• For 2022, LIPA and PSEG Long Island mutually negotiated 96 PSEG Long Island Performance Metrics, distributed across all the management services provided by PSEG Long Island to LIPA and its customers.
• For 2023 and future years, metrics are set by the LIPA Board with concurrence of DPS.
• Metrics are designed to be achievable levels of performance that are objectively verifiable, with budgeted funds to achieve this performance.
• $21 million of Variable Compensation* is at-risk based on these performance standards.

*Indexed for the Consumer Price Index, with an adjustment for 2022 of 5.127%
Throughout the year, LIPA Independently Verified and Validated (IV&V) PSEG Long Island’s performance for each metric. Staff have provided Quarterly Metrics status reports to the Board for Q1 through Q3.


LIPA will issue a written Year-End Report on 2022 Performance Metrics by May 15, describing in detail LIPA’s evaluation of the 96 metrics and the resulting 2022 Variable Compensation to be awarded to PSEG Long Island; LIPA’s written report is followed by an independent review of LIPA’s evaluation by the Department of Public Service.
METRIC PERFORMANCE MANAGEMENT

• Each metric is monitored by a LIPA team including an Executive Sponsor from LIPA’s Senior Management, a Project Manager, and Subject Matter Experts.

• All metrics fall into one of two categories:
  
  • 53 Qualitative Metrics that are project-oriented and incorporate one or more required deliverables with defined target dates. Required deliverables for these metrics are tracked and reviewed on an ongoing basis throughout the year.
  
  • 43 Quantitative Metrics that specify predefined numerical measurements of performance. Quantitative Metrics are tracked and measured using scorecards submitted monthly by PSEG Long Island, which are independently validated by LIPA staff and assessed for performance versus target.
METRIC PERFORMANCE EVALUATION

At year-end, performance on each metric is evaluated against the established standards and requirements for the metric, and LIPA makes a determination on final status and incentive award:

- **Approved – Met Metric Standards/Met Target** – All metric requirements met in accordance with the established standards; performance qualifies for the full allocated incentive compensation.

- **Partially – Met Metric Standards/Partially Met Target** – If allowed for by the terms of the metric, and in accordance with those terms, metric requirements were partially met; and performance qualifies for part of the allocated incentive compensation.

- **Rejected – Did Not Meet Metric Standards/Did Not Meet Target** – Mandatory metric requirements were not met; performance does not qualify for incentive compensation.
Year-End Report on 2022 Performance Metrics

### Qualitative Metric Status
53 Total Metrics
- **37 Met the Metric**
- **4 Partially Met the Metric**
- **12 Did Not Meet the Metric**

### Quantitative Metric Status
43 Total Metrics
- **29 Met the Metric**
- **3 Partially Met the Metric**
- **11 Did Not Meet the Metric**
The T&D scope had the highest performance with 85% of the metrics fully met, while Customer Service and Information Technology were only 47% and 29%, respectively. Overall metric performance was 69% fully met.

<table>
<thead>
<tr>
<th>Scope</th>
<th># of Metrics</th>
<th>Met</th>
<th>Missed</th>
<th>Partial</th>
<th>% Fully Met*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmission &amp; Distribution</td>
<td>40</td>
<td>34</td>
<td>6</td>
<td>0</td>
<td>85%</td>
</tr>
<tr>
<td>Business Services</td>
<td>21</td>
<td>15</td>
<td>5</td>
<td>1</td>
<td>71%</td>
</tr>
<tr>
<td>Power Supply &amp; Clean Energy</td>
<td>9</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>67%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>19</td>
<td>9</td>
<td>8</td>
<td>2</td>
<td>47%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>29%</td>
</tr>
<tr>
<td>Total</td>
<td>96</td>
<td>66</td>
<td>23</td>
<td>7</td>
<td>69%</td>
</tr>
</tbody>
</table>

*% fully met does not include partially met metrics
LIPA disagrees with PSEG Long Island’s self-assessment of their performance (link) for 8 of the 96 metrics.

<table>
<thead>
<tr>
<th>Metric Number</th>
<th>Metric Name</th>
<th>LIPA Disposition</th>
<th>PSEGLI Claimed Performance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS-07</td>
<td>Affiliate Cost Benefit Justification</td>
<td>Did Not Meet Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
<tr>
<td>BS-11</td>
<td>Long Island Choice Reform</td>
<td>Did Not Meet Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
<tr>
<td>BS-12</td>
<td>Advanced Metering Infrastructure (AMI) Opt-Out Fees</td>
<td>Did Not Meet Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
<tr>
<td>BS-17</td>
<td>Project Outreach</td>
<td>Did Not Meet Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
<tr>
<td>IT-1</td>
<td>Organizational Maturity Level – Doing</td>
<td>Partially Met Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
<tr>
<td>IT-2</td>
<td>Organizational Maturity Level – Managing</td>
<td>Did Not Meet Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
<tr>
<td>PS&amp;CE-8</td>
<td>TOU Pricing Options – Space Heating &amp; Large Commercial</td>
<td>Did Not Meet Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
<tr>
<td>T&amp;D-26</td>
<td>Vegetation Management Work Plan – Hazard Tree Removal</td>
<td>Did Not Meet Metric Standards</td>
<td>Met Metric Standards</td>
</tr>
</tbody>
</table>
Based on LIPA’s evaluation, PSEG Long Island qualifies for $14.8 million* of Variable Compensation, 71% of the available amount for 2022 of $21.0 million. Total compensation for operations services with fixed fees would be $71.6 million or 92% of the available amount.

<table>
<thead>
<tr>
<th>Scope</th>
<th>Allocated Compensation</th>
<th>PSEGLI Claimed Compensation</th>
<th>LIPA Awarded Compensation*</th>
<th>% LIPA Compensation Awarded</th>
<th>% Metrics Fully Met</th>
<th>% Metrics Fully or Partially Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmission &amp; Distribution</td>
<td>$8,410,163.73</td>
<td>$7,516,583.84</td>
<td>$7,096,075.65</td>
<td>84%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>Business Services</td>
<td>$3,153,811.40</td>
<td>$2,890,993.78</td>
<td>$2,155,104.46</td>
<td>68%</td>
<td>71%</td>
<td>76%</td>
</tr>
<tr>
<td>Power Supply &amp; Clean Energy Programs</td>
<td>$2,102,540.93</td>
<td>$1,997,413.89</td>
<td>$1,787,159.79</td>
<td>85%</td>
<td>67%</td>
<td>89%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>$4,205,081.87</td>
<td>$2,207,668.00</td>
<td>$2,207,667.98</td>
<td>53%</td>
<td>47%</td>
<td>58%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$3,153,811.40</td>
<td>$2,207,667.98</td>
<td>$1,576,905.70</td>
<td>50%</td>
<td>29%</td>
<td>57%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$21,025,409.33</td>
<td>$16,820,327.49</td>
<td>$14,822,913.58</td>
<td>71%</td>
<td>69%</td>
<td>76%</td>
</tr>
</tbody>
</table>

*Indexed for the Consumer Price Index, with an adjustment for 2022 of 5.127%
PERFORMANCE METRIC EXCEPTIONS

• LIPA grants flexibility against the metric requirements if deemed in the best interest of achieving the metric objective. Our primary emphasis is in delivering a favorable result for customers, rather than strict enforcement of metric standards.

• In this first year of the Performance Metrics, LIPA granted PSEG Long Island considerable flexibility throughout the year, particularly with respect to Qualitative Metrics:
  • In 2022, there were 196 submitted Exception Requests, which sought extensions to due dates, changes to project scopes, requirements, or methodology. LIPA granted 158 of the Exception Requests and rejected 38.
  • LIPA provided PSEG Long Island with multiple opportunities for corrective actions and resubmission of deliverables throughout 2022.
  • LIPA frequently provided leeway in accepting submissions and resubmissions of deliverables for review past their due date.
  • Managing PSEG Long Island re-work and quality assurance has proven to be an ongoing substantial burden on LIPA staff time and resources.
Overall, only 69% of metrics fully met the established standards, after the granting of exceptions.

The metric outcomes would have been significantly worse if LIPA had not granted PSEG Long Island considerable flexibility and instead adhered strictly to the established metric standards and requirements.

- Overall IT performance would have dropped from
  - 29% Met, 29% Partially Met, 42% Not Met to
  - 14% Met, 14% Partially Met, 72% Not Met

- Overall Customer Service performance would have dropped from
  - 47% Met, 11% Partially Met, 42% Not Met to
  - 42% Met, 0% Partially Met, 58% Not Met

The flexibility allowed LIPA to drive improvements to project outcomes, but we expect PSEG Long Island to improve its performance to where such flexibility is no longer required.
SELECTED METRICS: SUCCESSES

- The Reliability metrics (T&D 7-12) had strong performance across the board.
- The Work Management metrics (T&D 17-22) have resulted in significant improvements in work planning and the tracking and scheduling ability of the work management teams.
- Safety metrics (T&D 14-16) performance was excellent throughout the year, and PSEG Long Island met three of the four metrics.
- The five Customer Service Billing Performance metrics (CS 6-10) performed exceptionally well this year in part due to operational improvements from the acceleration of smart meter installations.
SELECTED METRICS: CHALLENGES

• The Enterprise Asset Management System (EAMS) and Customer Information System (CIS) metrics (T&D-3 and CS-4) recovered from initial challenges to meet/partially meet metric requirements, but only with significant engagement from LIPA staff beyond the expected oversight role.

  • For EAMS, LIPA and PSEG Long Island senior leadership on the Steering Committee engaged extensively to mitigate deficiencies in PSEG Long Island’s planning and project management, and LIPA staff and consultants worked closely with PSEG Long Island in developing the Implementation Plan, requirements, and RFP.

  • For the CIS project, initial deliverables had significant gaps in the collection of requirements, lack of clarity around project scope, and misalignment in expectation of outputs. LIPA and PSEG Long Island formed a core work team to develop the path forward, deliverables for 2022 and 2023, documentation of current business processes, and improvement of the requirements; and the metric was partially met.
SELECTED METRICS: FAILURES

• The T&D Vegetation Management Metrics (T&D 24, 25, & 26) all did not meet metric standards.
  • **Cycle Trim (T&D-24)** and **Trim to Sky Circuits (T&D-25)** — the required work was completed but went over budget.
  • **Hazard Trees (T&D-26)** fell short on execution, with only 77% of the required 12,000 hazard trees removed. This metric was reported by PSEG Long Island as having been met, but a LIPA audit determined inconsistencies in reporting.
• **T&D Asset Inventory Metric (T&D-1)** did not meet the required performance targets for collection due to project and process management issue. The issues were identified when LIPA’s QA/QC review revealed that the collected data was not being captured in the system, which necessitated the suspension of the collection of data until the issue was resolved. Additionally, the project encountered a delay in contracting.
• On August 23, 2022, there was a fatality involving a PSEG Long Island contractor working on the T&D system. The **Serious Injury Incident Rate (T&D-13) metric** was missed for the year due to this tragic incident.
SELECTED METRICS: FAILURES

- **JD Power Customer Satisfaction Survey** metrics (CS-2 & CS-3) were not met, indicating that customer satisfaction did not reach the desired level of improvement towards the Board’s objective of top 25% performance. LIPA had recommended in February 2022 that PSEG Long Island create a targeted plan to address negative customer perception, but PSEG Long Island failed to take action on this suggestion. Development of tactical plans to improve customer satisfaction was incorporated by LIPA into 2023 performance metrics.

- **All three call center metrics** Call Center Service Level with Live Agents (CS-11), Customer Email Closure Rate (CS-12), and First Call Resolution (CS-13) were not achieved due to inadequate leadership decisions, planning and performance management related to the call center. In September 2022, LIPA requested a “Get Well” plan from PSEG Long Island to ensure that customer responsiveness reaches the Board’s performance standards.
SELECTED METRICS: FAILURES

• The **IT System Resiliency and IT Software and System Lifecycle Maintenance** metrics (IT-3 and IT-4) were not met. The metrics address essential processes for maintaining the security, stability, and robustness of technology platforms, and are standard activities for well-functioning IT organizations.

  • For **System Resiliency (IT-3)**, the submitted Business Continuity and Disaster Recovery Plans were inadequate and failed to address metric requirements and objectives, and PSEG Long was unable to bring them to minimum acceptable standards.

  • The **Software and System Lifecycle Maintenance (IT-4)** metric failed due to poor planning and project management, with PSEG Long Island failing to complete the required asset upgrade/replacement projects.
CONCLUSION

• The IT scope had the worst performance at 29% fully meeting requirements (14% before the impact of exceptions). Most of the IT failures were related to the same project management deficiencies identified by the Isaias Task Force and the OMS IV&V efforts, including:
  • Poor planning
  • Weak project controls and vendor management
  • Weak quality assurance and control
  • Insufficient prioritization of business objectives and requirements, lack of alignment between technical and business teams
  • Weak System Documentation, insufficient consideration of lifecycle management needs

• The **IT Organizational Maturity metrics** underperformed in 2022. PSEG Long Island must increase its focus on IT Organizational Maturity in 2023. However, simply meeting the metrics is not enough. Instead, PSEG Long Island should prioritize leveraging the CMMI Organizational Maturity framework to drive meaningful performance improvements.
While project management deficiencies had the most impact on the IT metrics, they can be evidenced across the PSEG Long Island organization. PSEG Long Island needs in all business scopes:

- Much more sophisticated project management
- Better control and oversight of vendors
- Better cost management
- Better alignment of project work to objectives
- Better quality control and assurance processes
• Deficiencies in project planning, schedule management, vendor management and work performance have been identified and discussed at length for some time. Cost control and management are now also emerging as priority areas for improvement. Specific cost management challenges include:

  • The T&D Vegetation Management metrics helped surface weaknesses in program, budget, and cost management, which have now been validated and further detailed by an internal audit of the Vegetation Management program.

  • PSEG Long Island redeployed Outage Management System (OMS) in February 2022, integrated Smart meters in June 2022 and finished stress testing (OMS-AMI) in September. LIPA is now concluding its IV&V. Overall, it took over two years and $47 million for PSEG Long Island to remediate the OMS and customer communication systems.
• The problems are not confined to a few particular instances. Fundamental weaknesses in cost estimating, cost tracking, and cost management lead to challenges across the board in managing and controlling costs.

  • Increased maturity, better planning, better cost management, better cost control, and better vendor management are essential to ensure cost-effective, timely, and successful project delivery, for both metric and non-metric initiatives.

  • Improving PSEG Long Island’s organizational project management capabilities, including cost management and control, will continue to be a key focus area for LIPA.
While PSEG Long Island only fully met 69% of the 2022 performance metrics (after the impact of exceptions), the OSA Performance Metrics have proven to be a valuable tool for performance management and PSEG Long Island oversight:

- Greater responsiveness and engagement from PSEG Long Island.
- Improved performance and results. Some metrics did produce very strong results, and there was an improvement even in some cases where the performance did not meet the metric standards.
- Much greater visibility for LIPA into the progress of projects and initiatives.
- The metrics process is helping to surface specific areas of weakness, which can inform LIPA and PSEG Long Island’s ongoing efforts to improve performance in 2023 and beyond.
Discussion

Questions?