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
  o Power Supply Management (PSM)
  o 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

Includes corporate Middle Office (MO) and Back Office (BO) functions associated with the LIPA PSM and FM agreements, including Risk Management, Valuation, Trade Confirmation, and Settlements

Includes Front Office (FO) functions associated with LIPA PSM and FM Agreements

Provides support to LIPA
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

<table>
<thead>
<tr>
<th>PSM Performance Metrics</th>
<th>L/H</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metric</td>
<td>Benchmark</td>
<td>Metric</td>
<td>Benchmark</td>
</tr>
<tr>
<td>PSM 1: Cable Effectiveness (CSC/Neptune)</td>
<td>H</td>
<td>87.4%</td>
<td>82.6%</td>
<td>88.2%</td>
</tr>
<tr>
<td>PSM 2: Critical Report Timeliness</td>
<td>H</td>
<td>99.8%</td>
<td>95.0%</td>
<td>99.9%</td>
</tr>
<tr>
<td>PSM 3: Generation Bid Accuracy</td>
<td>H</td>
<td>99.9%</td>
<td>98.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>PSM 4: Adherence to Bidding Strategy</td>
<td>H</td>
<td>99.9%</td>
<td>98.0%</td>
<td>99.9%</td>
</tr>
<tr>
<td>PSM 5: Contingent Bid Responsiveness</td>
<td>H</td>
<td>99.3%</td>
<td>95.0%</td>
<td>97.2%</td>
</tr>
<tr>
<td>PSM 6: Annual Significant Loss(^{(1)})</td>
<td>L</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>PSM 7: Load Forecasting</td>
<td>L</td>
<td>4.0%</td>
<td>5.0%</td>
<td>3.6%</td>
</tr>
<tr>
<td>PSM 8: Capacity Market ($/kW-month)</td>
<td>L</td>
<td>($0.00)</td>
<td>$0.00</td>
<td>($0.06)</td>
</tr>
<tr>
<td>PSM 9: Quarterly Satisfaction Report</td>
<td>H</td>
<td>4.1</td>
<td>3.0</td>
<td>4.1</td>
</tr>
</tbody>
</table>

### Overall PSM Metric

- Performance above offset trigger
- Performance within tolerance band
- Performance below penalty trigger

\(^{(1)}\) PSM 6: Cannot gain offset points. Zero is best rating. Not possible to be green.

### PSM Descriptions

- **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

<table>
<thead>
<tr>
<th>FM Performance Metrics</th>
<th>L/H</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FM 1: Gas Price Forecasting</strong></td>
<td>L</td>
<td>Metric: 8.8%</td>
<td>Benchmark: 11.8%</td>
<td>Metric: 8.7%</td>
</tr>
<tr>
<td><strong>FM 2: Gas Purchase Price</strong></td>
<td>L</td>
<td>Metric: -0.3%</td>
<td>Benchmark: 1.4%</td>
<td>Metric: -0.1%</td>
</tr>
<tr>
<td><strong>FM 3: Gas Balancing Charge</strong></td>
<td>L</td>
<td>Metric: 0.0%</td>
<td>Benchmark: 0.25%</td>
<td>Metric: 0.0%</td>
</tr>
<tr>
<td><strong>FM 4: Quarterly Satisfaction Report</strong></td>
<td>H</td>
<td>Metric: 4.2</td>
<td>Benchmark: 3.0</td>
<td>Metric: 4.1</td>
</tr>
<tr>
<td><strong>FM 5: Oil Inventory Monitoring</strong></td>
<td>H</td>
<td>Metric: 100.0%</td>
<td>Benchmark: 98.0%</td>
<td>Metric: 100.0%</td>
</tr>
<tr>
<td><strong>FM 6: Invoice Processing</strong></td>
<td>H</td>
<td>Metric: 99.9%</td>
<td>Benchmark: 98.0%</td>
<td>Metric: 99.9%</td>
</tr>
</tbody>
</table>

Overall FM Metric

Performance above offset trigger
Performance within tolerance band
Performance below penalty trigger

<table>
<thead>
<tr>
<th>FM 1: Gas Price Forecasting</th>
<th>Measures the Fuel Manager’s ability to accurately estimate the Gas Daily Settle price of natural gas.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FM 2: Gas Purchase Price</td>
<td>Measures the Fuel Manager’s ability to secure a favorable price relative to daily market activity.</td>
</tr>
<tr>
<td>FM 3: Gas Balancing Charge</td>
<td>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.</td>
</tr>
<tr>
<td>FM 4: Quarterly Satisfaction Report</td>
<td>Rates LIPA’s overall satisfaction with the Fuel Manager’s services based on a survey of LIPA management.</td>
</tr>
<tr>
<td>FM 5: Oil Inventory Monitoring</td>
<td>Monitors the fuel oil inventories to ensure the appropriate oil inventory levels are maintained.</td>
</tr>
<tr>
<td>FM 6: Invoice Processing</td>
<td>Measures the Fuel Manager’s ability to validate and process invoice payments on behalf of LIPA.</td>
</tr>
</tbody>
</table>
LIPA Finance and Audit Committee

Power Supply Hedging Update
by
Raymond DePillo, PSEG ER&T
Hedging Update – When we spoke in November 2022...

Entering Winter, a high degree of uncertainty
- US supplies (storage)
- European and global demand
- Weather
- Economy
- Majority of 2022 Hedging Related to Time Targets
Hedging Update – December was the beginning and end of winter

Weather has dominated everything
- December was our winter
- Europe remained warm
- Storage withdrawals were small
- Natural gas was plentiful

Lower prices presenting opportunity for value-based hedging
Our hedging activity continues to limit customer’s price volatility with current volatility levels substantially below wholesale spot market results.