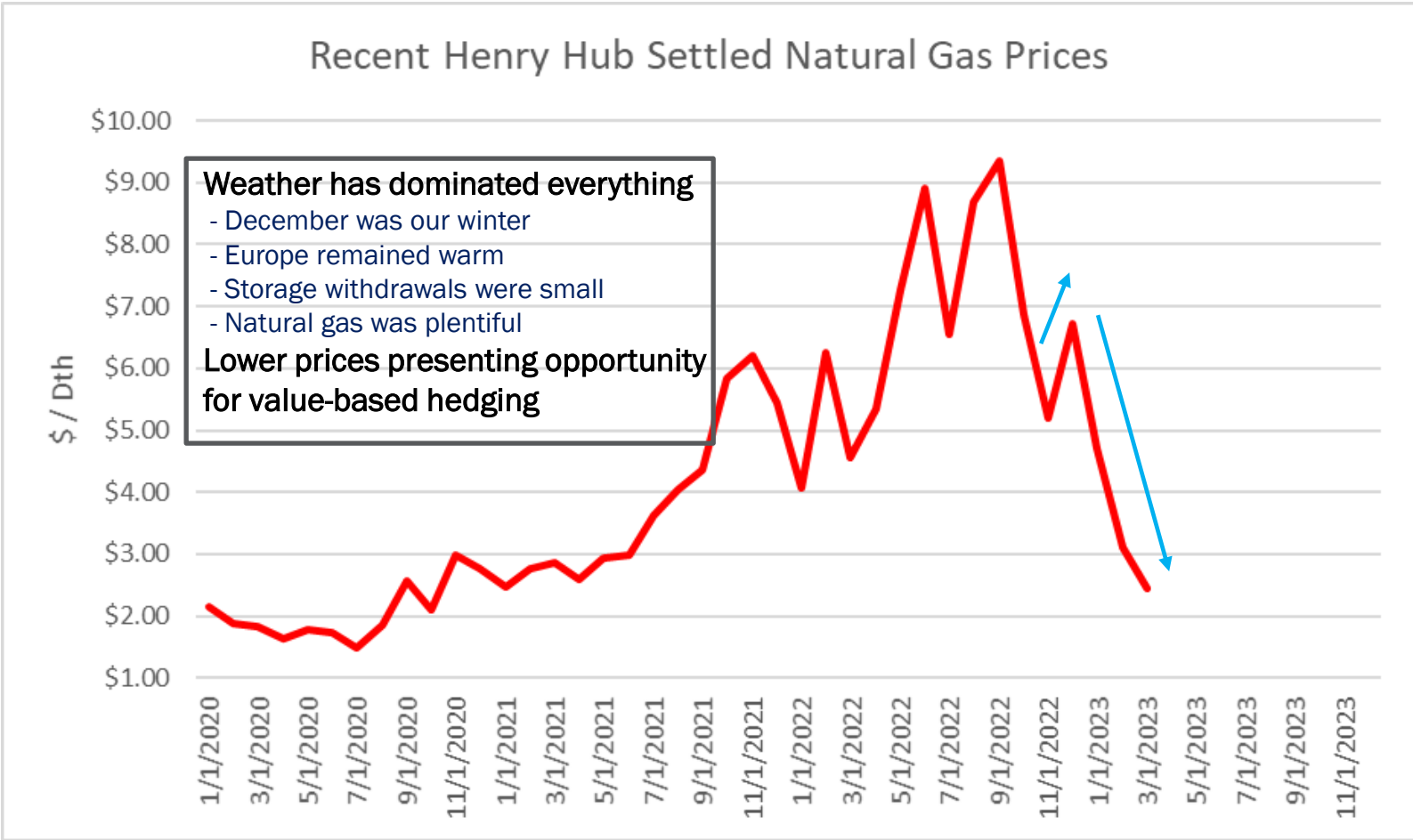
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Power Supply Hedging Update
by
Raymond DePillo, PSEG ER&T

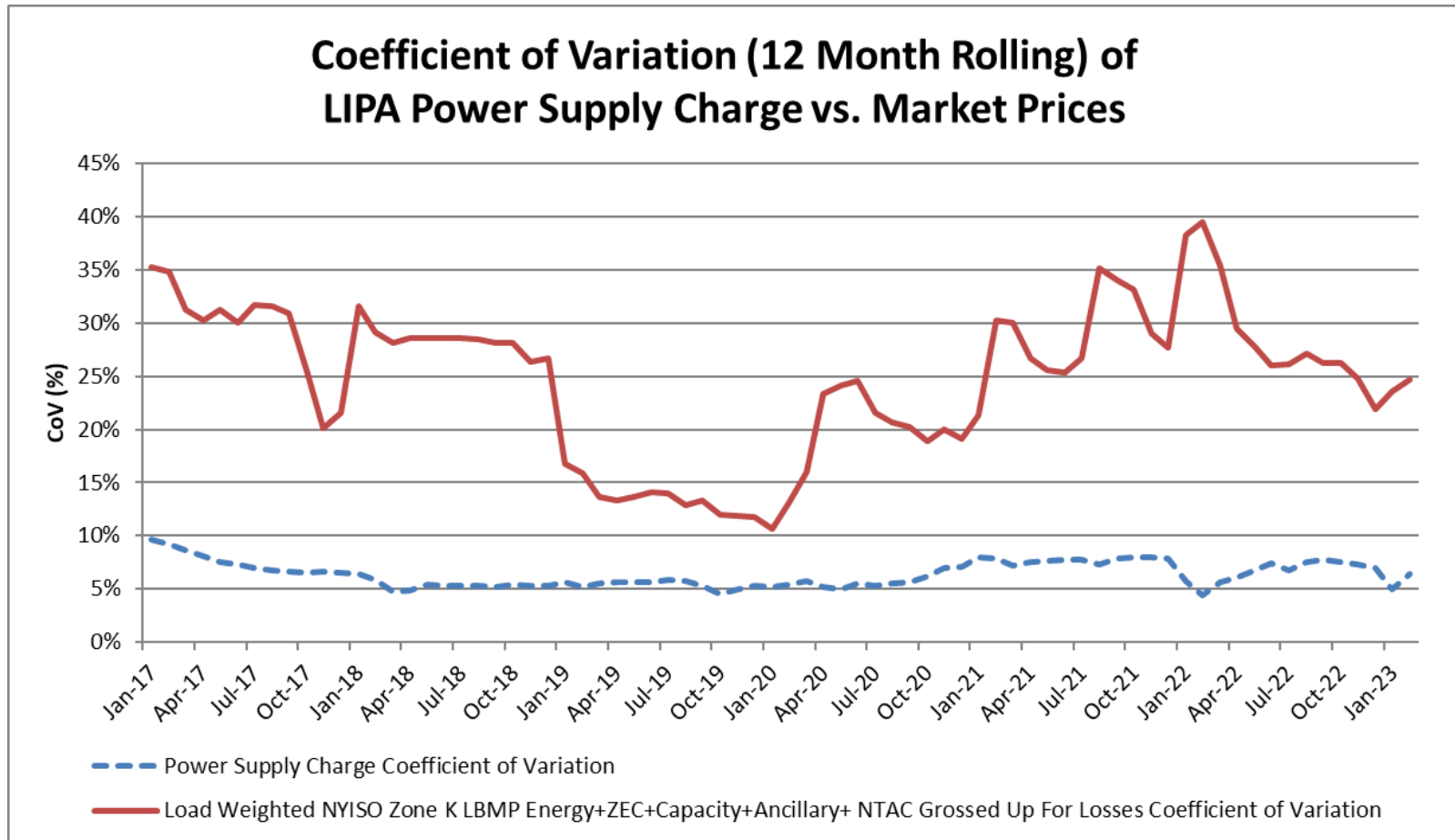
Hedging Update – When we spoke in November 2022...



Hedging Update – December was the beginning and end of winter



Hedging Update – Volatility of Power Supply Charge vs. Market



Our hedging activity continues to limit customer's price volatility with current volatility levels substantially below wholesale spot market results.