May 15, 2023

For the Long Island Power Authority
Board of Trustees

Year-End Report on PSEG Long Island's 2022 Performance Metrics

LIPA
Long Island Power Authority

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EXECUTIVE SUMMARY

The Second Amended and Restated Operations Services Agreement (OSA) between the Long Island Power Authority (LIPA) and PSEG Long Island includes approximately $21 million[1] of Variable Compensation that is at-risk based on performance standards.

For 2022, LIPA and PSEG Long Island mutually negotiated and agreed to **96 performance standards** (the 2022 Performance Metrics) distributed across all management services provided to LIPA and its customers. The performance standards generally either target the level of service the LIPA Board of Trustees (the Board) has established in Board Policy or address identified gaps between that level of service and the current level of service. For 2023 and future years, performance metrics are set independently by the LIPA Board with the concurrence of the Department of Public Service (DPS) rather than negotiated with PSEG Long Island.

Metrics are designed to be achievable levels of performance that are objectively verifiable with budgeted funds to achieve this performance. **These performance standards ensure that PSEG Long Island's compensation is tied to delivering meaningful results for LIPA's electric customers in Long Island and the Rockaways.**

LIPA staff oversaw PSEG Long Island's progress toward achievement of the 2022 Performance Metrics on an ongoing basis throughout the year and provided quarterly status reports to the Board and public.

PSEG Long Island is required to submit to LIPA their own evaluation of their performance on each metric and claim for Variable Compensation, which they did on March 31, 2023. LIPA is responsible for independently verifying and validating (IV&V) PSEG Long Island's performance and then providing its evaluation to PSEG Long Island and DPS. DPS subsequently independently reviews LIPA's evaluation and makes a recommendation to LIPA. Should PSEG Long Island disagree with LIPA's ultimate determination, inclusive of the DPS recommendation, PSEG Long Island may notify LIPA of the dispute and proceed with arbitration.

This annual report details LIPA's evaluation of the year-end status of the metrics and its disposition.

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1 PSEG Long Island's Variable Compensation is $20 million indexed for the Consumer Price Index, with an adjustment for 2022 of 5.127%

2022 PERFORMANCE METRICS

The 96 performance standards that constitute the 2022 Performance Metrics include numerous improvements to customer service, reliability, resiliency, information technology, clean energy, and other customer improvements distributed across five (5) major scopes.

FIGURE I:
2022 PERFORMANCE METRICS DISTRIBUTION BY SCOPE
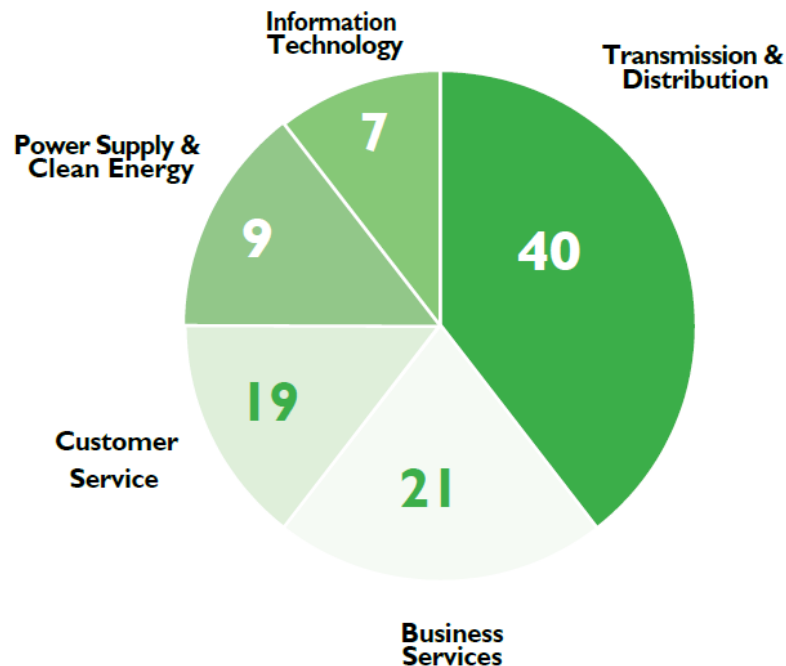
The details of the 96 metrics are available on LIPA's website.

All metrics fall into one of two categories – Qualitative or Quantitative:

- The 53 **Qualitative Metrics** are project-oriented initiatives and incorporate one or more required deliverables with defined target dates.
- The 43 **Quantitative Metrics** specify predefined numerical key performance indicators.

LIPA staff monitor PSEG Long Island's progress on the metrics on an ongoing basis throughout the year. LIPA assigns a Project Manager (PM) to lead IV&V for each metric and appropriate Subject Matter Experts (SMEs) to assist with the metric. In addition, an Executive Sponsor (ES) from LIPA's senior management oversees the work of the IV&V team.

Qualitative Metrics are monitored and tracked via a process overseen and supported by the LIPA Strategy and Performance Management Office (SPMO).

The SPMO has developed an automated tracking system to manage the 96 metrics. Throughout the contract year, PSEG Long Island staff uploads metric deliverables directly to the system, which initiates workflows for LIPA review. A LIPA PM and SMEs review each deliverable and, ultimately, the year-end performance of each metric. The status of each metric is reported to LIPA senior management bi-weekly. The SPMO system provides transparency and traceability, with time-stamped deliverables, activity history and comments, and real-time access for LIPA, PSEG Long Island, and DPS.

Qualitative Metrics go through the following main stages of review:

- **PSEG Long Island Deliverable Submission**: To meet the metric standards, PSEG Long Island must submit the required deliverables to the tracking system by the target due date, per all requirements specified in the metric. PSEG Long Island has the option of requesting an Exception to any deliverable. LIPA reviews all Exception Requests and grants them if deemed reasonable, justified, and in the best interests of achieving the metric objective.

- **LIPA Deliverable Review**: LIPA reviews all submitted deliverables for compliance with metric standards and requirements. Since metrics aim to improve performance, LIPA will return unsatisfactory deliverables to PSEG Long Island for revision and resubmission if deemed in the best interests of achieving the metric objective.

- **LIPA Final Metric Assessment**: After the end of the performance period, LIPA evaluates performance on each metric against the terms of the metric and determines final disposition.

LIPA principally tracks **Quantitative Metrics** using scorecards submitted monthly by PSEG Long Island. LIPA conducts scorecard review meetings at a scope or lower level with PSEG Long Island staff and DPS. PSEG Long Island also provides underlying data files for each Quantitative Metric, which LIPA staff reviews and validates.

Quantitative Metrics are reviewed via an IV&V process by the assigned PM and SMEs for year-to-date (YTD) performance versus target, trending, and outlook for year-end performance. Further, LIPA monitors compliance with metric standards, requirements, calculations, and agreed-upon exceptions.

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

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

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

- **Did Not Meet Metric** Standards/Target –Mandatory metric requirements were not met; performance does not qualify for incentive compensation.

Additionally, the OSA also contains certain Gating and Default Metrics, which are minimum performance levels related to reliability, customer service, cyber security, budgets, and emergency preparation and response that if not met can significantly reduce the available pool of compensation or permit LIPA to terminate the contract. PSEG Long Island did not trigger any of the Gating or Default Metrics in 2022.

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 on delivering a favorable result for customers rather than strict enforcement of metric standards.

In this first year of Performance Metrics, LIPA granted PSEG Long Island considerable flexibility throughout the year, particularly with respect to Qualitative Metrics.

Exception Requests seek extensions to due dates or changes to project scopes, requirements, or methodology as established in the metric. In 2022, there were **196** submitted Exception Requests, of which LIPA granted **158** and rejected **38.** While many requests were due to factors outside PSEG Long Island's control, a large number were preventable with better project planning and management.

Additionally, LIPA provided PSEG Long Island with multiple opportunities for corrective actions and resubmission of deficient deliverables throughout 2022 and into 2023. LIPA also frequently provided leeway in accepting deliverables that fell short of expected standards or requirements and reviewing late submissions and resubmissions.
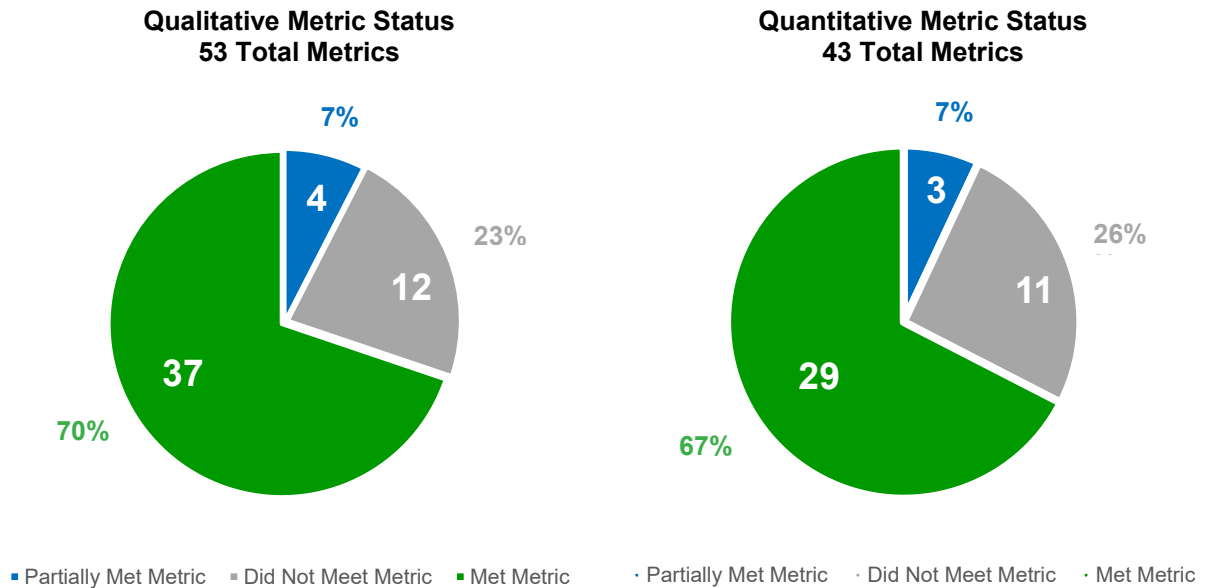
The flexibility allowed LIPA to drive improvements to project outcomes but indicated weaknesses in PSEG Long Island's performance beyond what was reflected in final metric outcomes.

Managing PSEG Long Island re-work and quality assurance has proven to be a substantial ongoing **burden on LIPA staff time and resources as compared to if submissions met metric standards the first time**. Moving forward, we expect PSEG Long Island to improve its performance to where this degree of flexibility is no longer required.

YEAR-END EVALUATION

LIPA has evaluated each metric and determined that 66 of the 96 Performance Metrics were met, seven (7) were partially met, and 23 were not met.

The figure below summarizes the final status of the 2022 Performance Metrics:

Qualitative Metric Status
53 Total Metrics

7%
4
23%
12
37
70%

- Partially Met Metric - Did Not Meet Metric - Met Metric

Quantitative Metric Status
43 Total Metrics

7%
3
26%
11
29
67%

· Partially Met Metric   · Did Not Meet Metric   · Met Metric

Scope	# of Metrics	Met	Not Met	Partially Met	% Fully Met*
Transmission & Distribution	40	34	6	0	**85%**
Business Services	21	15	5	1	**71%**
Power Supply & Clean Energy	9	6	1	2	**67%**
Customer Service	19	9	8	2	**47%**
Information Technology	7	2	3	2	**29%**
Total	**96**	**66**	**23**	**7**	**69%**

*Percent (%) Fully Met does not include partially met metrics.

LIPA disagrees with PSEG Long Island's assessment of their performance for eight (8) of the 96 metrics.

Metric Number	Metric Name	LIPA Disposition	PSEGLI Claimed Performance Level
BS-07	Affiliate Cost Benefit Justification	Did Not Meet Metric	Met Metric
BS-11	Long Island Choice Reform	Did Not Meet Metric	Met Metric
BS-12	Advanced Metering Infrastructure (AMI) Opt-Out Fees	Did Not Meet Metric	Met Metric
BS-17	Project Outreach	Did Not Meet Metric	Met Metric
IT-1	Organizational Maturity Level – Doing	Partially Met Metric	Met Metric
IT-2	Organizational Maturity Level – Managing	Did Not Meet Metric	Met Metric
PS&CE-8	TOU Pricing Options – Space Heating & Large Commercial	Did Not Meet Metric	Met Metric
T&D-26	Vegetation Management Work Plan – Hazard Tree Removal	Did Not Meet Metric	Met Metric

Based on LIPA's evaluation, PSEG Long Island qualifies for $14,822,913.58* of Variable Compensation, 71% of the available amount for 2022 of $21,025,409.33.

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

*Indexed for the Consumer Price Index with an adjustment for 2022 of 5.127%.

In addition to Variable Compensation, PSEG Long Island was paid fixed fees (a base fee and a fee subject to DPS reduction) that totaled $56,723,687.07 in 2022. **In total, PSEG Long Island was eligible for compensation of up to $77,749,096.40[2] for operations services in 2022. Based on LIPA's review of Variable Compensation, PSEG Long Island earned $71,572,882.39 or 92.0% of the available compensation.** In addition, **PSEG Energy Resources and Trade was paid $19,068,205.80 for power supply and fuel management services for 2022 and PSEG affiliated companies billed LIPA $24,568,178.18 primarily for information technology systems and services**, with other costs related to human resources, procurement, payroll, accounts payable, enterprise risk management, legal, treasury, and other miscellaneous services.

Summary of Performance by Business Scope

While some metrics produced very strong results, **PSEG Long Island only fully met 69% of the metrics for 2022. The metric outcomes would have been significantly worse if LIPA had not granted PSEG Long Island considerable flexibility, as discussed above, and instead adhered strictly to the established metric standards and requirements.** For instance, our review indicates that IT performance would have dropped from 42% Not Met to 72% Not Met, and Customer Service performance from 42% Not Met to 58% Not Met.

Despite the challenges, the metrics did prove to be a valuable tool for performance management and oversight. In general, we find overall improvements in responsiveness and engagement from PSEG Long Island, driven by a desire to meet the metrics. Even for initiatives where the outcomes were insufficient to satisfy the metric, there were often beneficial results that likely would not have been achieved in the absence of the metrics. Most importantly, the metric management process provided much greater visibility into the progress of projects and initiatives and helped to surface specific areas of weakness, providing valuable insights to LIPA and PSEG Long Island management in efforts to improve performance.

Not surprisingly, the project management deficiencies identified by the Isaias Task Force (ITF) emerged as a common weakness in metrics across multiple scope areas. These weaknesses highlight the need for fundamental improvements to PSEG Long Island's organizational maturity. **Poor planning hampered many projects, resulting in delayed starts and schedule adjustments, further aggravated by weak project controls and management. Lack of alignment with business objectives and expected outcomes was a recurring problem, as was inadequate Quality Assurance and Quality Control (QA/QC). In addition to deficiencies in project planning, schedule management, vendor management, and work performance, cost control and management also emerged as priority areas for improvement[3].**

PSEG Long Island needs much more sophisticated project management, better control and oversight of vendors, better cost management, and better control and assurance processes.

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[2] PSEG Long Island's maximum compensation of $77,749,096.40 is net of a credit of $4,250,000 to LIPA for 2022 as part of a settlement of LIPA's claims related to PSEG Long Island's performance before, during, and after Tropical Storm Isaias. Gross compensation for 2022 is $81,999,086.39.

[3] For example, the T&D Asset Management Inventory and Enterprise Asset Management System (T&D-1 and T&D-3), T&D Vegetation Management (T&D-24, T&D-25, and T&D 26), Customer Service Strategic Customer Experience & Billing Projects (CS-1), Customer Information System Modernization Phase 1 (CS-4), Power Supply and Clean Energy Time of Use (TOU) Pricing Options (PS&CE-8), and IT System Implementation - 2022 Budget Projects (IT-5) and Board Recommendations (IT-6) metrics all experienced challenges due to inadequate project management, planning and control.

Improving PSEG Long Island's organizational project management capabilities will continue to be a focus for LIPA.

Among the five scope areas, IT had the weakest performance, with only 29% of metrics fully met, followed by Customer Service with 47% of metrics fully met. Both of these shortfalls were primarily caused by poor project management.

LIPA has summarized the overall status for each of the five scope areas below. A detailed discussion of performance for each individual metric and scope area is provided in the following section.

Transmission and Distribution (T&D)

PSEG Long Island fully met 34 of the 40 T&D metrics, with zero (0) metrics partially met, and six (6) metrics not met. Overall, the T&D metrics were effective in driving behavior and results.

The Work Management metrics (T&D 17-22) created significant improvements in work planning and improved the tracking and scheduling ability of the work management teams. The OSA reforms and corresponding metric requirements around Project Justification Documents (PJDs) for capital projects led to better visibility and control of active and upcoming projects. Reliability performance was strong across the board for all six metrics (T&D 7-12). Safety performance (T&D 13-16) was also excellent throughout the year. However, in August of 2022, a tragic event resulted in a fatality of a PSEG Long Island T&D contractor, and therefore the Serious Injury Incident Rate (SIIR) metric failed.

The three Vegetation Management metrics (T&D 24-26) were not met due to issues with budget and cost management. The development of comprehensive Vegetation Management Work Plans per the metrics provided more transparency in tracking the overall vegetation management program and resulted in the identification of weaknesses in developing accurate budgets and executing work within the budget parameters. **The Asset Management metrics (T&D 1-3) also experienced challenges. The Asset Inventory Metric was not met due to project and process management issues.** The metric encountered delays in scope and contracting, and LIPA's QA/QC review revealed that collected data was not being captured in the system as expected. **The Enterprise Asset Management System metric (T&D-3) required LIPA and PSEG Long Island senior leadership on the Steering Committee to engage extensively to mitigate deficiencies in PSEG Long Island's planning and project management**, and the Asset Management Program metric required two extensions to be completed.

Information Technology (IT)

Of the seven IT (7) metrics, two (2) were met, two (2) were partially met, and three (3) were not met.

Weak project management and organizational maturity significantly hampered the effectiveness of the IT organization and was a major factor in the performance shortfalls for the 2022 metrics. IT had the weakest performance of the five scope areas with only 29% of the metrics fully met. Even for many of the initiatives that ultimately met the metric requirements, the performance was not at the expected levels.

The two IT Organizational Maturity Level metrics (IT-1 and IT-2), designed to improve IT capability and performance, required PSEG Long Island to reach CMMI Maturity Level 3 in the 'Doing' and 'Managing' categories, respectively. An independent appraisal conducted by a LIPA-engaged CMMI Lead Appraiser found that PSEG Long Island failed to meet a number of the required practice areas, resulting in the metrics being Partially Met and Not Met, respectively.

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

Resiliency metric (IT-3) requires well-designed, robust, and thoroughly exercised Disaster Recovery and Business Continuity Plans (BCPs) for specified critical systems/processes. **The submitted Business Continuity and Disaster Recovery Plans were inadequate and PSEG Long was unable to bring them to minimum acceptable standards. The IT Software and System Lifecycle Maintenance metric (IT-4) failed due to poor planning and project management**, with PSEG Long Island failing to complete the required asset upgrade/replacement projects.

The two IT project performance metrics (IT-5 2022 Budget Projects and IT-6 Board Recommendation Projects), which incorporated 27[4] specific IT projects, were Partially Met and Met respectively. However, **the projects all exhibited project management deficiencies, and our review indicates that none of the incorporated projects would have met the metric requirements without flexibility from LIPA. Almost all projects required corrective actions for deficient deliverables, some taking months to bring to an acceptable level; over a third of the projects required material exceptions; and numerous deliverables were submitted/resubmitted late but still accepted for review.** Deficiencies included a lack of clear definition of the planned end state and success criteria, a lack of alignment with LIPA's stated objectives or metric requirements, and a lack of sufficient detail. PSEG Long Island scheduled several projects to start too late in the year to allow completion by the originally targeted due dates. Weak capacity and resource planning resulted in a 2022 IT Capital Budget, reflected in the IT-5 metric, that did not adequately account for the ability of the organization to execute multiple projects simultaneously. Additionally, the initial submissions of many of the required deliverables were weak, often requiring multiple review and revision cycles to be brought to an acceptable level. Appropriate capture of business requirements was a common weakness, as was adequate documentation of deployed systems.

PSEG Long Island's senior IT management is fully committed to building the maturity and capacity of the organization to improve performance, and we hope to see better results as these efforts progress. The 2023 Performance Metrics target the PSEG Long Island IT organization reaching full CMMI Maturity Level 3 by year-end, and we strongly encourage PSEG Long Island to leverage the CMMI Maturity Framework to drive genuine and meaningful performance improvements.

Power Supply and Clean Energy Programs (PS&CE)

PSEG Long Island met six (6) of the PS&CE metrics, partially met two (2), and did not meet one (1).

Two Power Supply metrics (PS&CE-1 and PS&CE-2) were related to the development of a draft Integrated Resource Plan report outlining LIPA's role in the clean energy transition, and evaluation and project selection for an energy storage Request for Proposal (RFP) to enable LIPA to meet its portion of the Climate Leadership and Community Protection Act (CLCPA) energy storage target. Both metrics were met.

Two Clean Energy metrics (PS&CE-4 and PS&CE-7) aimed at facilitating the interconnection of Distributed Energy Resources (DER) by completion of a hosting capacity study and improvements to the interconnection process, respectively, were also met. The Energy Efficiency Plan Savings metric (PS&CE-3) was met, as was the metric to enroll customers in a Time of Use (TOU) Pricing Pilot (PS&CE-9), which had a goal of enrolling at least 12,000 customers.

The Building Electrification metric (PS&CE-5) was partially met, with PSEG Long Island enrolling only four (4) all-electric homes in that program versus a target of 20, while meeting three other metric criteria. The EV Make-Ready metric (PS&CE-6) was also partially met, with 108

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[4] Three projects specified in the metrics were deferred/dropped over the course of the year.

DCFC port enrollments versus a target of 75 (primarily due to Tesla's efforts to build charging stations on Long Island), while **PSEG Long Island missed Level 2 charging port enrollments, with only 181 versus a target of 637.**

The initiative to develop TOU Pricing Options for Residential Space Heating and Large Commercial Customers (PS&CE-8) was not met. An exception was granted for providing the residential space heating rate, which has been deferred to 2023 and is being undertaken directly by LIPA. For large commercial customers, PSEG Long Island provided the proposed tariff to the Board and, on approval, implemented the modernized Time of Day (TOD) rate. Under the metric, PSEG Long Island was to complete "all of the bill changes, enrollment processes, accounting processes, and customer service requirements to enable enrollment and billing of the new rates" on or before January 1, 2023. PSEG Long Island provided no artifacts to demonstrate completion until February 6, 2023. LIPA reviewed the artifacts provided on February 6 and requested additional deliverables and corrections on March 15, 2023. Additional artifacts were provided on March 30, 2023, which LIPA reviewed a second time. **The irregularities in the artifacts identified by LIPA staff in two rounds of review have not been resolved by PSEG Long Island, and the metric requires that all aspects of the deliverables be successfully accomplished to earn compensation.**

Customer Service (CS)

Coming out of a two-year COVID period and having a new, fully deployed Advanced Metering Infrastructure (AMI) system presented great challenges and opportunities for the Customer Operations team in 2022, which translated into mixed performance results. **PSEG Long Island met nine (9) of the 19 Customer Service metrics, two (2) were partially met, and eight (8) did not meet the metric requirements.**

The five (5) Billing metrics performed well this year, in part due to operational improvements from the acceleration of AMI installations.

In contrast, leadership decisions, planning, and performance management issues related to the Call Center led to the failure of all three (3) Call Center metrics (CS-11, CS-12, and CS-13). Three (3) collection metrics were also missed, primarily due to a delayed start in collection activity. Performance in both cases could have been stronger if more time had been spent planning, studying the data, and anticipating and mitigating issues. Instead, PSEG Long Island's adopted an approach of responding to issues reactively after they arose.

The JD Power Customer Satisfaction Survey metrics (CS-2 & CS-3) were missed. LIPA had suggested since February 2022 that PSEG Long Island develop a targeted plan to address customers' negative perceptions, but PSEG Long Island failed to act on this recommendation. LIPA has now incorporated the development of tactical plans to improve customer satisfaction into the 2023 performance metrics.

PSEG Long Island partially met the requirements for the Strategic Customer Experience & Billing Projects metric (CS-1). Still, **LIPA identified several project management and implementation deficiencies that are not captured in the metric scoring but are enhancement opportunities for the 2023 metrics**. These deficiencies are described further in the Customer Service section of this report.

The CIS Modernization Phase 1 (CS-4) project's initial deliverables had significant gaps in the collection of requirements, lack of clarity around the project scope, and misalignment in expectation of outputs. LIPA and PSEG Long Island formed a core work team to develop a path forward, and metric scope and deliverables were revised to enhance the documentation of the current business process and improve the requirements to align with specific PSEG Long Island processes rather

than generic industry standards, allowing the metric to be partially met.

Three (3) project-related metrics (CS-1, CS-4, and CS-5) required significant flexibility from LIPA to be met, including corrective actions for deficiencies with multiple opportunities for resubmission, deadline extensions, and relaxation of some deliverable expectations.

Business Services (BS)

Business Services is comprised of Human Resources, Legal, Enterprise Risk Management, External Affairs, Finance, and Communications. Overall, **Business Services metric performance was mixed with PSEG Long Island successfully completing 15 of 21 metrics. One (1) metric was partially met, and five (5) were not met.**

Two (2) Enterprise Risk Management (ERM) **metrics (BS-1-2) were successfully met. These metrics were created to improve the ERM Annual Report delivered each June and to develop a pilot for the definition and reporting of Key Risk Indicators for select PSEG Long Island Tier 1 & 2 risks.**

The Information Request (IR) Responses metric (BS-13) required PSEG Long Island to collaborate with LIPA in devising a policy that sets clear expectations for prompt and substantive responses to IRs. While IR responsiveness fluctuated from quarter to quarter, by the end of the year, PSEG Long Island demonstrated a 95.1% completion rate and met the year-end performance target.

Three (3) metrics focused on Reputation Management and Social Media Engagement. The two (2) Reputation Management metrics (BS-19 and BS-20) aimed to incentivize PSEG Long Island to have 28% of leading media stories mentioning PSEG Long Island be of positive sentiment and to capture at least 50% Share of Voice, keeping the proportion of negative stories to a minimum. The third metric (BS-21) aimed to motivate PSEG Long Island to improve its social media engagement and response rates. **All the Reputation Management and Social Media Engagement metrics were met.**

The Full Time Vacancy Rate metric (BS-05) aimed to incentivize PSEG Long Island to obtain the budgeted full-time headcount identified as necessary to achieve operational objectives. **PSEG Long Island attained targets in four (4) out of the five (5) occupation categories for Full Time Vacancy Rate, leaving the metric partially met.**

The Employee Engagement - Score Rate metric (BS-3) endeavored to drive actions and results that demonstrate higher employee engagement scores in selected categories. **PSEG Long Island's survey scores were an improvement over the prior year's score in only two (2) of six (6) categories, and the metric required a 4% or greater improvement in 4 of 6 categories. The metric was not met.**

The Long Island Choice Reform metric (BS-11) was designed to implement reforms to the LI Choice program recommended by DPS. This metric included six (6) deliverables, of which five (5) were completed. PSEG Long Island was unable to secure DPS' recommendation of business processes consistent with the Public Service Commission's framework by December 31, 2022. A primary factor in that failure was that PSEG Long Island did not submit the business processes to DPS until December 27, 2022, which could have been mitigated by timely efforts during the year. LIPA granted an exception to permit an additional 30 days; however, **PSEG Long Island as of this date has yet to secure DPS' recommendation.**

The AMI Opt-Out Fees metric (BS-12) was not met. This metric involved assessing meter opt-out fees for customers who refused a smart meter during the initial rollout but later requested to change to a smart meter. **The AMI Opt-Out Fee was not implemented accurately, and as a result, customers were billed incorrectly.**

The Affiliate Cost Benefit Justification metric (BS-7) required PSEG Long Island to conduct a Cost Benefit and Alternative Analysis to document and itemize the full cost for services billed to LIPA where PSEG Long Island elected to hire PSEG affiliated companies, as compared to the costs and benefits of providing the service either in-house directly on Long Island through ServCo, which provides most operations services to LIPA, or by utilizing third party contractors. The 2022 metric focused on the two (2) largest affiliate service categories: Human Resources Services and Information Technology. PSEG Long Island was expected to provide full disclosure of the costs and scope of services provided by its affiliate companies. Since the spring of 2022, LIPA has requested backup documentation supporting certain costs related to IT affiliate services. To date, **PSEG Long Island has failed to provide the information LIPA needs to substantiate the PSEG affiliate company costs billed to LIPA. Furthermore, LIPA does not accept the method PSEG Long Island is applying to determine the allocation of costs billed to it by PSEG affiliate companies. As such, PSEG Long Island has failed to achieve metric BS-7.**

The Project Outreach (BS-17) metric was not met. The goal of this metric was to further a requirement of the 2018 DPS Management Audit. A survey was developed but experienced low participation, and PSEG Long Island declined to provide any recommendations for improving its outreach activities. **LIPA offered an exception to modify the proposed plan to meet the objective of the metric, but PSEG Long Island declined to modify its methodologies despite their obvious lack of success.**

DETAILED METRIC ASSESSMENTS

TRANSMISSION & DISTRIBUTION

The Transmission & Distribution (T&D) scope has 40 metrics, accounting for $8,000,000[5] in compensation at-risk based on performance. Of these 40 metrics, 21 are Qualitative, and 19 are Quantitative. Detailed metric descriptions are available on LIPA's website.

Year-End Status Overview

LIPA has determined that PSEG Long Island fully met 34 of the 40 T&D metrics and did not meet six (6) metrics. Based on this assessment, which is described in detail below, LIPA awards PSEG Long Island $6,750,000 of the allocated $8,000,000 in compensation available for T&D metrics.

The Work Management metrics (T&D 17-22) continued to create significant improvements in work planning and the tracking and scheduling ability of the work management teams.

The OSA reforms and corresponding requirements around Project Justification Documents for capital projects included in metrics (T&D-34) have led to better visibility and control of active and upcoming projects.

The two (2) metrics addressing facilities (T&D-6 and 33) have led to the creation of a Primary Transmission Control Center (PTCC) strategic plan and the siting of a new operations center to accommodate the implementation of new operational technologies and improve the safe and reliable operations of the electric grid.

Reliability performance was strong across the board for all six (6) metrics (T&D 7-12).

Safety performance (T&D 13-16) was also excellent throughout the year. However, in August of 2022, a tragic event resulted in a fatality of a PSEG Long Island T&D contractor. The Serious Injury Incident Rate (SIIR) tracks these types of incidents, and PSEG Long Island failed this metric (T&D-13) for the year due to the fatality.

The development of the Vegetation Management Work Plans provided more transparency in tracking the overall vegetation management program (T&D 24-26). **These comprehensive work plans resulted in the identification of a weakness in developing accurate budgets and executing work within the budget parameters, and none of the metrics were met. The Asset Management metrics (T&D 1-3) also experienced challenges.** The metric associated with the creation of an Asset Inventory (T&D-1) experienced delays in scope and contracting. The inability to upload the field data into the Geographic Information System (GIS) led to the failure of the metric, an issue revealed by LIPA's QA/QC review. The Enterprise Asset Management System metric (T&D-3) required LIPA and PSEG Long Island senior leadership on the Steering Committee to engage extensively to mitigate deficiencies in PSEG Long Island's planning and project management, and the Asset Management Program metric required two extensions to be completed.

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[5] All compensation amounts (allocated and awarded) listed in this section are relative to the $20 million Variable Compensation specified in the OSA and do not include the annual adjustment for indexing to the Consumer Price Index, which is 5.127% for 2022.

Year-End Status Details

Qualitative Metrics

LIPA has detailed the status of each Transmission & Distribution Qualitative Metric below.

Metric #	Metric Name	Allocated Compensation	YE Performance	Awarded Compensation
T&D-1	Asset Management Program Implementation – Asset Inventory	$150,000	Did Not Meet Metric	$0
T&D-2	Asset Management Program Implementation – Asset Management Governance	$200,000	Met Metric	$200,000
T&D-3	Enterprise Asset Management System (EAM) Implementation Plan	$600,000	Met Metric	$600,000
T&D-6	PTCC/ATCC Replacement	$250,000	Met Metric	$250,000
T&D-17	Work Management Enhancements - Enhancements to Short-Term Scheduling	$150,000	Met Metric	$150,000
T&D-18	Work Management Enhancements - Workforce Management Plans	$250,000	Met Metric	$250,000
T&D-19	Work Management Enhancements - Improve Planning and Tracking of Work	$100,000	Met Metric	$100,000
T&D-20	Work Management Enhancements - Improve and Standardize Compatible Unit Estimating (CUEs)	$100,000	Met Metric	$100,000
T&D-21	Work Management Enhancements - Work Management KPIs and Dashboards	$100,000	Met Metric	$100,000
T&D-22	Work Management Enhancements - Clarify and Rationalize Work Management Roles	$50,000	Met Metric	$50,000
T&D-24	Vegetation Management Work Plan – Cycle Tree Trim with Vegetation Intelligence	$200,000	Did Not Meet Metric	$0
T&D-25	Vegetation Management Work Plan – Trim to Sky (TTS) Circuits	$250,000	Did Not Meet Metric	$0
T&D-26	Vegetation Management Work Plan – Hazard Tree Removal	$400,000	Did Not Meet Metric	$0
T&D-27	Storm Hardening Work Plan - Overhead Hardening	$250,000	Met Metric	$250,000
T&D-28	Storm Hardening Work Plan - Underground Hardening	$150,000	Met Metric	$150,000
T&D-29	Storm Hardening Work Plan - Transmission Load Pockets	$150,000	Met Metric	$150,000

T&D-30	Storm Hardening Work Plan - ACRV Commissioning Program	$250,000	Met Metric	$250,000
T&D-31	Storm Hardening Work Plan - LT5H (ASUV) Program	$150,000	Met Metric	$150,000
T&D-33	Real Estate Strategy	$100,000	Met Metric	$100,000
T&D-34	Construction – Quality and Timely Completion of Project Justification Descriptions (PJDs)	$200,000	Met Metric	$200,000
T&D-39	Project Completion Consistent with Project Design	$100,000	Met Metric	$100,000

T&D-1: Asset Management Program Implementation – Asset Inventory

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Did Not Meet Metric	$0

Enterprise Asset Management (EAM) involves the management of the maintenance of physical assets of an organization throughout each asset's lifecycle. A key step to implementing an effective asset management program is a rigorous inventory of assets that includes a data governance plan that directs the organization on various procedures such as collecting asset data via inspections, adding and/or updating the asset data in the system of record (eGIS), and auditing the accuracy of the data.

The metric for PSEG Long Island consists of four (4) components: a) development of a Data Governance Plan; b) data collection and timely entry into the system of record for 20% of outside plant assets; c) data collection and timely entry into the system of record for 97% of transmission poles; and d) field verification and condition assessment of steel transmission structures. To verify the metric, LIPA conducted a QA/QC process that sampled 20% of the data entered to verify it met 98% accuracy.

In the second quarter, LIPA granted an exception to adjust the original metric to a minimum of 14% versus the required 20% due to the addition of a new requirement. In the third quarter, a QA/QC review of collected data indicated that the data collection application was not functioning correctly, and the field data was not being captured correctly. In response to the malfunction of the data application, PSEG Long Island worked with the contractor to troubleshoot the application and pursued possible alternative data collection applications. The application was updated, and data collection activities resumed in the fourth quarter.

By the fourth quarter, PSEG Long Island completed a) the Data Governance Plan and d) the data collection of the steel transmission structures. However, due to issues with the asset data application, b) data collection of the Outside Plant assets and c) data collection of transmission poles was below metric targets for the year-end total of Outside plant assets. **The number of poles field verified was 12,000, which represented 2.2% of the installed pole plant inventory and was below the targeted 14.28%.**

T&D-2: Asset Management Program Implementation – Asset Management Governance

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

T&D-2 focused on the policies, planning, industry best practices, and procedures for asset management. The requirement for this metric was to implement an EAM Program consistent with both the ISO 55000 principles and the Asset Recommendations adopted by the LIPA Board of Trustees. ISO 55000 is an international standard created to be used as a best practice guide for asset management. The standard focuses on helping organizations establish, implement, maintain, and improve an efficient and proactive asset lifecycle management system. The standard supports the optimal use and management of assets while reducing the overall cost of ownership and helping organizations meet all the necessary safety and performance requirements. ISO 55000 is all about the process. Process is the foundation of asset management. But process cannot efficiently act alone. It must be coupled with technology, which was addressed in T&D-3.

The target for this metric included four (4) elements a) modify the Asset Management Plan, b) development of the Strategic Asset Management Plan, c) development of (10) overhead-specific Asset Management Plans, and d) submittal of the 2021 Annual Reliability Assessment of Asset Performance.

PSEG Long Island completed two (2) of the four (4) elements of the metric per the original schedule. This included the update of the Asset Management Plan and the submittal of the 2021 Annual Reliability of Assessment of Performance. **LIPA granted two (2) exceptions to the schedule, which aided PSEG Long Island in completing the remaining two elements of the metric**: the Development of the Asset Management Plan and 10 Overhead specific Asset Management Plan elements. The delay in the Development of the Asset Management Plan was due to a delay in onboarding the contractor to execute the work. The delay in the delivery of the AMPs was due to contracting legal reviews.

T&D-3: Enterprise Asset Management System (EAM) Implementation Plan

Allocated Compensation	YE Performance	Awarded Compensation
$600,000	Met Metric	$600,000

Asset-intensive organizations use EAM systems for planning, inspection, use optimization, and maintenance of their physical assets (vehicles, equipment, structures, etc.) throughout their life cycle. EAM software integrates with the maintenance, accounting, and other business systems.

The goal of T&D-3 was to plan and implement an EAM system. The requirement for this metric consisted of three (3) elements: a) the development of a comprehensive EAM Implementation Plan in the first quarter; b) the sourcing of EAM software and an implementation firm via an RFP in the second quarter; and c) a detailed Project Implementation Plan (PIP) in the fourth quarter.

The project experienced challenges and delays, as described below, but was brought back on track after 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.

A schedule exemption was granted for the first element (EAM Implementation Plan) due in the first

quarter, The delay in schedule was, in part, the result of the sourcing, selection, and ramp-up of the consulting firm (ISG) tasked with the development of the plan. ISG kicked off the project at the end of the first quarter. Another reason for the delay was that the plan required several revisions, and the plan was ultimately approved by LIPA in the fourth quarter.

The second element (Sourcing the EAM system and implementation services) also experienced schedule delays. The delay was the result of the late delivery of the EAM Implementation Plan, the limited procurement strategy and bidding practices for the software and implementation service providers, insufficient information in the RFP, and a lengthy legal review of the contracts. **LIPA granted an exception to extend the schedule to 2023.**

The third element (Detailed Project Implementation Plan) of the metric is dependent on the successful award and kickoff of the implementation service provider. As is the case with the sourcing of the EAM system, **LIPA granted a schedule exception to 2023.**

T&D-6: PTCC/ATCC Replacement

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The goal of this metric was to develop a strategic roadmap and other related operations functions for the new Primary Transmission Control Center (PTCC). In 2022, the metric required the completion of three phases: strategy, conceptual design, and roadmap.

Phase 1 was delivered on time and approved by LIPA. **For Phase 2, there was a metric exception requested by PSEG Long Island and granted by LIPA. This extended the original deliverable due date by one month to accommodate the resulting activities associated with a PTCC building layout design change.** PSEG Long Island successfully delivered this by the amended due date. **For Phase 3, there was a metric exception requested by PSEG Long Island and granted by LIPA related to the evaluation of relocating specific supporting operational IT hardware to the new PTCC.** The exception provided additional time to receive critical external feedback necessary for PSEG Long Island to complete its final recommendation. The initial due date was amended by six (6) weeks to January 15, 2023, which PSEG Long Island successfully met. In total, there were two (2) exceptions granted.

LIPA notes that though the metric title mentions both the Primary and Alternate TCCs, the focus of the 2022 metric was solely on the PTCC.

T&D-17: Work Management Enhancements - Enhancements to Short-Term Scheduling

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The primary goal of this metric was to enhance Work Management by introducing improvements to the Short-Term Scheduling process. As part of its 2022 budget, LIPA allocated funds specifically for the recruitment of six (6) new team members for the Work Management department. These new hires were crucial in bolstering the capacity to implement and sustain the revamped work processes. These

enhancements were rolled out across all work locations, and a new short-term scheduling tool has been successfully established to facilitate incoming business activity.

T&D-18: Work Management Enhancements - Workforce Management Plans

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The goal of this metric was to create an annual Workforce Management Plan for LIPA Approval by February 1, 2022. The Workforce Management Plan was to include monthly and annual resource plans for all Capital and O&M work to be completed in 2022. PSEG Long Island successfully executed all elements of the 2022 Workforce Management Plan by December 31, 2022 and created a Workforce Management Plan for 2023.

T&D-19: Work Management Enhancements - Improve Planning and Tracking of Work

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of this metric was to develop Work Management Process Enhancements for T&D scheduled work that optimizes staffing levels, productivity, and overtime. There were two (2) areas of focus, governance and work breakdown structure (WBS) codes, as they are both critical core components in developing and monitoring Capital and O&M work. A formal owner and governance process was created and is now in place to keep the WBS codes up to date.

T&D-20: Work Management Enhancements - Improve and Standardize Compatible Unit Estimating (CUEs)

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of this metric was to perform an assessment of the existing library of compatible units, refine standards, and introduce new Compatible Unit Estimates (CUEs) as applicable. PSEG Long Island was to publish a library of new CUEs after the assessment. The metric also called for the establishment of a formal process for reviewing and revising CUEs and control practices to ensure the integrity of units and the resulting estimates. The new governance process and CUE library are now in place and will be utilized going forward; this will result in a more accurate work resource plan.

T&D-21: Work Management Enhancements - Work Management KPIs and Dashboards

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of this metric was to provide visibility and transparency into the management of Work Activities. Work Management Key Performance Indicators (KPIs) and dashboards were created for management monitoring of performance. LIPA and PSEG Long Island management now meet on a regular cadence to review the KPI dashboards and recommend enhancements to drive the improvement of work management.

T&D-22: Work Management Enhancements - Clarify and Rationalize Work Management Roles

Allocated Compensation	YE Performance	Awarded Compensation
$50,000	Met Metric	$50,000

The goal of this metric was to improve Work Oversight through three (3) distinct elements. This included standardizing and publishing PSEG Long Island work management roles/positions and implementing them consistently across all work locations. The metric also required developing formal job descriptions for critical work management positions and educating employees on their roles and responsibilities. Lastly, PSEG Long Island was to create process flow charts that depict work management workflow with swim lane detail for each work management role. All elements of the metric were completed.

T&D-24: Vegetation Management Work Plan – Cycle Tree Trim with Vegetation Intelligence

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The goal of this metric was to develop and execute Vegetation Management Work Plans/budgets for 2022 and 2023 that use vegetation intelligence, including but not limited to vegetation species, growth rate, and location. To achieve the metric, PSEG Long Island was required to identify an annual circuit list for trimming with a minimum of 225 circuits per year, or approximately 1/4 of total circuit miles, including schedules and cost estimates.

The work plans were to include annual and monthly work and resource plans. PSEG Long Island was to fully execute the 2022 deliverables specified in the 2022 Vegetation Management Work Plan. **While the trimming was completed for 2022, PSEG Long Island did not achieve this 2022 metric because the actual spend was more than the metric-defined tolerance of +5% of the budget.**

T&D-25: Vegetation Management Work Plan – Trim to Sky (TTS) Circuits

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Did Not Meet Metric	$0

The goal of this metric was to develop Vegetation Management Work Plans/budgets for 2022 and 2023 that identify Trim-to-Sky (TTS) circuits to the first protective device each year for a minimum of 225 circuits per year, or approximately ¼ of the total circuit miles, including schedules and cost estimates. Work plans were to include annual and monthly work and resource plans. PSEG Long Island was to coordinate with maintenance and construction work plans, where possible, and to fully execute all 2022 deliverables specified in the 2022 Vegetation Management Work Plan. **PSEG Long Island did not achieve this 2022 metric because the actual spend was more than the metric-defined tolerance of +5% of the budget.**

T&D-26: Vegetation Management Work Plan – Hazard Tree Removal

Allocated Compensation	YE Performance	Awarded Compensation
$400,000	Did Not Meet Metric	$0

The goal of this metric was to develop Vegetation Management Work Plans/budgets for 2022 and 2023 that identified at least 12,000 hazard trees to be removed each year (including locations, schedules, and cost estimates). Hazard tree units include storm hardening and base vegetation budgets. This performance measures the removal of hazard trees. PSEG Long Island reported having met this metric; however, upon reviewing a sample of 39 invoices and associated yard removal trackers, a LIPA audit observed that PSEG Long Island was also counting limb removals, tree toppings, and in some instances, Trim To Sky (TTS) overhang removals towards the metric, in addition to hazard trees.

For example: of the sampled Storm Hardening (SH) invoices, approximately 60% of the hazard tree removals consisted of limbs and toppings (630 out of 990). Of the sampled TTS invoices, approximately 124 overhang removals were counted towards the metric. The measurement of performance metric T&D-26 is inaccurate due to duplication of entries and lack of reconciliation between invoices and the metric tracker. PSEG Long Island provided their revised year-end numbers on April 25, 2023. **PSEG Long Island did not achieve this 2022 metric because the year-end result of 9,261 hazard trees was lower than the required 12,000 hazard trees.**

T&D-27: Storm Hardening Work Plan - Overhead Hardening

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The goal of this metric was the development and execution of Storm Hardening Work Plans for 2022, including Overhead Hardening of 81.88 Miles with a Cost per Mile* of $879k (cost per mile comprises the total cost of construction, materials, design, project management, etc.) PSEG Long Island completed 80.41 miles (98.2%) of the planned mileage with a Cost per Mile* of $884k (100.5%) of the project budget. In total, there were four (4) metric targets: submit a 2022 Underground Pilot Plan for a minimum of four (4) locations, submit a 2023 Underground Plan based on the 2022 pilot program, complete the latest LIPA-approved PJD documentation (4 locations: +/- 1 location), and achieve a project budget within -10% or up to 5%. Therefore, PSEG Long Island achieved the metric.

T&D-28: Storm Hardening Work Plan - Underground Hardening

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The goal of this metric was for PSEG Long Island to evaluate four (4) potential overhead rear-property areas to be undergrounded. The metric called for selecting one (1) area to be priced via the RFP process in 2023 to validate the investment cost. PSEG Long Island achieved the metric.

T&D-29: Storm Hardening Work Plan - Transmission Load Pockets

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The goal of this metric was to evaluate the transmission load pockets across the LIPA system and deliver a plan that identifies options and solutions to eliminate the load pockets. In addition, the metric called for the recommendation of one (1) of these options and the submittal of a Project Justification Description (PJD) by August 31, 2022 to mitigate the load pocket in 2023. PSEG Long Island achieved the metric.

T&D-30: Storm Hardening Work Plan - ACRV Commissioning Program

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The goal of this metric was to provide greater reliability for customers supplied from the targeted circuits by "operationalizing" previously installed ASUVs to serve as fully functioning reclosers. Reclosers provide an additional layer of reliability under temporary fault conditions and help reduce sustained outage interruptions. This metric called for "operationalizing" 10 ACRVs; 11 were completed.

T&D-31: Storm Hardening Work Plan - LT5H (ASUV) Program

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

This metric required that the distribution circuit improvement program (CIP) work plans for 2022 include the installation of approximately 150 ASUV switches with a $64k historical cost per ASUV. PSEG Long Island installed 149 LT5H (ASUV) (99.3%) of the planned units with a cost per ASUV of $62k (96.2%) of the project budget. This project reduces customer counts to under 500 per segment, which provides greater reliability for customers supplied from the targeted circuits.

T&D-33: Real Estate Strategy

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of this metric was to develop a PIP to support a long-term strategy for LIPA's real estate and facility assets per the LIPA Board recommendations adopted in May 2021. LIPA approved the required PIP in April 2022. The PIP aims to achieve two (2) distinct project elements, one (1) of which is a bifurcation of operations at National Grid-owned properties. The long-term objective of this metric and associated PIP is to provide LIPA customers with cost savings and certainty through a real property ownership model instead of continuing to lease sites for utility operations. **PSEG Long Island achieved this metric after 14 metric deliverable (date) exceptions were granted throughout the year due to unforeseen delays in the Real Estate Evaluations.**

T&D-34: Construction – Quality and Timely Completion of Project Justification Descriptions (PJDs)

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The goal of this metric was to improve the Capital Budget Process through the timely submittal of PJDs for each Capital Project and Program with adequate detail for LIPA review and approval prior to inclusion into the Capital Budget. To achieve this, PSEG Long Island was to submit a proposed 2023 capital budget by July 1, 2022, and to submit all related PJDs by August 15, 2023. **PSEG Long Island achieved this metric after an exception was granted.**

T&D-39: Project Completion Consistent with Project Design

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of this metric was to effectively manage capital projects such that completion was consistent with project SEQRA documents and meet the intent of the design in the latest LIPA-approved PJD. PSEG Long Island met the metric requirements.

Quantitative Metrics

LIPA has detailed the status of each Transmission & Distribution Quantitative Metric below.

Of the 19 metrics, 17 met the year-end target, and two (2) failed.

METRIC #	METRIC NAME	L/H	YE TARGET	YE RESULT	YE PERFORMANCE	ALLOCATED COMP	AWARDED COMP
T&D-04	T&D System Relay Operations - Relay Mis-Operations	L	18	18	Met Metric	$100,000	$100,000
T&D-05	T&D Inadvertent Operation Events	L	34	23	Met Metric	$100,000	$100,000
T&D-07	SAIDI (System Average Interruption Duration Index)	L	59.0	56.0	Met Metric	$400,000	$400,000
T&D-08	SAIFI (System Average Interruption Frequency Index)	L	0.76	0.68	Met Metric	$200,000	$200,000
T&D-09	MAIFI (Momentary Average Interruption Frequency Index)	L	1.89	1.67	Met Metric	$200,000	$200,000
T&D-10	Sustained Multiple Customer Outages (MCO) - 4 or more	L	23,475	19,762	Met Metric	$150,000	$150,000
T&D-11	Reduce Repeat Customer Sustained MCOs	L	46	19	Met Metric	$200,000	$200,000
T&D-12	Momentary MCO (6 or more)	L	92,500	72,198	Met Metric	$150,000	$150,000
T&D-13	Serious Injury Incident Rate (SIIR)	L	0.11	0.03	Did Not Meet Metric	$200,000	$0
T&D-14	OSHA Recordable Incidence Rate	L	1.12	0.64	Met Metric	$250,000	$250,000
T&D-15	OSHA Days Away Rate (Severity)	L	12.50	9.85	Met Metric	$250,000	$250,000
T&D-16	Motor Vehicle Accident Rate	L	9.20	8.4	Met Metric	$100,000	$100,000
T&D-23	Employee Overtime	H	100.0%	100.0%	Met Metric	$300,000	$300,000
T&D-32	Estimated Time of Restoration (ETR)	H	65.0%	71.6%	Met Metric	$200,000	$200,000
T&D-35	Construction - Project Milestones Achieved	H	85.0%	91.9%	Met Metric	$200,000	$200,000
T&D-36	Construction - Cost Estimating Accuracy	H	85.0%	90.7%	Met Metric	$200,000	$200,000
T&D-37	Completion of Program Planned Units Per Workplan	H	87.5%	87.5%	Met Metric	$400,000	$400,000
T&D-38	Program Unit Cost Variance	H	87.5%	87.5%	Met Metric	$200,000	$200,000
T&D-40	Double Wood Poles	L	6,295	6,477	Did Not Meet Metric	$50,000	$0

Table Note 1: "L/H" column refers to "Low/High" – a designation of "H" indicates that the performance objective is to score higher than the target; "L" has a performance objective that is lower than the target.

T&D-4: Transmission & Distribution System Relay Operations - Relay Mis-Operations

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

This metric measures PSEG Long Island's ability to limit the number of relay misoperations on the T&D system. The intent is to limit customer interruptions due to the failure of control and protection equipment to operate as designed. A relay misoperation is defined as: 1) Any failure of a Protection System element to operate within the specified time when a fault or abnormal condition occurs within a zone of protection; 2) Any operation for a fault not within a zone of protection (other than operation as backup protection for a fault in an adjacent zone that is not cleared within a specified time for the protection of that zone); 3) Any unintentional Protection System operation when no fault or other abnormal condition has occurred unrelated to on-site maintenance and testing activity, and; 4) Protection System operations due to non-field resource design and settings errors.

In 2022, a total of 18 relay misoperations occurred against a target of no more than 18.

T&D-5: Transmission & Distribution Inadvertent Operation Events

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

This metric measures PSEG Long Island's ability to limit the number of relay misoperations due to operating errors on the T&D system. The intent is to avert additional customer interruptions due to errors on the part of PSEG Long Island employees. Inadvertent operating errors are defined as any Transmission or Distribution incident resulting from an incorrect action of a PSEG Long Island employee that results in one of the following: 1) Customer outages (momentary or sustained); 2) Unintended operation of switching or protection devices such as a breaker, fuse, switch, disconnect, tap, or ASU.

In 2022, 23 inadvertent operation events occurred against a target of 34.

T&D-7: System Average Interruption Duration Index (SAIDI) Reliability

Allocated Compensation	YE Performance	Awarded Compensation
$400,000	Met Metric	$400,000

The SAIDI metric measures the outcome of the service provider's ability to successfully manage the duration of outage events (excluding major storms) on the T&D system. From a reliability and customer experience perspective, the lower the outage duration, the better. The year-end SAIDI performance of 56.0 minutes was lower than (superior to) the target level of 59.0 minutes. This represents top decile industry performance, meeting the LIPA Board's policy objective. At the midpoint of the year, the AMI data was integrated into the outage reconciliation process, which enabled a more precise record and measure of customer outages. This more refined measurement led to slightly increased outage durations of a couple of minutes; however, the

metric was still successfully met.

T&D-8: System Average Interruption Frequency Index (SAIFI) Reliability

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The SAIFI metric measures PSEG Long Island's ability to successfully manage the frequency of outage events (excluding major storms) on the T&D system. From a reliability and customer experience perspective, the lower the outage frequency, the better. The year-end SAIFI performance of 0.68 was lower than (superior to) the target level of 0.76. This equates to an average customer experiencing a single sustained outage approximately once over an 18-month period. This represents top-quartile industry performance, with ongoing investments in programs and projects aimed at improving performance and meeting the LIPA Board's policy objective of top decile reliability.

T&D-9: Momentary Average Interruption Frequency Index (MAIFI) Reliability

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The MAIFI metric measures PSEG Long Island's ability to successfully manage the frequency of momentary outage events (excluding major storms) of less than five (5) minutes on the T&D system. From a reliability and customer experience perspective, the lower the momentary outage frequency, the better. The year-end MAIFI performance of 1.67 was lower than (superior to) the target level of 1.89. This represents better than median performance among industry peers, with ongoing investments in programs and projects aimed at improving performance and meeting the LIPA Board's policy objective of top decile reliability.

T&D-10: Reduce Sustained Multiple Customer Outages (S-MCOs)

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The Multiple Customer Outage (MCO) metrics focus on meeting the LIPA Board's policy objective of ensuring that the reliability experience of an individual customer does not fall far outside of the system's average performance. The Sustained MCO metric specifically focuses on customers experiencing four (4) or more sustained outages of five (5) minutes or greater in duration over the calendar year. A favorable year-over-year reduction of approximately 4,000 customers (17%) was realized this year. The year-end amount of 19,762 customers (about 1.7% of all customers) was lower than (superior to) the target of 23,475.

T&D-11: Reduce Repeat Customer Sustained Multiple Customer Outages

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The Reduce Repeat S-MCO metric focused specifically on customers that have experienced four (4) or more sustained outages over a calendar year for two (2) or more consecutive years. The objective was to ensure that this small but important group of 231 customers that were in this category at the beginning of 2022 were given special attention to ensure that their MCO experience did not languish once again behind the system average. By the year's end, only 19 of the original 231 customers again experienced four (4) or more sustained outages throughout 2022. This means that approximately 92% of the original group of customers experienced improved S-MCO performance, which was superior to the target level of 80%.

T&D-12: Reduce Momentary Multiple Customer Outages (M-MCOs)

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The Momentary MCO metric specifically focused on customers experiencing six (6) or more momentary outages of less than five (5) minutes in duration over the calendar year. A favorable year-over-year reduction was realized this year, with the year-end amount of 72,198 customers (approximately 6.3% of all customers) coming in lower than (superior to) the target of 92,500.

T&D-13: Safety – Serious Injury Incident Rate (SIIR)

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The objective of the SIIR metric is to safely maintain, construct and operate the electric T&D system, free from serious injuries and/or fatalities. A safety-first culture is successfully reflected in the day-to-day operations via an environment that keeps employees safe, healthy, and able to perform their work to benefit our customers. The year-end SIIR was 0.03, which was below (superior to) the annual target of 0.11. This reflects that there were no serious injuries incurred by PSEG Long Island employees throughout the year. However, the actual rate does reflect the tragic death of a contractor while performing work on the T&D system on August 23, 2022. Per agreed-to stipulations, this constitutes automatic failure of the metric.

T&D-14: Safety – OSHA Recordable Incidence Rate

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The objective of the OSHA Recordable Incidence Rate metric is to strive for continuous improvement in safety performance by increasing focus on safety and training, including recognizing, tracking, and managing key safety-leading indicators, resulting in increased employee safety awareness and diligence. The year-end performance of 0.64 was well below (superior to) the target level of 1.12. There were 17 OSHA recordable injuries during the year, which was the best performance on record for PSEG Long Island. This represents top decile industry performance, which is within the LIPA Board's policy objective.

T&D-15: Safety – OSHA Days Away Rate

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The objective of the OSHA Days Away Rate metric is to strive for continuous improvement in safety performance by increasing focus on safety and training, including recognizing, tracking, and managing key safety-leading indicators, resulting in increased employee safety awareness and diligence. The year-end performance of 9.85 was well below (superior to) the target level of 12.50. This reflects a total of 263 days away, which was among the best performances on record for PSEG Long Island. This represents performance that falls just outside of the top decile for the industry, which is the LIPA Board's policy objective.

T&D-16: Safety – Motor Vehicle Accident (MVA) Rate

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The objective of the MVA metric is to strive for continuous improvement in safety performance by increasing focus on safety and training, including recognizing, tracking, and managing key safety-leading indicators, resulting in increased employee safety awareness and diligence. It also means that in the case of motor vehicle operation, PSEG Long Island employees are operating in a safe fashion that protects the members of the public. The year-end performance of 8.40 was below (superior to) the target level of 9.20. This reflects a total of 65 motor vehicle accidents over more than 7.7 million miles driven, which was among the best performances on record for PSEG Long Island. This represents performance that falls within the top quartile for the industry.

T&D-23: Employee Overtime

Allocated Compensation	YE Performance	Awarded Compensation
$300,000	Met Metric	$300,000

The objective of the Employee Overtime metric is to manage T&D employee overtime hours cost-effectively. Successfully managing employee overtime meets work management and cost control objectives. The metric entails the successful reduction in overtime levels from historical averages for the three T&D work areas of Overhead/Underground, Distribution Operations, and Substation/Relay Maintenance.

For the year, PSEG Long Island successfully achieved the respective overtime target levels for each of the three T&D work areas, specifically: Overhead/Underground (30% actual vs. 33% target), Distribution Operations (37% actual vs. 38% target), and Substation/Relay Maintenance (30% actual vs. 32% target).

T&D-32: Estimated Time of Restoration (ETR)

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The objective of the ETR metric is to improve customer experience by providing accurate estimated times of restoration, specifically under everyday blue sky (non-storm) conditions. This provides the customer with greater awareness of their outage situation and a more refined expectation for when their power will be restored. The year-end performance of 71.6% was superior to the target level of 65.0%. LIPA notes that approximately two-thirds of the "ETR Failures" per the metric definition are due to restorations occurring too early, typically more than two hours before the restoration time provided to the customer. LIPA and PSEG Long Island are working towards revisions to the ETR process to improve this condition and other aspects of the customers' ETR experience. These elements have been incorporated into the 2023 ETR metric.

T&D-35: Construction - Project Milestones Achieved

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The objective of this metric relates to the execution of approved specific capital projects per an established milestone schedule. Timely and cost-effective project construction occurs when successfully meeting project milestones.

As outlined in this metric's standards and narrative, exceptions and adjustments to initial milestone schedules regularly occur. These exceptions typically entail external permitting delays, developer deferral of projects, additional environmental requirements imposed by external stakeholders after granting a permit, etc. **There**

were 49 metric exceptions/adjustments approved throughout the year. LIPA and PSEG Long Island adhered to the existing protocols for processing these exceptions.** This "Key Milestone Change Process" was followed for any changes of dates to the baseline milestones initially submitted to LIPA at the beginning of 2022, including a review from the project manager/subject matter expert level up through senior management.

For the year, PSEG Long Island successfully achieved 91.9% of the (final) scheduled project milestones versus the year-end accuracy target of 85.0%. This represents a total of 227 milestones successfully met out of a planned 247 milestones scheduled to be accomplished for the year.

T&D-36: Construction - Cost Estimating Accuracy

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The objective of this metric is to ensure that existing estimating processes lead to the completion of specific capital projects within a reasonable cost variance range versus the approved estimate. Efficient management of available capital budget funding allows for essential capital projects to proceed timely rather than being deferred due to perceived funding constraints. For the year, 16 capital projects subject to this metric were completed, resulting in an overall estimated accuracy of 90.7% versus the target of 85.0%. This reflects total definitive cost estimates and actual costs of approximately $165.7 million and $150.4 million, respectively.

T&D-37: Completion of Program Planned Units Per Workplan

Allocated Compensation	YE Performance	Awarded Compensation
$400,000	Met Metric	$400,000

The objective of this metric is to ensure adherence to proactive program planned units/miles. This addresses the effective management of backlog or maintenance on the T&D system as well as a timely response to emergent failures on T&D components governed by the targeted programs.

Eight (8) distinct programs are measured under this metric, with successful completion of seven (7) out of eight (8) within +/- 10% of the planned units/miles necessary to earn incentive compensation. For the year, seven (7) of the eight (8) programs' actual units/miles fell within the acceptable range of between 90%-110% of the latest approved project justification document (PJD) unit/mile amount. **The one (1) metric failure was associated with the blanket program related to the transfer of distribution facilities to new telephone poles, which had actual units of approximately 72% versus the latest approved project justification document (PJD) unit level. However, the metric was met with seven (7) out of eight (8) programs completed within the acceptable range.** Additionally, note that this metric directly corresponds to T&D-38, which addresses cost variances.

T&D-38: Program Unit Cost Variance

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The objective of this metric is to ensure adherence to proactive program estimates and budgets. The efficient management of available capital and O&M funding allows essential maintenance and minor capital work to be completed timely, improving reliability and increasing customer satisfaction when addressing a failure that emanates from a customer call.

This metric directly corresponds to T&D-37, which addresses volumetric variances. Eight distinct programs are measured under this metric, with successful completion of seven (7) out of eight (8) within +/- 10% of the planned unit costs necessary to earn incentive compensation. For the year, seven (7) of the eight (8) programs' actual cost/unit was completed within the acceptable range of between 90%-110% of the latest approved PJD cost/unit. **The one metric failure was associated with the blanket program related to the transfer of distribution facilities to new telephone poles, which had actual costs of approximately 132% versus the latest approved PJD cost/unit.** However, with seven (7) out of eight (8) programs completed within the acceptable range, the metric was met.

T&D-40: Double Wood Poles

Allocated Compensation	YE Performance	Awarded Compensation
$50,000	Did Not Meet Metric	$0

Double wood poles are broadly a safety, system reliability, and aesthetic (customer experience) matter. Successfully managing this metric entails a significant amount of coordination between PSEG Long Island, Verizon, Long Island municipalities, and other key external stakeholders. **The year-end performance fell approximately 180 double wood poles short of meeting the metric**. Though PSEG Long Island and the other stakeholders managed to reduce the overall net double wood pole count over the year by approximately 300 poles, the final year-end target was not met.

INFORMATION TECHNOLOGY

The Information Technology (IT) scope has seven (7) metrics, accounting for $3,000,000[6] in compensation at-risk based on performance. All seven (7) metrics are Qualitative. Detailed metric descriptions are available on LIPA's website.

Year-End Status Overview

LIPA has determined that PSEG Long Island fully met two (2) of the 7 IT metrics, with two (2) metrics partially met, and three (3) metrics that were not met. Based on this assessment, which is described in detail below, LIPA awards PSEG Long Island $1,500,000 of the allocated $3,000,000 in compensation for the IT metrics.

Weak project management and organizational maturity continued to hamper the effectiveness of the IT organization and were a major factor in the performance shortfalls for the 2022 metrics, with IT having the weakest performance of the five (5) scope areas with only 29% of the metrics fully met. Inadequate project planning and management affected the two (2) IT Organizational Maturity metrics (IT-1 and IT-2), the IT Software and System Lifecycle Management metric (IT-4), and the two project-based metrics (IT-5 and IT-6). The IT System Separation metric (IT-7) was successfully met, with a joint LIPA and PSEG Long Island IT Team developing the required IT System Separation Plan.

The two Organizational Maturity Level metrics, designed to improve IT capability and performance, required PSEG Long Island to reach CMMI Maturity Level 3 in the CMMI V2 Development Model 'Doing' and 'Managing' categories, respectively. An independent appraisal conducted by a LIPA-engaged CMMI Lead Appraiser consultant found that PSEG Long Island failed to fully meet a number of the required practice areas, resulting in the Organizational Maturity Level – Doing (IT-1) metric being partially met, and the Organizational Maturity Level – Managing (IT-2) metric not met.

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

The IT System Resiliency metric (IT-3) requires well-designed, robust, and thoroughly exercised Disaster Recovery and Business Continuity Plans (BCPs) for specified critical systems/processes. The need for robust and thoroughly exercised BCPs has been one of LIPA's core recommendations to PSEG Long Island since November 2020, when LIPA's Isaias Task Force identified the lack of adequate BCPs as a critical management failure. Nonetheless, **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 IT Software and System Lifecycle Maintenance metric (IT-4) failed due to poor planning and project management, with PSEG Long Island failing to complete the required asset upgrade/replacement projects.

The two (2) IT project performance metrics (IT-5 2022 Budget Projects and IT-6 Board Recommendation Projects), which incorporated 27[7] specific IT projects, were Partially Met and Met, respectively. However,

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[6] All compensation amounts (allocated and awarded) listed in this section are relative to the $20 million Variable Compensation specified in the OSA and do not include the annual adjustment for indexing to the Consumer Price Index, which is 5.127% for 2022.

[7] Three projects specified in the metrics were deferred/dropped over the course of the year.

the projects all exhibited project management deficiencies, and our review indicates that none of the incorporated projects would have met the metric requirements without flexibility from LIPA. Almost all projects required corrective actions for deficient deliverables, some taking months to bring to an acceptable level; over a third of the projects required material exceptions; and numerous deliverables were submitted/resubmitted late but still accepted for review. Deficiencies included a lack of clear definition of the planned end state and success criteria, a lack of alignment with LIPA's stated objectives or metric requirements, and a lack of sufficient detail. PSEG Long Island scheduled several projects to start too late in the year to allow completion by the originally targeted due dates. Weak capacity and resource planning resulted in a 2022 IT Capital Budget that did not adequately account for the ability of the organization to execute multiple projects simultaneously. Additionally, the initial submissions of many of the required deliverables were weak, often requiring multiple review and revision cycles to be brought to an acceptable level. Appropriate capture of business requirements was a common weakness, as was adequate documentation of deployed systems.

PSEG Long Island's senior IT management is fully committed to building the maturity and capacity of the organization to improve performance, and we hope to see better results as these efforts progress. The 2023 Performance Metrics target the PSEG Long Island IT organization reaching full CMMI Maturity Level 3 by the end of the year, and we encourage PSEG Long Island to leverage the CMMI Maturity Framework to drive genuine and meaningful performance improvements.

Year-End Status Details

Qualitative Metrics

LIPA has detailed the status of each Information Technology Qualitative Metric below.

Metric #	Metric Name	Allocated Compensation	YE Performance	Awarded Compensation
IT-1	Organizational Maturity Level – Doing	$250,000	Partially Met Metric	$150,000
IT-2	Organizational Maturity Level – Managing	$500,000	Did Not Meet Metric	$0
IT-3	System Resiliency	$400,000	Did Not Meet Metric	$0
IT-4	System and Software Lifecycle Management	$300,000	Did Not Meet Metric	$0
IT-5	System Implementation - 2022 Budget Projects (Tier 1 and Tier 2)	$800,000	Partially Met Metric	$600,000
IT-6	System Implementation – Board Project Improvement Plans (PIPs) (Tier 1 and 2)	$500,000	Met Metric	$500,000
IT-7	System Segregation	$250,000	Met Metric	$250,000

IT-1 Organizational Maturity Level – Doing

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Partially Met Metric	$150,000

The Organizational Maturity – Doing metric, designed to improve IT capability and performance, required PSEG Long Island to reach CMMI Maturity Level 3 in the CMMI V2 Development Model 'Doing' category, which addresses capabilities including Engineering and Developing, Ensuring Quality, and Selecting and Managing Suppliers.

PSEG Long Island was required to determine by October 2022 that it had achieved Maturity Level 3 in the category based on its own assessment, which was then to be verified by a LIPA consultant. The metric provides a tiered incentive structure based on the number of Practice Areas within the Doing category in which Maturity Level 3 is achieved, as determined by the LIPA-led assessment.

The consultant engaged by PSEG Long Island to conduct its CMMI Implementation project did not start its engagement until June 2022. Their implementation plan entailed initially implementing the process improvements on a pilot subset of projects that were in active status as of July 5, 2022 and met certain criteria, such as having a budget greater than $1 million, with all projects starting after September 1, 2022, to adopt the new processes. Active projects were not required to retrofit artifacts for already completed phases. Due to the late start of the effort, only a limited number of projects had adopted the new processes in time for LIPA's appraisal, with the numbers even further limited for any given project phase, preventing a truly random selection of projects for appraisal.

LIPA's consultant, an independent ISACA CMMI Lead Appraiser, initiated its appraisal in late November 2022 and found that PSEG Long Island failed to fully meet the intent and the value of the CMMI practice in two (2) of the seven (7) Practice Areas. In March 2023, the consultant's Lead Appraiser requested additional interviews with PSEG Long Island in order to address open questions and complete the appraisal, but PSEG Long Island did not agree to the interviews. In May 2023, the consultant issued the final appraisal report without the benefit of the additional interviews and concluded that PSEG Long Island could only be considered to have achieved Maturity Level 3 in five (5) of the seven (7) Practice Areas, resulting in PSEG Long Island partially meeting the metric.

IT-2 Organizational Maturity Level – Managing

Allocated Compensation	YE Performance	Awarded Compensation
$500,000	Did Not Meet Metric	$0

The Organizational Maturity – Managing metric, designed to improve IT capability and performance, required PSEG Long Island to reach CMMI Maturity Level 3 in the CMMI V2 Development Model 'Managing' category, which addresses capabilities including Managing Business Resilience, Managing the Workforce, and Planning and Managing Work.

PSEG Long Island was required to determine by October 2022 that it had achieved Maturity Level 3 in the category, based on its own assessment, which was then to be verified by a LIPA consultant. The

metric provides a tiered incentive structure based on the number of Practice Areas within the Managing category in which Maturity Level 3 is achieved, as determined by the LIPA-led assessment.

The consultant engaged by PSEG Long Island to conduct its CMMI Implementation project did not start its engagement until June 2022. Their implementation plan entailed initially implementing the process improvements on a pilot subset of projects that were in active status as of July 15, 2022 and met certain criteria such as having a budget greater than $1 million; with all projects starting after September 1, 2022, to adopt the new processes. Active projects were not required to retrofit artifacts for already completed phases. Due to the late start of the effort, only a limited number of projects had adopted the new processes in time for LIPA's appraisal, with the numbers even further limited for any given project phase, preventing a truly random selection of projects for appraisal.

LIPA's consultant, an independent ISACA CMMI Lead Appraiser, initiated its appraisal in late November 2022, and found that PSEG Long Island failed to fully meet the intent and the value of the CMMI practice in all five (5) of the covered Practice Areas. In March 2023, the consultant's Lead Appraiser requested additional interviews with PSEG Long Island in order to address open questions and complete the appraisal, but PSEG Long Island did not agree to the interviews. In May 2023, the consultant issued the final appraisal report without the benefit of the additional interviews; and concluded that PSEG Long Island could only be considered to have achieved Maturity Level 3 in any of five (5) Practice Areas in the category, resulting in PSEG Long Island not meeting the metric.

IT-3 System Resiliency

Allocated Compensation	YE Performance	Awarded Compensation
$400,000	Did Not Meet Metric	$0

The System Resiliency metric aims to minimize the probability and impact of system failures through well-designed, robust, and thoroughly exercised Disaster Recovery and Business Continuity Plans (DRPs and BCPs) for specified critical systems and processes. The need for robust and thoroughly exercised BCPs has been a core LIPA recommendation to PSEG Long Island since November 2020, when LIPA's Isaias Task Force identified the lack of adequate BCPs as a critical management failure and recommended the development of comprehensive BCPs for all mission-critical systems and processes.

The 2022 metric had nine required deliverables. Critical systems in scope were organized into waves, with deliverables for submission and exercise of DRPs and BCPs for the systems in the first two waves and for preparation of the systems in the third wave. **There were no artifacts submitted for six (6) of the nine (9) deliverables, and the metric requirements were not met for the three (3) deliverables for which artifacts were submitted.**

The fundamental reason for the failure of the metric was that the initial BCPs and DRPs submitted were inadequate, particularly the BCPs. Given the importance of robust and well-designed DRPs and BCPs, LIPA endeavored to work with PSEG Long Island to bring the plans to an acceptable level and was willing to consider exceptions to the schedule or the composition of the waves if critical deliverables could be brought to minimum acceptable standards by year-end; however, this was not achieved.

Concerning the Wave 1 Disaster Recovery deliverables (plans and exercise), PSEG Long Island submitted DRPs for four (4) of the six (6) Wave 1 systems. The DR plans submitted missed key elements, such as a detailed failure mode analysis leading to invoking failover scenarios, reporting,

and corrective actions. LIPA was willing to accept the limited plans for exercising in the initial iteration if they could be brought to an acceptable level for testing, with the lessons learned from conducting the exercises to be incorporated into the development of more comprehensive disaster recovery plans in subsequent iterations. LIPA had agreed to grant an exception moving the remaining two (2) systems to subsequent waves, but the request that PSEG Long Island submitted was significantly broader in scope than what LIPA had agreed to, and PSEG Long Island did not resubmit an appropriate request. Three (3) of the limited DRPs that were submitted were exercised, but one (1) of the systems was exercised against only one (1) of the two (2) scenarios in the DRP, with the test prematurely terminated due to system issues.

For the Wave 1 BCPs, the submitted artifacts were not in line with the metric requirement for system-specific BCPs and did not adequately address the associated business processes and their criticality. LIPA met with PSEG Long Island multiple times over the year to discuss these expectations, most recently on September 9, 2022, when the path to success was addressed. PSEG Long Island did not subsequently follow through with revised artifacts aligned with the requirements.

LIPA continues to work with PSEG Long Island on BCPs and DRPs and hopes to see better results for the 2023 System Resiliency metric.

IT-4 System and Software Lifecycle Management

Allocated Compensation	YE Performance	Awarded Compensation
$300,000	Did Not Meet Metric	$0

The annual System and Software Lifecycle Management metric aims to ensure that all IT and Operational Technology (OT) assets managed by PSEG Long Island on behalf of LIPA are within their active service life and under general support from the product vendor, as required by the Board Policy on Information Technology and Cyber Security. Technology Lifecycle Management is an essential process for maintaining the security, stability, and robustness of technology platforms and a standard activity for well-functioning IT organizations.

The 2022 metric had three required deliverables – a comprehensive IT and OT asset inventory; a plan to replace or upgrade end-of-life assets within two (2) years, covering all assets not within their active service life and under general support from the product vendor; and the upgrade or replacement in 2022 of assets specified in the metric. The specified assets were included based on PSEG Long Island's capital budget request for 2022 and reflected PSEG Long Island's proposed upgrade/replacement projects for the year.

The initial submissions of the first two (2) deliverables were inadequate, with issues including incompleteness, inconsistencies, errors, and lack of alignment with metric requirements. For instance, the initial submission of the inventory had over a thousand assets with no End-of-Life date identified, and several assets with the planned update date mistakenly reported as being in 1905. **Both deliverables were ultimately approved after LIPA worked to bring them to an acceptable level, spending extensive time and effort on quality control reviews to identify specific gaps, errors, and inconsistencies to be remediated.** The inventory took two (2) and a half months to get to an approvable level, and the 2-Year refresh plan took over three (3) months, with three (3) re-submissions required for each deliverable. Note that while the inventory was approved, LIPA recommends that PSEG Long Island move expeditiously to address the identified deficiency of manual-only identification of OT assets.

PSEG Long Island failed to satisfy the third (3) requirement. PSEG Long Island did not submit anything for this deliverable, which was due by the end of the year, until February 6, 2023, when an Exception Request was submitted, which LIPA rejected. As reported by PSEG Long Island in the Exception Request, **of the 11 assets that were specified in the metric to be replaced or upgraded in 2022, only one (1) asset (9%) was upgraded/refreshed in 2022 as required.** One (1) additional asset was upgraded/refreshed in January 2023, and two (2) were reported as targeted for completion in February 2023, for a total of four (4) projects (36%) planned for completion by the end of the first quarter of 2023. Three (3) projects were reported as targeted for completion in the second quarter of 2023, two (2) in the third quarter of 2023, one (1) in the fourth quarter of 2023, and one (1) did not have a target in-service date determined. **PSEG Long Island's basis for requesting the exception was comprised of reasons for the delays for individual projects, which were in no way a sufficient justification for the poor overall project performance, especially since many of the specifically cited delays could have been avoided or mitigated with better planning and risk management.** Additionally, no requests were made in 2022 to substitute different lifecycle management projects for those that were not substantially worked on in 2022, and the impact of the delays on the planned 2023 work in the 2-Year Refresh Plan was not addressed.

The delayed projects have been incorporated into the 2023 metrics for remediation, and LIPA hopes to see significant improvement in the performance for this metric in 2023.

IT-5 System Implementation - 2022 Budget Projects (Tier 1 and Tier 2)

Allocated Compensation	YE Performance	Awarded Compensation
$800,000	Partially Met Metric	$600,000

System Implementation – 2022 Budget Projects is a project-based metric aimed at improving organizational IT project management performance for projects at or over $1 million for project lifecycle costs. The metric initially incorporated 21 projects based on project lifecycle costs per the Board-approved 2022 PSEG Long Island Capital Budget.

The metric provides a tiered incentive structure that awards full compensation for meeting the metric requirements for all the Tier 1 projects and 75% of the 10 Tier 2 projects, and 60% of the allocated Tier 1 compensation for meeting the metric requirements for eight (8) out of the 11 Tier 1 projects, including all projects identified as essential. Over the course of the year, two (2) Tier 1 projects and one (1) Tier 2 project were mutually deferred and thus dropped from the metric, and the thresholds have been adjusted accordingly. Partial compensation of 60% of the allocated Tier 1 incentive now requires meeting the metric requirements for seven (7) of the nine (9) Tier 1 projects, including all essential projects, and the compensation allocated for Tier 2 projects requires meeting the requirements for seven (7) of the nine (9) Tier 2 projects.

PSEG Long Island met the metric requirements for eight (8) of the nine (9) Tier 1 Projects, including all essential projects, and for seven (7) of the nine (9) Tier 2 projects; qualifying for 60% of the allocated Tier 1 incentive and 100% of the allocated Tier 2 incentive.

While PSEG Long Island did ultimately meet the metric requirements for most of the projects, performance on these projects has illustrated the same project management weaknesses that LIPA identified in the Isaias Task Force reports, **including poor planning and weak project management.** Deficiencies included a lack of clear definition of the planned end state and success criteria, a lack of alignment with LIPA's stated objectives or metric requirements, and a lack of sufficient detail. PSEG Long Island scheduled several projects to start too late in the year to allow completion by

the originally targeted due dates. Weak capacity and resource planning resulted in a 2022 IT Capital Budget that did not adequately account for the ability of the organization to execute multiple projects simultaneously. Additionally, the initial submissions of many of the required deliverables were weak, often requiring multiple review and revision cycles to be brought to an acceptable level. Appropriate capture of business requirements was a common weakness, as was adequate documentation of deployed systems.

LIPA has shown considerable flexibility in this first year of the project performance metrics, allowing multiple resubmissions of deficient deliverables and granting numerous exceptions for schedule extensions and scope modifications. Additionally, while the metric required actual costs to be within +/- 10% of budgeted costs, LIPA decided to grant a blanket waiver for this requirement as the new PSEG Long Island Chief Information Officer was planning initiatives to implement new budget tracking mechanisms that would allow for more accurate and meaningful reporting of actual project costs. **The metric requirements would not have been met for any of the IT-5 projects without this flexibility. While LIPA does not wish to reward subpar performance, our assessment has been that we could more effectively drive improvements in performance and better project outcomes by continuing to engage with PSEG Long Island to improve the quality of the work product. LIPA expects to see improved project performance as PSEG Long Island IT increases its organizational maturity, and PSEG Long Island should not assume the same degree of flexibility moving forward.** Note that where planned 2022 work was not completed at an acceptable level, the associated deliverables are generally incorporated into the 2023 IT-5 metric for completion or remediation and will be tracked accordingly.

The final 2022 status of each project with respect to the metric requirements is summarized below, followed by a discussion of the individual projects for this metric.

	Tier 1		Tier-2	
x[8]	GIS	Met	CAD & OMS Operational Enhancements	Met
x	DER Visibility	Met	CyberArk for CNI	Met
x	ADMS	Met	Cybersecurity Program	Not Met
	MEGA	Met	Dragos for CNI	Met
x	Regulatory Billing	Met	Industrial Defender	Met
	CCaaS	Not Met	AVLS	Met
	Outage and Incident Communications	Exempt	AMI MDM Enhancement	Met
x	Billing capability for standby rates	Exempt	Suffolk County Sewage Billing	Not Met
	CDG	Met	Rate Change Enhancements	Met
x	Enterprise Time and Attendance	Met	New Business Portal	Exempt
	Enterprise Mobile Strategy	Met		
	TOTAL NON-EXEMPT PROJECTS	9	TOTAL NON-EXEMPT PROJECTS	9
	METRIC MET	8	METRIC MET	7
	INCENTIVE LEVEL ACHIEVED	**60%**	**INCENTIVE LEVEL ACHIEVED**	**100%**

GIS - Long-Term Plan, Architecture and Technology Stack Upgrade [Tier 1]

This project encompassed development of a GIS Long Term Plan and Roadmap, development of an overall long-term GIS architecture with high availability and failover, and modernization of the GIS technology stack, including upgrade of the existing ESRI-based enterprise GIS solutions. The Long-Term Plan and Roadmap was intended to satisfy the Board Recommendation for development of a comprehensive GIS Long-Term

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[8] Indicates an Essential project which must meet metric standards in order for any Tier 1 compensation to be awarded

Plan, as specified in the GIS Board Resolution dated October 29, 2021. **PSEG Long Island submitted a GIS Roadmap that did not satisfy the requirements of the Board Recommendation.** PSEG Long Island did work with LIPA to significantly improve the roadmap component of the deliverable from the initial submission. Given the likelihood that the EAMS/Asset Management program will introduce changes in the next year that could significantly impact strategic plans for the GIS program, LIPA accepted the submission as a preliminary interim GIS Roadmap. **PSEG Long Island incorporated into the GIS Roadmap an initiative for development of a comprehensive GIS Long Term Plan that satisfies the specifications of the Board Recommendation, to be developed in alignment with the relevant EAMS/Asset Management program efforts and delivered to LIPA for approval no later than the first quarter 2024.**

The GIS upgrade went live in December 2022, deployed in a High Availability configuration, with some non-critical elements deferred to January 2023. Documentation for the system, including the Architecture and documentation of the as-deployed system, took multiple rounds of review and revision but was ultimately accepted. The project met the 2022 metric and will be closed out as part of the 2023 metrics.

DER Visibility (U2.0) [Tier 1]

The Distributed Energy Resources (DER) Visibility project aims to define and implement an operational platform that provides PSEG Long Island's Distribution Operators with better awareness of large DERs. This insight is valuable for distribution operators under varying load, weather, and grid reliability conditions. The project will enable Distribution Operators visibility into the initial 27 SCADA-connected large/industrial DERs.

The DER visibility project is ongoing, with planned completion in October 2023. **LIPA has approved two (2) exceptions requested by PSEG Long Island.** The first exception was to defer and replace the Factory Acceptance Testing from the Fall of 2022 with Functional Acceptance Testing in the Spring of 2023. The second exception was to move the Functional Acceptance Testing to the second quarter of 2023. The 2022 deliverables for this project were accepted by LIPA.

ADMS Network Model and Long-Term Roadmap [Tier 1]

The ADMS Network Model and Long-Term Roadmap project was a strategic planning initiative for the deployment of an Advanced Distribution Management System (ADMS) to enable operators of the Distribution system to more effectively track and monitor resources and assets to provide customers with efficient and cost-effective electric service.

The project was focused on planning, design, and discovery efforts to develop a strategic plan (the '3-year Roadmap and Conceptual Architecture Document') that defined the holistic ADMS vision and created the roadmap to accomplish it, as specified in the metric. In addition to the roadmap, the metric and approved PIP required the development of Functional and Technical Requirements, including use cases that map how the information will be used and a Conceptual Grid-Wide Design.

After several rounds of review, feedback, and revision, LIPA accepted the roadmap deliverable as meeting the metric criteria. However, the Functional and Technical Requirements submitted by PSEG Long Island were not acceptable. The deliverable described general ADMS functionality, more appropriate for a white paper, with some PSEG Long Island desired outcomes. The document did not include a discrete listing of use cases, as specified by the metric, with associated requirements to enable those use cases. **LIPA provided this feedback to PSEG Long Island on multiple occasions during review meetings. After several discussions, PSEG Long Island agreed to develop appropriate requirements, and LIPA granted an Exception Request that moves the due date to**

2023, with the deliverable incorporated into the 2023 IT-5 metric.

The approved PIP also specified as a deliverable a Conceptual Grid-Wide Design, which was not produced. The submitted Roadmap document did include an ADMS interface architecture, as well as certain conceptual operations. However, the Roadmap document did not include essential elements of a "conceptual grid-wide design," which LIPA expects to include representative feeders and design patterns for current and planned distribution automation devices and communications equipment to support the future ADMS functionality. **After several discussions, PSEG Long Island agreed to develop the appropriate design, and LIPA granted an Exception Request moving the due date to 2023, with the deliverable incorporated into the 2023 IT-5 metric.**

MEGA - Storm Damage Assessment App [Tier 1]

This project was for the development of a Field Damage Assessment application to be used during electric storm restoration, using ArcGIS Online (AGOL) and the suite of ESRI "Out of the Box" (OOTB) products. The metric also required the creation of a long-term strategy document addressing future development and deployment of mobile solutions for Electric Operations using AGOL and other ESRI tools.

After multiple rounds of review, feedback, and revision, the PIP and the Strategy Document were accepted. The Damage Assessment solution was delivered, with functionality including both the ability to assign jobs from OMS and the ability to perform ad-hoc circuit walks. **However, the required Operations and Maintenance (O&M) documentation for the solution was not produced on time. LIPA agreed to grant an exception deferring the delivery of the documentation to 2023, to be tracked as part of the 2023 metrics.**

Regulatory Billing Projects (Community Choice Aggregation - CCA/ESCO Billing; Solar Communities Credit- FIT V; Suspend Daily Service Charges) [Tier 1]

The Regulatory Billing project encompasses three (3) sub-projects for implementing certain billing-related regulatory requirements – (i) Community Choice Aggregation/ESCO Billing, to implement and develop the option to consolidate billing for Long Island Choice Energy Service Company (ESCO) customers and incorporate the development of Community Choice Aggregation (CCA); (ii) Solar Communities Credit/FIT V, to identify LMI HAR (Low Medium Income Household Assistance Rate) customers who will receive the benefit of a discount due to large capacity solar energy sourcing; and (iii) Suspend Daily Service Charges, to create an on-demand billing method to credit the daily service charges to customers affected during a major storm event.

The Suspend Daily Service Charges change was implemented, and CCA and FIT V were granted exceptions extending completion of work to 2023. Project artifacts including requirements, design, and test plans and results, have gone through several rounds of review, feedback and revision; and remediation and project close-out/IV&V will be completed as part of the 2023 IT-05 metric.

Contact Center as a Service (CCaaS) [Tier 1]

The purpose of the Contact Center as a Service (CCaaS) project is to provide a unified cloud-based Customer Contact Center solution, replacing the existing Contact Center technology suite, which consists of several disparate on-premise systems. The new omnichannel CCaaS solution is expected to improve the customer experience, expand the capabilities, and lower operating costs.

PSEG Long Island submitted a PIP for the project in January 2022, as required by the metric, but

it took 11 months to get the PIP to an acceptable state due to misalignment in objectives, multiple project schedule changes and delays, and quality issues with the work plan. After LIPA provided PSEG Long Island with multiple opportunities over the 11 months to revise and resubmit the PIP and accepted two extensions to the planned go-live date, the PIP was finally approved on December 30, 2022.

Unfortunately, the issues with quality and completeness extended to other deliverables, and PSEG Long Island did not meet the metric requirement to deliver all 2022 Project Scope and Deliverables as specified in the PIP. Specifically:

- PSEG Long Island submitted the Functional and Technical Design Document for NICE and Omilia Phase 1 Batch 1-2 on time in October 2022. After a thorough review of the design documents, LIPA had concerns that the project objectives, end state, and success criteria detailed in the PIP would not be achieved with the proposed design as it was based on a 'lift and shift' implementation approach that replicated the design and functionality of the current system, instead of developing a design that leveraged the new tools to improve the customer experience or expand capabilities. LIPA and PSEG Long Island had several meetings in January and early February 2023 to address **the misalignment of the proposed design and business rule requirements to the objectives/end state/success criteria laid out in the approved PIP, and on February 2023, LIPA provided written feedback rejecting the deliverable** until PSEG Long Island addressed questions that LIPA provided. PSEG Long Island did not respond.

- Per the PIP, the Test Plan/Strategy was due on September 2, 2022. **PSEG Long Island submitted the Test Plan seven (7) weeks late, on October 21, 2022. On February 7, 2023, LIPA provided feedback that the strategy for performance and penetration testing was not included in the plan**, although it had been specified as required in draft versions of the PIP since August 2022.PSEG Long Island was asked to revise and resubmit the Test Plan but failed to do so.

The project is planned to go live in May 2023 per the approved PIP, but PSEG Long Island is anticipating further schedule slippage, most recently related to delays in performance testing, with no new deployment dates confirmed. Performance on this project did not meet the metric requirements for 2022; more importantly, it is not at a level appropriate for a critical customer-facing solution. PSEG Long Island needs to significantly improve its performance.

<u>**Outage and Incident Communications - Phase 2**</u> [Tier 1]

This project was intended to satisfy DPS requirements for the expansion of the outage data that NYS utilities are required to send them. The project is on hold pending the expected detailed requirements from DPS. LIPA granted an exemption for this project, and it is not being counted towards the metric.

<u>**Billing capability for standby rates, to be optional for all commercial customers**</u> [Tier 1]

The project was deferred due to the prioritization of Time of Day rates, and it is not being counted towards the metric.

<u>**Community Distributed Generation (CDG) Automated Billing**</u> [Tier 1]

The goal of this project is to implement an automated billing process for customer accounts that participate in CDG, which involves providing credits to satellite customer accounts based on generation at a host facility. These accounts are currently being billed through a manual workaround that does not incorporate critical bill elements. The manual workaround is a complex process that requires advanced

skills to bill the accounts, and additionally reduces the transparency of readings and billing factors for customers who receive these bills. The scope of the metric project included all IT and billing work needed to offer the net crediting to all CDG projects, and was to be implemented via a hybrid approach, with initial manual billing in conjunction with parallel efforts for development and deployment of an automated billing solution.

An interim Phase 1 solution that eliminated a time-consuming manual account lookup and update process that was part of the manual workaround was implemented in July 2022, and a longer-term Phase 2 solution is targeted for completion in the third quarter of 2023 as part of the 2023 metrics. The solution will not fully automate the CDG billing process as desired but does incorporate the automation of various manual workaround processes in the CAS mainframe application such as adding and/or removing customers in the CDG programs, applying CDG credits to customer bills, and storing customer credits.

PSEG Long Island has not yet provided acceptable requirements and design artifacts for either the interim or the long-term solution. These outstanding deliverables serve as the foundation for the planned 2023 deployment. LIPA has granted an extension so that PSEG Long Island can revise the deliverables to an acceptable level as part of the 2023 metrics.

Enterprise Time and Attendance System (Planning) [Tier 1]

The project encompassed planning and procurement efforts for a comprehensive Enterprise Time and Attendance (T&A) System, to culminate in issuance of an RFP for a software solution and implementer. The new T&A system is intended to eliminate manual processing, improve data quality, and provide mobile timesheet capabilities.

The project was granted an exception for a delayed start. Despite the extension, a key deliverable, the Current State Analysis, was submitted three months late. After several rounds of review, feedback, and revision, all deliverables were accepted, and the RFP was issued only slightly behind schedule. In light of the completion of the work, LIPA has agreed to grant another exception and accept the delayed deliverable as meeting metric requirements.

Enterprise Mobile Strategy including Field Work Management [Tier 1]

The purpose of the Enterprise Mobility project was to develop a Long-Term Prioritized Enterprise Mobile Plan for all areas of the business and a Long-Term Field Work Management/Mobile App Strategy, to support consistent and prioritized development and management of mobile applications, and to ensure that Field Work Management leverages mobile capabilities and opportunities.

The project was granted a couple of extensions, resulting in November and December due dates for the Enterprise Mobile Plan and Field Work Management Strategy, respectively. Draft presentations of the two plans were shared with LIPA SMEs in November 2022 and January 2023, respectively, and went through several iterations in response to LIPA feedback.

LIPA notified PSEG Long Island in November 2022 and again in February 2023 that the plans were expected to be formal write-ups appropriate for Long Term Plans and not just presentations. The initial documents, which were submitted on March 23, 2023, largely replicated the content of the presentations and lacked sufficient context, rationale, and explanation for Long-Term Plans. LIPA worked with PSEG Long Island to bring the written plans to the appropriate level. Ultimately, in light of the significant completion of the substance of the plans and to produce the best product, LIPA granted extensions for the completion of the full write-ups, which are now due in June 2023 as part of the 2023 metrics.

<u>**CAD & OMS Operational Enhancements**</u> [Tier 2]

This project incorporated two initiatives – migration of historical data from legacy OMS/CAD v5.5 and v6.7.4 into the new v6.7.8 platform; and monitoring enhancements, focused on verifying and improving the monitoring capability of application systems that are integrated with OMS.

The PIP was accepted after review and revisions, with an agreement to drop the Application Resiliency Enhancements scope specified in the metric from the project due to overlap with other metric projects. Both in-scope initiatives were completed in 2022, though the historical data migration encountered delays. After several rounds of review and updates, LIPA completed IV&V and accepted the close-out.

<u>**CyberArk for CNI**</u> [Tier 2]

This project is for the deployment of a modern Privileged Access Management (PAM) tool, CyberArk, to monitor and manage privileged accounts in the EMS and DSCADA environments, in support of the overall LIPA objective of maturing cybersecurity controls in PSEG Long Island's OT environments.

The metric specified completion of the project in 2022, in line with PSEG Long Island's provided schedule in the 2022 budget request. Instead, PSEG Long Island proposed a project timeline starting in August 2022 and completing in October 2024. LIPA agreed to grant the schedule extension based on the inherent nature and complexity of the work. Ultimately, the project did not kick off until November 2022 due to delays in onboarding a vendor, and a pilot planned for 2022 was accordingly moved to 2023.

While LIPA accepts the extended project timeline, the unrealistic preliminary estimates and late-in-the-year project start reflect poor planning and insufficient focus and prioritization of cybersecurity projects; issues which were reflected in all four (4) cybersecurity projects included in the metric. PSEG Long Island now has a Chief Information Security Officer (CISO) in place, and we hope that this new cybersecurity management position will result in improved performance for cybersecurity projects moving forward.

<u>**Cybersecurity Program**</u> [Tier 2]

The Cybersecurity Program project is a continuous improvement project comprised of five sub-projects for the implementation of improvements related to various cybersecurity capability areas, including critical infrastructure and OT environments.

A PIP was not submitted until June 2022, three months after it was due. The PIP proposed a Start Date of August 5, 2022, and a completion date of July 7, 2023, a timeline that is not consistent with the metric, which specifies the objective of completing the project by November 2022. After several review and revision cycles, LIPA was unable to get PSEG Long Island to provide any schedule compression. While our concerns remained unaddressed, LIPA accepted the PIP in November 2022 to avoid further delays to this important project based on the understanding that PSEG Long Island would not submit a revised schedule that moved up the end dates for the project or any sub-projects.

LIPA did not, however, grant an Exception Request submitted by PSEG Long Island for the delay. PSEG Long Island cited several reasons for the delay, all of which LIPA believes could have been avoided with better planning. While LIPA has granted extensions in many cases, we cannot approve a delay of such a magnitude to an important cybersecurity project. Ultimately, LIPA did not see this project being approached with the level of focus and urgency that LIPA expects for cyber

security projects.

This project is now included in the 2023 IT-05 metric. LIPA did grant a separate Exception Request that moved the due date for some 2022 deliverables but did not alter the planned project completion date from the approved PIP of August 28, 2023. LIPA urges PSEG Long Island to ensure that this planned completion date is met. With PSEG Long Island's CISO in place, we hope that this new cybersecurity management position will result in improved performance for cybersecurity projects moving forward.

Dragos for CNI [Tier 2]

The goal of this project is the deployment of a new network security monitoring solution, Dragos Site Manager, in the PSEG Long Island EMS and DSCADA environments to ensure adequate OT Network Monitoring capabilities in both environments.

The metric specified completion of the project in 2022, in line with PSEG Long Island's provided schedule in the Board-approved 2022 budget. Instead, PSEG Long Island's PIP proposed a project timeline starting in July 2022 and completing in April 2023. After several review and revision cycles, LIPA was unable to get PSEG Long Island to provide sufficient schedule compression. While our concerns remained unaddressed, LIPA accepted the PIP in November 2022 to avoid further delays to this important project based on the understanding that PSEG Long Island would not submit a revised schedule that moved up the end dates for the project. The project ultimately had its kick-off in October 2022, and is scheduled for completion in May 2023 per the approved PIP.

As with the other cybersecurity projects, the unrealistic preliminary estimates and late-in-the-year project start reflect poor planning and insufficient focus and prioritization of cybersecurity projects.

Industrial Defender for DSCADA [Tier 2]

The goal of this project is to deploy a new modern configuration management and alerting tool, Industrial Defender, into the DSCADA environment, supporting the overall LIPA objective of maturing cybersecurity controls in PSEG Long Island's OT environments.

The metric specified completion of the project in 2022, in line with PSEG Long Island's provided schedule in the Board-approved 2022 budget. Instead, PSEG Long Island proposed a project timeline starting in July 2022 and completing in June 2023. LIPA agreed to grant the schedule extension. The project kicked off in July 2022 as planned, and all 2022 deliverables were submitted.

As with the other cybersecurity projects, the unrealistic preliminary estimates and late-in-the-year project start reflect poor planning and insufficient focus and prioritization of cybersecurity projects.

AVLS Integration with Physical ID Badge System [Tier 2]

This project required integration of the AVLS system fleet management system with the employee badge system to allow tracking of the employee to the vehicle and to provide the hours associated with vehicle use. The project was intended to satisfy FEMA reimbursement reporting requirements.

The submitted Business Requirements document did not adequately capture business and functional requirements and was granted an extension to 2023 for remediation. The integration of the AVLS and Badge systems was implemented after some delays, but it was found that additional reconciliation against labor hours was required to automate FEMA reporting. PSEG Long Island will submit a plan to address the reporting gaps along with the updated requirements document in 2023.

<u>**AMI System Enhancements**</u> [Tier 2]

This project encompassed several independent sub-projects, the MDMS upgrade being the most significant. The PIP was accepted after a couple of rounds of review, revision, and feedback. **PSEG Long Island was subsequently granted exceptions for the MDMS upgrade, the manual meter reading improvement, and the transformer vault inspection rework, with the work deferred to 2023 in all three cases. PSEG Long Island was unable to complete the MDMS upgrade in 2022 due to a lack of resources from the vendor who hosts the MDMS system**. LIPA and PSEG Long Island determined that the other tasks should be deferred due to their intersection with the work management system (WMS) and PSEG Long Island's activities to evaluate new WMS processes.

PSEG Long Island did complete the following tasks which were also part of this project – (i) enhanced reporting in the Command Center for meters considered to be stolen or missing; (ii) modification of the Mulesoft ESB to enhance cybersecurity; and (iii) modification of the Mulesoft ESB to protect the system by limiting high numbers of meter disconnection requests.

PSEG Long Island completed the MDMS upgrade in March 2023 as part of the 2023 metrics.

<u>**Suffolk County Sewage Billing Project**</u> [Tier 2]

The purpose of this project is to support billing related to the Suffolk County sewer system after upgrades by the Suffolk County Department of Public Works to connect approximately 5,000 homes to the public sewer system as a replacement for the existing onsite septic systems. Each of these homes is being set up with a separate meter and will require a separate account in the name of the Suffolk County Department of Public Works, with summary billing to a parent account for Suffolk County.

The initial submission of the PIP was not acceptable as it was not aligned with LIPA's objectives for the project. PSEG Long Island viewed the project as having limited technical scope to develop a new rate code in the Customer Accounting System (CAS). LIPA's position was that the project must incorporate business objectives and deliverables and cannot only be a technical implementation to add the new sewerage rate to CAS. As LIPA noted, the addition of the new rate to the system without ensuring that accurate and timely billing commences on schedule does not serve the needs of the customer. In September 2022, LIPA approved the PIP with the incorporation of LIPA's redline edits, which included specifying billing automation as part of the objective and the addition of business-focused deliverables such as an account migration plan to ensure the business is prepared to manage and bill these new, unique accounts.

Issues persisted with subsequent deliverables, and ultimately PSEG Long Island did not meet the metric requirement to deliver all 2022 Project Scope and Deliverables as specified in the PIP, despite ample opportunities to revise and resubmit in response to LIPA's feedback. Specifically:

- **The Test Plan/Strategy, which was due in November 2022, was submitted over two (2) months late on January 25, 2023.** LIPA asked for revision and resubmission of the plan because the dates in the proposed test schedule were not aligned with the testing dates in the approved PIP. In addition, LIPA noted that some of the User Acceptance testing (UAT) approaches described in the plan were more representative of unit or functional testing and not UAT, where test cases should be written and executed by users. After receiving LIPA's feedback, PSEG Long Island resubmitted the plan in February 2023 but did not address all of the items raised by LIPA.

- **The Requirements Traceability Matrix (RTM), which was due in November 2022, was submitted two (2) months late in January 2023.** LIPA had previously noted, in response to the initial requirements included with the PIP, that the requirements were technical and did not reflect

the business's perspective; and had requested for the requirements to be revised. **The RTM submitted in January 2023 did not have updated business requirements, and LIPA rejected it and requested a resubmission. PSEG Long Island resubmitted the RTM in February 2023 but did not address the items raised by LIPA.**

- **Per the approved PIP, the testing of the new rate was to coincide with the annual rate change process in December, and PSEG Long Island was to submit the test results by December 31, 2022. As of January 31, 2023, LIPA had not received the deliverable and sent a reminder. PSEG Long Island did not subsequently submit the test results for consideration for 2022.** LIPA later learned that PSEG Long Island had decided to defer the testing of the rate a few months into 2023. This was never communicated to LIPA, and PSEG Long Island did not request an exception.

In LIPA's opinion, all of these issues can be traced to a focus on the technical step of developing a rate code versus the business objective of accurate and timely billing. The project will not have a successful outcome if the business objective and end state are not sufficiently considered throughout the project lifecycle

Rate Change Enhancements [Tier 2]

The Rate Change Enhancements project encompassed the system changes required to support the annual rate change, as well as additional regulatory updates that were required to be implemented by the first business day in January 2023.

After a few rounds of review and revision, the PIP was accepted in October 2022. The project was scheduled for completion at the end of February due to some items that needed to be sequenced after the main implementation. The changes were implemented, and LIPA is not aware of any issues. **LIPA's project close-out/IV&V will be conducted as part of the 2023 IT-05 metric.**

New Business Portal [Tier 2]

This project intended to develop an online portal for PSEG Long Island New Business customers. **During LIPA's review of the New Business Portal PIP, LIPA identified deficiencies regarding the technical design, the initial research to support the benefit to customers, and the value of the investment. To address these issues, LIPA and PSEG Long Island agreed to defer the 2022 implementation** and instead conduct research to determine industry best practices around customer/contractor portals and the associated customer satisfaction. **LIPA granted an exemption for this project, and it is not being counted towards the metric.**

IT-6 System Implementation – Board Project Improvement Plans (PIPs) (Tier 1 and 2)

Allocated Compensation	YE Performance	Awarded Compensation
$500,000	Met Metric	$500,000

System Implementation - Board Project Improvement Plans is a project-based metric aimed at improving organizational IT project management performance.

The metric incorporates nine (9) projects intended to satisfy Board adopted recommendations, with a

tiered incentive structure that awards total compensation for meeting the metric requirements for all five (5) of the Tier 1 projects and three (3) of the four (4) Tier 2 projects; and partial compensation for meeting the metric requirements for four (4) of the five (5) Tier 1 projects.

The projects included in this metric were all in progress at the start of the performance year. **Eight (8) of the nine (9) projects addressed Isaias Task Force recommendations and were already delayed relative to PSEG Long Island's original plans.**

While PSEG Long Island ultimately met the metric requirements, most projects exhibited project management weaknesses, and overall performance cannot be considered good. One (1) Tier 2 project was not conducted (as allowed by the metric), and four (4) of the remaining eight (8) projects were granted substantial reductions in scope and/or significant extensions for key deliverables. Many deliverables required multiple revisions to be brought to an acceptable level. Several projects were impacted by a lack of alignment with LIPA's stated objectives or metric requirements. Additionally, as with the IT-5 projects, adequate documentation of deployed systems was a common weakness.

LIPA has shown considerable flexibility in this first year of the project performance metrics, allowing multiple resubmissions of deficient deliverables and granting numerous exceptions for schedule extensions and scope modifications. **The metric requirements would not have been met for any of the IT-6 projects without this flexibility.** While LIPA does not wish to reward subpar performance, our assessment has been that we could more effectively drive improvements in performance and better project outcomes by continuing to engage with PSEG Long Island to improve the quality of the work product. LIPA expects to see improved project performance as PSEG Long Island IT increases its organizational maturity, and PSEG Long Island should not assume the same degree of flexibility moving forward.

The final 2022 status of each project with respect to the metric requirements is summarized below, followed by a discussion of the individual projects for this metric.

Tier 1			Tier 2	
	3.2.2.3 OMS Upgrade/fix defects	Met	4.13 Stress-test the CAD system and the ESB	Met
x[9]	4.01 Comprehensive and strategic technology plan for outage reporting and communications	Met	4.15 Performance test OMS and feeder systems to establish peak capacity	Not Met
	4.14 Complete the Mobile Workforce Solution for foreign crews and crew guides	Met	4.18 Monitor application performance and error logs	Met
x	5.4.2b AMI Integration and Operation with OMS	Met	3.2.2.4 Automate monitoring of OMS and CAD performance at the application level	Met
x	DIA-01 Standardized Data Access Platform	Met		
	TOTAL NON-EXEMPT PROJECTS	5	TOTAL NON-EXEMPT PROJECTS	4
	METRIC MET	5	METRIC MET	3
	INCENTIVE LEVEL ACHIEVED	**100%**	**INCENTIVE LEVEL ACHIEVED**	**100%**

3.2.2.3 [Tier 1]

Board Recommendation 3.2.2.3 required PSEG Long Island to work with CGI to obtain and implement

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[9] Indicates an Essential project which must meet metric standards in order for any Tier 1 compensation to be awarded

fixes for identified application defects. It was satisfied following the February 2022 deployment of a remediated OMS Version 6.7.8.

However, it took multiple requests and follow-ups from LIPA to obtain the necessary revisions to the Isaias OMS Causal Document, a required deliverable for the project. The initial submission failed to address OMS Web Service capacity limitations, despite the fact that the solution implemented to address those limitations was one of the key remediations to the OMS system. Acceptable artifacts were finally delivered in October 2022.

4.01 [Tier 1]

Board Recommendation 4.01 requires PSEG Long Island to develop and execute a comprehensive and strategic technology plan for outage reporting and communications, and **the metric project required submission of the Strategic Technology Plan for Outage Reporting and Communications by August 31, 2022. The Plan was not submitted until October 2022**; however, LIPA agreed to accept it for review to produce the best product and provided detailed feedback in December 2022. In February 2023, PSEG Long Island requested an extension to seek further clarity on the scope because they believed that LIPA's feedback reflected a customer/business focus instead of the previous technical focus. LIPA does not see any change in the intended scope of a comprehensive and strategic technology plan which includes a holistic and integrated vision of outage reporting and customer communications infrastructure and business operations. However, LIPA has granted the requested extension as the best path for achieving a comprehensive plan that drives customer experience and value improvements.

4.14 [Tier 1]

Board Recommendation 4.14 addresses the completion of the Mobile Workforce Solution for foreign crews and crew guides. The metric project, for two-way integration with OMS/CAD and full deployment, required the two-way integrated solution deployment to be completed and validated with a test group of users by December 31, 2022, and full deployment to be completed by 2023 Q2 (prior to the storm season). The two-way integration was expected to significantly increase the usefulness and adoption of the solution over the existing version of the mobile field app, which allows jobs to be electronically dispatched to the field workers but still requires the workers to then manually update the dispatcher on job status information from the field.

Ultimately, two-way integration was not developed. PSEG Long Island reported to LIPA that the two-way integration was either not possible or not recommended for various technical reasons and further noted that the Enterprise Mobility Strategy initiative recommended deferring implementation of the two-way integration pending the planned replacement of the CGI CAD product as part of the Enterprise Asset Management System (EAMS) project. LIPA had questions about PSEG Long Island's conclusions on the feasibility of two-way integration with the CGI CAD product, which remains unanswered, as discussed below, but agrees that given the expected timelines for replacement of the CAD product, development of the two-way integration should be deferred.

PSEG Long Island submitted an Exception Request at LIPA's prompting; however, the request could not be approved as submitted because, as LIPA noted in its response, the description was inconsistent and entirely unclear as to what exception was being requested. **LIPA suggested in its response that PSEG Long Island submit a new Exception Request and provided clear and explicit guidance on how we expected those requests to be constructed. Inexplicably, PSEG Long Island failed to do so.**

While in isolation, this could be seen as a minor procedural failure, **it was far from the only issue with this project, which was characterized by an overall lack of responsiveness to LIPA and the metric requirements**, as evidenced by the following timeline of events.

LIPA rejected the first submission of the PIP because it did not comply with the metric requirement that solution deployment be completed and validated with a test group of users by December 31, 2022. It took almost two months for PSEG Long Island to submit a revised PIP. In response, on June 24th, LIPA provided some questions to PSEG Long Island about apparent inconsistencies and requested a brief meeting with PSEG Long Island to help better understand the chronology of various milestones/deliverables. PSEG Long Island did not respond. LIPA subsequently followed up on September 4th and again received no response. In October, PSEG Long Island submitted a status report stating that two-way integration between CGI PField and foreign crew mobile devices (BYOD) is not possible and PIP 4.14 should be closed, and in November, submitted a revised PIP stating that the two-way integration between CGI PField and foreign crew mobile devices is not recommended. LIPA requested a revision because the PIP included some inaccuracies, and additionally, LIPA had several questions about the Proof of Solution (POS) evaluation that PSEG Long Island said they conducted to assess the viability of extending CGI's PField app for use by Foreign Crews. In December, PSEG Long Island submitted a revised PIP that did not satisfactorily address all of our questions and the Exception Request discussed above.

At this point, LIPA is not yet convinced about the quality of the evaluation that PSEG Long Island conducted to reach its conclusion about the viability of the two-way integration. As noted above, LIPA has questions that have not been adequately addressed, including but not limited to:

- It is not clear whether attempts were made to comprehensively identify and evaluate approaches other than extending CGI PField; and whether alternatives to the Bring Your Own Device (BYOD) approach were evaluated.

- PSEG Long Island states in the November PIP revision that one of the reasons why the originally submitted PIP is no longer viable is that CGI has confirmed that if any modifications are made to version 6.7.8 OMS/CAD to achieve two-way integration with the FM mobile app, they will not provide technical support related to these changes nor warrantee system performance. The only supporting information that PSEG Long Island has been able to provide is their own documentation, namely an October 2021 internal memo asserting that CGI has notified PSEG Long Island that they will not be able to provide any warranty or support if the XML API is used for integrating between Field Mobile App and CAD, and a November 2021 status report asserting that CGI has stated that their XML APIs will not be able to support two-way integration for the FM app. **It is not explained how information that was known in 2021 could negate the viability of a PIP developed in 2022, and absent supporting documentation directly from CGI, it cannot be determined whether the varying statements reflect an evolution in CGI's position or imprecise phrasing from PSEG Long Island.**

- **PSEG Long Island has described the efforts required to address various requirements as 'significant'; but has not responded to LIPA's request to provide Level of Effort estimates.** Absent any quantification of what is considered 'significant,' this cannot be regarded as a valid justification for not implementing the integration.

These questions may have simple answers; however, as PSEG Long Island has chosen not to provide them to LIPA, we cannot verify the validity of the evaluation.

Since LIPA is in agreement with a deferral of the two-way integration given the anticipated timeline of replacement of the CGI CAD product, we have granted the exceptions and waived our questions about

the evaluation as moot. While the project has consequently met the metric requirements, the overall performance was not at expected levels.

5.4.2b [Tier 1]

PSEG Long Island completed the AMI-OMS PIP after several delays, eventually going live in June 2022. At that time, PSEG Long Island had not completed performance testing with the new integration, and the performance testing results were unavailable until October 2022. LIPA understood that the current MDMS and OMS integration was intentionally restricted based on the limitation of the OMS's ability to receive and process high volumes of event messages from the various digital channel inputs. PSEG Long Island represented that there would be additional phases of improvement for the AMI-OMS integration but, at this time, only indicated that they would enact a project to import AMI meter voltage data from three phase meters into the OMS to detect single-phase power outages. **PSEG Long Island has not updated its AMI-OMS integration roadmap after the performance testing, leaving the current state, which can result in an unprioritized disregard of AMI power-offs and power-ons by the OMS during periods of high outages.**

DIA-01 [Tier 1]

Board Recommendation DIA-01 requires development of a Standardized Data Access Platform consisting of an enterprise-wide data warehouse, a broader data lake, and provisioning and development of tools to support reporting and analytics.

The metric required (i) development of a Master Data Analytics Project Plan which addressed the Board Data Access recommendation and included a data assessment (LIPA internal, DPS, and PSEG Long Island) per the Board Recommendation and development of high-level requirements and Use Cases; and (ii) completion of a Phase 1 deployment by the end of 2022 per the Board recommendation.

The submitted Master Data Analytics Project Plan was not acceptable. Most importantly, it was not compliant with the metric requirements, the Board Recommendation, the approved PIP, and LIPA's stated requirements. LIPA provided a written response, and had several discussions with PSEG Long Island aimed at better aligning the project to LIPA's requirements and objectives.

The project also had a late start. **In July 2022, LIPA significantly reduced the scope of the project out of concern for the project's ability to deliver the original scope.** PSEG Long Island's focus would be on bringing all data into the data lake. Reporting, analytics and implementation of use cases would be out of scope. The scope of data to be delivered in Phase 1 was also reduced.

LIPA asked PSEG Long Island in meetings to revise plans to align with the new scope, and subsequently followed up with PSEG Long Island. The revised Master Data Analytics Project Plan was finally received in March 2023. **LIPA has granted an exception for this deliverable, moving it to the 2023 metrics, to allow it to be brought to an acceptable level.**

The Phase 1 data was ultimately delivered to the Standard Data Access Platform (SDAP). LIPA access initially required logging in to a PSEG Long Island device on their network, an approach which directly contravened LIPA's primary objective of having seamless, effective and simple access to the data. This issue was finally addressed in March 2023, after LIPA's technical team worked with PSEG Long Island to architect and establish a secure tunnel to allow direct querying of the SDAP database from the LIPA network.

LIPA has accepted the metric requirements as met. However, **PSEG Long Island must improve it's performance and it's alignment with LIPA's objectives and requirements in order to be successful in Phase 2 of this project, which is incorporated in the 2023 metrics.**

4.13 [Tier 2]

Board Recommendation 4.1.3 required PSEG Long Island to thoroughly stress-test the CAD system and the ESB after the OMS faults were diagnosed and repaired to ensure there were no independent defects affecting either system. The CAD and ESB systems were stress tested against the repaired OMS system v6.7.8 following the February 2022 deployment, and all tests passed the established acceptance criteria.

However, it took multiple requests and follow-ups from LIPA to obtain the necessary revisions to the Isaias OMS Causal Document, a required deliverable for the project. The initial submission failed to address OMS Web Service capacity limitations, despite the fact that the solution implemented to address those limitations was one (1) of the key remediations to the OMS system. Acceptable artifacts were finally delivered in October 2022.

4.15 [Tier 2]

Board Recommendation 4.1.5 required PSEG Long Island to performance test the OMS and feeder systems to establish peak capacity. To align priorities and resources for required DPS Emergency Response Testing and LIPA OMS Independent IV&V activities, **LIPA granted an exception extending the March 31, 2022 due date to December 31, 2022, for core OMS systems and March 31, 2023, for digital channel feeder systems; however, the work was never conducted.** Since the metric required completion of only three (3) of the four (4) Tier 2 projects, metric disposition is not impacted; however, the recommendation remains open.

4.18 [Tier 2]

Board Recommendation 4.1.8 required monitoring of application performance and error logs of all mission-critical application systems, such as OMS, CAD, SCADA, ESB, etc. The Splunk monitoring tool was deployed with the goal of providing traceability for transactions, early detection of slowness, early detection of unresponsiveness, early detection of overconsumption of resources, and the ability to intelligently identify issues across all application layers. It was implemented for all mission-critical applications such that they are monitored for performance against operational requirements, and application logs are monitored for warnings and errors that may indicate imminent application failures. Measured real-time performance and application metrics are consolidated into a single view facilitating monitoring by the Network Operations Center (NOC).

As required by the metric, processes, and procedures, including thresholds and corrective or preventative actions, have been established, documented, tested, and support personnel trained to provide resolution. **However, it took several months and multiple rejections and follow-ups from LIPA to produce adequate documentation that had all the necessary details.** The initially submitted artifacts had significant gaps in content, and demonstrated a lack of internal review processes at PSEG Long Island, insufficient prioritization of critical documentation such as Standard Operating Procedures and Runbooks, and an overall lack of ownership.

3.2.2.4 [Tier 2]

Board Recommendation 3.2.2.4 required automated monitoring of OMS and CAD performance at the application level to detect application failures and give administrators an opportunity to adjust the configuration settings that affect performance. The Splunk monitoring tool was deployed with the goal of

identifying the source of errors, identifying the root cause(s) of errors, monitoring transactions across all the application layers, generating reconciliation reports for successful versus failed transactions, detecting bad data, enabling smart alerting on warnings and alarms, identify the channel for trouble calls, and provide end-to-end data integrity. A monitoring solution was implemented for high-priority OMS business transactions, which provides and automates the ability to read log files and generate error alerts on application-level monitoring of OMS and CAD performance, providing administrators the ability to proactively monitor, detect and resolve application failures.

As required by the metric, system, and process, documentation was delivered. However, **it took several months and multiple rejections and follow-ups from LIPA to produce adequate documentation that had all the necessary details. Many of the initially submitted artifacts appeared to be unfinished templates with missing content.** They demonstrated a lack of internal review processes at PSEG Long Island, insufficient prioritization of critical documentation such as Standard Operating Procedures and Runbooks, and an overall lack of ownership.

IT-7 System Segregation

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

In the amended OSA between LIPA and PSEG Long Island effective April 1, 2022, the parties agreed that it would be beneficial for all IT Systems serving LIPA to be separate and distinct from the system, data, reports, and information of PSEG Long Island and its affiliates. The System Segregation metric aims to ensure the success of the resulting initiative to separate LIPA IT systems from PSEG New Jersey systems.

As required by the metric and per the OSA, a joint LIPA and PSEG Long Island IT Team developed an IT System Separation Plan to separate all PSEG Long Island IT Systems serving LIPA from PSEG New Jersey systems. The plan, which the LIPA Board approved in September 2022 following a review by the DPS, identifies the IT Systems to undergo separation and the schedule for doing so. In developing the Plan, the IT Team considered, among other things, the cost of IT Separation, ongoing operations, and maintenance, impact on Operations Services and customers, minimizing the impact on PSEG Long Island's ability to meet its obligations under the OSA, schedule, and prioritization among different IT Systems.

Implementation will commence in 2023, and a corresponding 2023 metric has been established.

POWER SUPPLY & CLEAN ENERGY

The Power Supply & Clean Energy Programs (PS&CE) scope has nine (9) metrics, accounting for $2,000,000[10] in compensation at-risk based on performance. Of these nine (9) metrics, five (5) are Qualitative and four (4) are Quantitative. Detailed metric descriptions are available on LIPA's website.

Year-End Status Overview

LIPA has determined that PSEG Long Island fully met six (6) of the 9 PS&CE metrics, with two (2) metrics partially met, and one (1) metric that was not met. Based on this assessment, which is described in detail below, LIPA awards PSEG Long Island $1,700,000 of the allocated $2,000,000 in PS&CE compensation.

Two Power Supply metrics (PS&CE-1 and PS&CE-2) were related to the development of a draft Integrated Resource Plan (IRP) report outlining LIPA's role in the clean energy transition, and evaluation and project selection for an energy storage RFP to enable LIPA to meet its portion of the Climate Leadership and Community Protection Act (CLCPA) energy storage target. Both metrics were met.

Two Clean Energy metrics (PS&CE-4 and PS&CE-7) aimed at facilitating the interconnection of Distributed Energy Resources (DER) by completion of a hosting capacity study and improvements to the interconnection process, respectively, were also met. The Energy Efficiency Plan Savings metric (PS&CE-3) was met, as was the metric to enroll customers in a Time of Use (TOU) Pricing Pilot (PS&CE-9), which had a goal of enrolling at least 12,000 customers.

The Building Electrification metric (PS&CE-5) was partially met, with PSEG Long Island enrolling only 4 all-electric homes in that program versus a target of 20, while meeting three other metric criteria. The EV Make-Ready metric (PS&CE-6) was also partially met, with 108 DCFC port enrollments versus a target of 75 (primarily due to Tesla's efforts to build charging stations on Long Island), while **PSEG Long Island missed Level 2 charging port enrollments, with only 181 versus a target of 637.**

The initiative to develop TOU Pricing Options for Residential Space Heating and Large Commercial Customers (PS&CE-8) was not met. An exception was granted for providing the residential space heating rate, which has been deferred to 2023 and is being undertaken directly by LIPA. For large commercial customers, PSEG Long Island provided the proposed tariff to the Board and, on approval, implemented the modernized TOD rate. Under the metric, PSEG Long Island was to complete "all of the bill changes, enrollment processes, accounting processes, and customer service requirements to enable enrollment and billing of the new rates" on or before January 1, 2023. PSEG Long Island provided no artifacts to demonstrate completion until February 6, 2023. LIPA reviewed the artifacts provided on February 6 and requested additional deliverables and corrections on March 15, 2023. Additional artifacts were provided on March 30, 2023, which LIPA reviewed a second time. **The irregularities in the artifacts identified by LIPA staff in two rounds of review have not been resolved by PSEG Long Island, and the metric requires that all aspects of the deliverables be successfully accomplished to earn compensation.**

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[10] All compensation amounts (allocated and awarded) listed in this section are relative to the $20 million Variable Compensation specified in the OSA and do not include the annual adjustment for indexing to the Consumer Price Index, which is 5.127% for 2022.

Year End Status Details

Qualitative Metrics

LIPA has detailed the status of each Power Supply & Clean Energy Services Qualitative Metric below.

Metric #	Metric Name	Allocated Compensation	Metric Met	Awarded Compensation
PS&CE-1	Long Range Planning Studies – Integrated Resource Plan (IRP)	$375,000	Met Metric	$375,000
PS&CE-2	Long Range Planning Studies – Energy Storage Request for Proposal (RFP)	$375,000	Met Metric	$375,000
PS&CE-4	Utility 2.0 – DER Hosting	$150,000	Met Metric	$150,000
PS&CE-7	Distributed Energy Resources (DER) Interconnection Process	$200,000	Met Metric	$200,000
PS&CE-8	Time of Use (TOU) Pricing Options - Space Heating and Large Commercial	$200,000	Did Not Meet Metric	$0

PS&CE-1 (PS-1) - Long Range Planning Studies – Integrated Resource Plan (IRP)

Allocated Compensation	YE Performance	Awarded Compensation
$375,000	Met Metric	$375,000

The goal of the Integrated Resource Plan (IRP) was to outline alternative pathways, impacts, and commitments for LIPA to transition towards clean energy while maintaining reliable electric service for customers. The IRP metric was measured by the adherence to an agreed schedule for completing the five steps defined in the metric, which included defining scopes, base assumptions, completion of the preliminary draft, completion of an initial draft, and delivering the final draft report by the end of 2022, all per the agreed scope of work. PSEG Long Island met the target and produced a draft report outlining LIPA's role in the State's clean energy transition on Long Island

PS&CE-2 (PS-2) Long Range Planning Studies – Energy Storage Request for Proposal (RFP)

Allocated Compensation	YE Performance	Awarded Compensation
$375,000	Met Metric	$375,000

The goal of the energy storage RFP initiative was to enable LIPA to meet its portion of the CLCPA target of 3,000 MW of energy storage statewide by 2025, which translates to 175 MW for LIPA based on its proportionate load share. The success of the initiative was determined by two main components, namely the complete evaluation of proposals submitted to the Energy Storage RFP and the making of suitable recommendations for selections. PSEG Long Island successfully achieved this goal by completing the evaluation of proposals within the designated timeline and recommending five projects totaling 329 MW for contract negotiation.

PS&CE-4 Utility 2.0 – Distributed Energy Resources (DER) Hosting

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The initiative's goal was to complete hosting capacity studies to enhance the capacity of the distribution grid to interconnect DER. PSEG Long Island analyzed and solutions-engineered 48 feeder circuits, which fell within the estimated range of 30-50 circuits required by the metric. This project developed a methodology for selecting circuits that require more DER capacity and engineered solutions, including estimated costs. This project served as the basis for a grant application to the Department of Energy in 2023.

PS&CE-7 (CE-5) DER Interconnection Process

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The goal of this initiative was to improve the DER interconnection process by understanding where the developers were being impacted while using the Small Generator Interconnection Process (SGIP). The metric was comprised of four components – creation of an independent Ombudsperson review process for escalating customer complaint cases; streamlining ways to pay, including a credit card payment option on the PSEG Long Island website for interconnection application fees and charges; measuring customer satisfaction via survey for Small Generator Interconnection cases; and creation of an interconnection cost-sharing process. PSEG Long Island met all components of the metric by adhering to the timeline and deliverables according to the scope.

PS&CE-8 (CE-6) Time of Use (TOU) Pricing Options - Space Heating and Large Commercial

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The goal of this initiative was to complete the development of TOU pricing options for residential space heating and large commercial customers, with the ultimate goal of reducing energy costs for customers. An exception was granted for providing the residential space heating rate, which has been deferred to 2023 and undertaken directly by LIPA.

For large commercial customers, PSEG Long Island provided the proposed tariff to the Board and, on approval, implemented the modernized TOD rate.

Under the metric, PSEG Long Island was to complete "all of the bill changes, enrollment processes, accounting processes, and customer service requirements to enable enrollment and billing of the new rates" on or before January 1, 2023. PSEG Long Island provided no artifacts to demonstrate completion until February 6, 2023. LIPA reviewed the artifacts provided on February 6 and requested additional deliverables and corrections on March 15, 2023. Additional artifacts were provided on March 30, 2023, which LIPA reviewed a second time.

However, LIPA's review of the test cases for the bill calculations revealed irregularities in the test results related to: (1) the rates that were used to test the system, (2) the demonstration that the energy in the bill computation corresponds to the energy that was reported on the meter, and (3) a potential double counting in the computation of the sales tax. The irregularities identified by LIPA staff have not been resolved by PSEG Long Island, and the metric requires that all aspects of the deliverables be successfully accomplished to earn compensation.

Quantitative Metrics

LIPA has detailed the status of each Power Supply & Clean Energy Services Quantitative Metric below. **Of the four metrics, two (2) met the target, and two (2) partially met the target.**

METRIC #	METRIC NAME	L/H	YE TARGET	YE RESULT	YE STATUS	ALLOCATED COMP	AWARDED COMP
PS&CE-3	Energy Efficiency Annualized Energy Savings	H	1,147,670	1,223,083	Met Metric	$200,000	$200,000
PS&CE-5	Beneficial Electrification	H	100.0%	75.0%	Partially Met Metric	$200,000	$150,000
PS&CE-6	Electric Vehicle (EV) Make Ready	H	100.0%	50.0%	Partially Met Metric	$100,000	$50,000
PS&CE-9	Time of Use Pricing Pilot - Year 1 Marketing	H	12,000	13,434	Met Metric	$200,000	$200,000

Table Note 1: "L/H" column refers to "Low/High" – a designation of "H" indicates that the performance objective is to score higher than the target; "L" has a performance objective that is lower than the target.

PS&CE-3 (CE-1) Energy Efficiency Plan Savings

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The Energy Efficiency Plan Savings metric is designed to track performance in delivering on the key components of the 2025 New York State Energy Goal of 7.85 TBtu of energy efficiency savings. The goal of the Energy Efficiency Plan Savings metric was for PSEG Long Island to achieve at least 1,147,670 MMBtus of independently verified savings from the programs identified in the 2022 Energy Efficiency and Demand Response (EEDR) Plan by year-end 2022. PSEG Long Island contracted Demand Side Analytics (DSA) to verify Plan Savings. According to the metric, the "Memorandum 2022 Verified Ex-Ante Savings" report would be used to determine if the goal was achieved. PSEG Long Island claimed ex-ante Gross Savings of 1,224,185 MMBtu for 2022. DSA verified ex-ante Gross Savings of 1,223,083 MMBtu, which is more than the metric target. Therefore, PSEG Long Island has achieved this 2022 metric.

PS&CE-5 (CE-3) Beneficial Electrification – Building Electrification

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Partially Met Metric	$150,000

The goal of the initiative was to help advance the key components of the 2025 New York State Energy Goal for building electrification. The metric was comprised of four components – heat pumps, all-electric homes, the multi-family rebate program, and low-income REAP energy savings. **The metric was 'Partially Met' as PSEG Long Island met three of four components.** Actual performance for heat pumps achieved a result of 7,385 units versus a target of 6,000. **The all-electric homes target was missed, with performance at 4 versus a target of 20.** The multi-family program achieved a result of 70 buildings versus a target of 10. PSEG Long Island reported 109 buildings; however, the verified ex-

ante report reduced the count to 70 to reflect unique buildings enrolled during 2022, as specified in the metric. This did change the reported results but did not change the achievement of the metric result. PSEG Long Island claimed 6,007 MMBtu of energy savings associated with the low-income REAP program. The Verified Ex-Ante Savings Report indicated that the REAP program achieved a savings of 5,967 MMBtu, which is more than the target of 5,953 MMBtu.

PS&CE-6 (CE-4) Electric Vehicle (EV) Make-Ready

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Partially Met Metric	$50,000

This initiative was designed to help advance the key components of the 2025 New York State Energy Goal for transportation electrification. The metric was comprised of four components – DCFC charging port enrollments, DCFC charging ports energized, Level 2 ports enrollments, and Level 2 charging ports energized. The Metric was only 'Partially Met' as the two DCFC EV Make-Ready targets were met, but the two Level 2 Make-Ready targets were not met. There were 108 DCFC charging port enrollments versus a target of 75, and there were 60 DCFC charging ports energized versus a target of 50. **DCFC targets were met primarily due to the efforts of Tesla to build charging stations on Long Island. Both Level 2 targets were missed. PSEG Long Island sought organic word-of-mouth growth to achieve the target. The Level 2 charging ports enrollment was 181 versus a target of 637. The level 2 energized was 63 versus a target of 450.** LIPA detected a reporting gap in the double counting of energized ports during IVV; however, this did not change the payout results from what was reported by PSEG Long Island.

PS&CE-9 (CE-7) TOU Pricing Pilot – Year 1 Marketing

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The initiative's goal was for PSEG Long Island to engage and enroll at least 12,000 customers in new Time of Use (TOU) pilot optional pricing plans. PSEG Long Island successfully enrolled 13,434 customers surpassing the original target of 12,000. This initiative will help refine engagement strategies and determine the channels, frequency, and target segments. LIPA's performance tracking (IV&V) determined that PSEG Long Island was using an unofficial preliminary data source that monitored their contacts with potential customer-participants rather than the revenue accounting reports, which measure precisely how many customers were actually enrolled and billed under the program. PSEG Long Island's performance, measured by how many customers were actually billed under the program's rate codes, exceeds the target set for this metric.

CUSTOMER SERVICE

The Customer Service (CS) scope has 19 metrics, accounting for $4,000,000[11] in compensation at-risk based on performance. Of these 19 metrics, four (4) are Qualitative, and 15 are Quantitative. Detailed metric descriptions are available on LIPA's website.

Year-End Status Overview

LIPA has determined that PSEG Long Island fully met nine (9) of the 19 CS metrics, with two (2) metrics partially met, and eight (8) metrics not met. Based on this assessment, which is described in detail below, LIPA awards PSEG Long Island $2,100,000 of the allocated $4,000,000 in compensation.

Coming out of a two-year COVID period and having a new, fully deployed Advanced Metering Infrastructure (AMI) system presented great challenges and opportunities for the Customer Operations team in 2022, which translated into mixed performance results.

The five Billing metrics performed well this year, in part due to operational improvements from the acceleration of AMI installations.

In contrast, leadership decisions, planning, and performance management issues related to the Call Center led to the failure of all three Call Center metrics (CS-11, CS-12, and CS-13). Three collection metrics were also missed, primarily due to a delayed start in collection activity. Performance in both cases could have been stronger if more time had been spent planning, studying the data, and anticipating and mitigating issues. Instead, PSEG Long Island's adopted an approach of responding to issues reactively after they arose.

The J.D. Power Customer Satisfaction Survey metrics (CS-2 & CS-3) were missed. LIPA had suggested since February 2022 that PSEG Long Island develop a targeted plan to address customers' negative perceptions, but PSEG Long Island failed to act on this recommendation. LIPA has now incorporated the development of tactical plans to improve customer satisfaction into the 2023 performance metrics.

PSEG Long Island partially met the requirements for the Strategic Customer Experience & Billing Projects metric (CS-1). Still, **LIPA identified several project management and implementation deficiencies that are not captured in the metric scoring but are enhancement opportunities for the 2023 metrics**, as described further in the Customer Service section of this report.

The CIS Modernization Phase 1 (CS-4) project's initial deliverables had significant gaps in the collection of requirements, lack of clarity around the project scope, and misalignment in expectation of outputs. LIPA and PSEG Long Island formed a core work team to develop a path forward, and metric scope and deliverables were revised to enhance the documentation of the current business process and improve the requirements to align with specific PSEG Long Island processes rather than generic industry standards, allowing the metric to be partially met.

Three project-related metrics (CS-1, CS-4, and CS-5) required significant flexibility from LIPA to be met, including corrective actions for deficiencies with multiple opportunities for resubmission, deadline extensions, and relaxation of some deliverable expectations.

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[11] All compensation amounts (allocated and awarded) listed in this section are relative to the $20 million Variable Compensation specified in the OSA and do not include the annual adjustment for indexing to the Consumer Price Index, which is 5.127% for 2022.

Year-End Status Details

Qualitative Metrics

LIPA has detailed the status of each Customer Service Qualitative Metric below.

Metric #	Metric Name	Allocated Compensation	Metric Met	Awarded Compensation
CS-1	Delivery of Strategic Customer Experience & Billing Projects	$500,000	Partially Met Metric	$250,000
CS-4	Customer Information System (CIS) Modernization – Phase 1	$600,000	Partially Met Metric	$300,000
CS-5	Customer Transactional Performance	$400,000	Met Metric	$400,000
CS-18	Low to Moderate Income (LMI) Program Automation	$100,000	Met Metric	$100,000

Delivery of Strategic Customer Experience & Billing Projects (CS-1)

Allocated Compensation	YE Performance	Awarded Compensation
$500,000	Partially Met Metric	$250,000

The goal of this metric was to implement strategic customer projects to improve customer contact and billing experience to drive top-quartile performance. There were seven (7) projects included in this metric, including migrating to a new bill print vendor, conducting a chat channel optimization study, implementing three (3) new features on the mobile app, selecting a new credit card vendor, implementing two (2) enhancements with outage communications, automating nonpayment remote disconnection of service, and identifying a remote theft detection solution.

PSEG Long Island met four (4) of the seven (7) projects after consideration of several exceptions and an exemption of deliverables, including 1) new bill print, 2) chat study, 3) new credit card vendor, and 4) remote nonpayment disconnect. **PSEG Long Island successfully transitioned to a new bill print vendor, although LIPA expressed concern with the project management approach observed during the implementation.** PSEG Long Island management responded to LIPA's concerns, and a commitment was made to continuous training, coaching, and compliance with the new CMMI Level 3 standard. **At LIPA's request, PSEG Long Island amended the bill print contract with Kubra to provide additional details and protections for customers, including reporting on service level agreements and remediation plans when gaps exist.** PSEG Long Island hired a consultant to evaluate the effectiveness of chat as a channel by assessing customer satisfaction, best practices, operational needs, and optimal customer design. **LIPA extended the due date from August to December to allow PSEG Long Island to address LIPA-identified gaps,** which included adding learnings from PSEG Long Island's review of July 2022 chat transcripts and defining the desired approach for live chat escalation. The study will inform the live chat and chatbot implementation in 2023.

PSEG Long Island successfully negotiated a new credit card contract that will reduce costs for the business (estimated $700,000 per year) and customers (commercial customer fee reducing from $9.95 to $3.95). When implemented in 2023, customers will also benefit from new features and functionality offered by the payment vendor. Remote disconnect functionality was utilized and

improved field collector productivity. **PSEG Long Island requested an exception to delay the delivery of phase 2 of the non-payment remote disconnect due to security issues identified and conflicts with the meter data management system upgrade.** LIPA approved the exception based on the successful results with phase 1 and the lack of errors experienced to date rate of 0.07%. PSEG Long Island agreed to implement the long-term solution by the end of the first quarter. **LIPA agreed to waive phase 2 as a 2022 metric.** As of the writing of this report, the solution has not been implemented due to further security delays.**

PSEG Long Island missed three (3) projects of seven (7). Missed projects include 1) new features on mobile app, 2) outage communication, and 3) remote theft detection solution. PSEG Long Island expanded functionality in the mobile app by adding a new outage tracker feature, the capability to enroll in deferred payment arrangements, and the ability to view how many days are left in a billing cycle. **Successful implementation also required a positive voice of customer feedback once live, which was only achieved with the outage tracker. Few customers have used the deferred payment agreement feature, and no customer feedback was obtained. When customers were interviewed about the days left in a billing cycle, they did not find this feature valuable.**

For the enhancements to outage communications, PSEG Long Island expanded text capabilities to life-sustaining equipment customers for major storm wellness checks and outage verifications; expected outcomes were not confirmed in 2022.

LIPA approved an extension of delivery of ETR range functionality for outage communications from September 30, 2022 to December 21, 2022 due to the schedule impacts of the high-volume call application (HVCA) upgrade. PSEG Long Island requested another extension into 2023 due to delays in the HVCA upgrade and the OMS test environment not being available for testing. **LIPA did not approve the second extension beyond a 2022 deployment because the issue was not beyond PSEG Long Island's control.** In addition, PSEG Long Island requested in December to exempt the Alexa and Google apps due to an emergent issue in December. PSEG Long Island was not ready to proceed, and the emergent issue was not the reason the apps would not be ready.

PSEG Long Island was unsuccessful in identifying a sufficient remote theft detection use case with their modeling approach. Theft detection by the solution resulted in 96% false positives. LIPA provided early feedback during the project initiation that PSEG Long Island should use a vendor solution as a starting point instead of developing a custom solution, while PSEG Long Island's position was that their in-house analytics would be better. LIPA expressed the concern that the in-house development was a riskier approach and would take a longer time to provide a solution. **LIPA believes that had PSEG Long Island implemented a proven industry solution or set a broader analysis pool as recommended in the joint meetings; the results may have been better.** PSEG Long Island also took longer to build detection scenarios and business processes to send for field investigation and failed to meet the expected delivery timing of September 30, 2022. LIPA did not approve an exception to extend the due date due to consistent concerns that the project would not deliver the intended results. **This project cost roughly $1 million, and only 3 cases of theft were detected during the project duration.** The 50% partial metric completion equates to the same compensation regardless if the project achievement was four (4) as concluded by LIPA, or five (5), as concluded by PSEG Long Island.

Customer Information System (CIS) Modernization Phase 1 (CS-4)

Allocated Compensation	YE Performance	Awarded Compensation
$600,000	Partially Met Metric	$300,000

The goal of the CIS Modernization Phase 1 (CS-4) metric was to ensure a flexible modern CIS capable of effective and efficient customer transactions. The deliverables of the metric required PSEG Long Island to deliver a Current Environment Analysis in the First Quarter. **The submitted deliverable was incomplete, with missing processes, interfaces, and system statistics, and LIPA rejected it. LIPA also identified gaps in the collection of requirements and clarity around the project's scope and misalignment in expectation of outputs from the deliverables.**

LIPA and PSEG Long Island agreed to form a core work team to ensure that the defined project scope and deliverables will result in a successful CIS implementation. The team documented the appropriate work execution path forward and deliverables for 2022 and 2023. The approach included the documentation of current business processes and improvement of the requirements to align with specific PSEG Long Island work processes rather than generic industry standards provided by AAC.

PSEG Long Island and LIPA acknowledged that while all targeted 2022 process workshops have been completed, there are various challenges that are delaying the ability to properly complete the review process of the workshop output documentation by the targeted date. It was acknowledged by both parties that a significant amount of time and effort has been dedicated to this initiative, rendering it largely complete. Accordingly, it was agreed that rather than rushing to complete the remaining reviews by March 31, 2023 at the risk of producing a lesser quality product, the team would take the time to properly complete the review process. **LIPA agreed to accept this 2022 deliverable as achieved, given the work to date and PSEG Long Island's commitment as part of the 2023 metric and project to complete all remaining 2022 documents and 2023 deliverables.** In addition, PSEG Long Island committed to ensuring process owners take the time to review and provide detailed feedback before it goes to LIPA.

Customer Transaction Performance (CS-5)

Allocated Compensation	YE Performance	Awarded Compensation
$400,000	Met Metric	$400,000

The goal of the CS-5 Customer Transaction Performance metric was to evaluate current customer transaction channels to determine satisfaction, cost, and improvement opportunities. **Throughout 2022, PSEG Long Island found the customer transactional volume and cost data collection process challenging because the necessary information was not used in the past and was not available in some cases. LIPA granted additional time to perform the data collection, and PSEG Long Island diligently worked with LIPA to provide the required information, although gaps remained.** PSEG Long Island quickly mobilized to commence the new customer transactional survey at the start of the year, although several other challenges occurred related to losing the phone survey vendor and the identification of gaps in the survey methodology. LIPA worked with PSEG Long Island to identify how to close the gaps and processed an exception to create an acceptable path forward for obtaining the necessary customer insight data. **The entirety of the identified short-term**

gaps was not resolved within the anticipated timeline, and LIPA agreed to allow for the resolution to extend into 2023. The trends, findings, and recommendation report did not include the level of detail or insights expected to help identify improvement opportunities and inform the development of 2023 initiatives and metrics. LIPA agreed to accept the report with the understanding that the new Director of Customer Experience and Marketing would address and incorporate LIPA's feedback in 2023.

CS-18: Low to Moderate Income (LMI) Program Automation

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of the Low to Moderate Income (LMI) Program Automation metric was to develop an automated address-matching process where files from the New York State Office of Temporary and Disability Assistance (social services agency) and Nassau County Social Services are matched to PSEG Long Island account addresses. This would allow enrollment of eligible customers in the LMI program to receive benefits without requiring manual intervention. The file from OTDA contained the names and addresses of customers who received Home Energy Assistance Program (HEAP) awards. The file from Nassau County Social Services contained the names and addresses of customers who received SNAP awards. The automation efforts on the OTDA HEAP file resulted in 1,959 new Household Assistance Rate (HAR) enrollments and 10,643 existing HAR accounts to be renewed. The automation results on the SNAP file from Nassau County were 6,376 new HAR enrolments, and 3,722 existing HAR accounts to be renewed. The new enrollments were reflected in the total 2022 HAR enrollment statistics.

Quantitative Metrics

The status of each Customer Service Quantitative Metric is detailed below. **Of the fifteen (15) metrics, seven (7) met the target, and eight (8) missed the target.**

METRIC #	METRIC NAME	L/H	YE TARGET	YE STATUS	YE PERFORMANCE	ALLOCATED COMP	AWARDED COMP
CS-02	J.D. Power Customer Satisfaction Survey (Residential)	H	3rd Quartile	690	Did Not Meet Metric	$200,000	$0
CS-03	J.D. Power Customer Satisfaction Survey (Business)	H	3rd Quartile	710	Did Not Meet Metric	$200,000	$0
CS-06	Inactive Accounts Long Term Estimates (LTEs)	L	861	535	Met Metric	$100,000	$100,000
CS-07	Active Accounts Long Term Estimates (LTEs)	L	700	623	Met Metric	$100,000	$100,000
CS-08	Unauthorized Use/Advanced Consumption Resolution	L	400	360	Met Metric	$100,000	$100,000
CS-09	Billing Exception Cycle Time	H	95.0%	98.6%	Met Metric	$200,000	$200,000
CS-10	Billing Cancelled Rebill	L	0.50%	0.23%	Met Metric	$200,000	$200,000
CS-11	Contact Center Service Level with Live Agent Calls	H	80.0%	29.2%	Did Not Meet Metric	$175,000	$0
CS-12	Customer Email Closure Rate	H	70.0%	58.5%	Did Not Meet Metric	$75,000	$0
CS-13	First Call Resolution (FCR)	H	80.0%	79.4%	Did Not Meet Metric	$100,000	$0
CS-14	Net Write-Offs per $100 Billed Revenue	L	0.77	0.55	Met Metric	$250,000	$250,000
CS-15	AR > 90 (No Exclusions)	L	27.39%	29.31%	Did Not Meet Metric	$300,000	$0
CS-16	Days Sales Outstanding	L	37.24	41.08	Did Not Meet Metric	$200,000	$0
CS-17	Low to Moderate Income Program Participation	H	55,000	42,365	Did Not Meet Metric	$100,000	$0
CS-19	Customer Complaint Rate	L	4.2	3.8	Met Metric	$100,000	$100,000

Table Note 3: CS-6 and CS-7 have qualitative deliverables for process improvements as well as quantitative targets

CS-2: J.D. Power – Residential

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The goal of this quantitative J.D. Power – Residential metric required PSEG Long Island to place in the third quartile or higher in the year-end results of the 2022 East Large J.D. Power Residential customer satisfaction survey. **PSEG Long Island's year-end performance was in the 4th quartile with a score of 690, missing the target. PSEG Long Island did not have a focused approach to understanding and intentionally improving the ranking.** PSEG Long Island's strategy was solely to execute the OSA metrics. LIPA suggested since February 2022 that PSEG Long Island develop a targeted plan to address customers' negative perceptions, but PSEG Long Island did not act on this recommendation. PSEG Long Island will develop a tactical plan as part of 2023 metrics.

CS-3 J.D. Power – Business

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The goal of this quantitative J.D. Power – Business metric required PSEG Long Island to place in the third quartile or higher in the year-end results of the 2022 East Large J.D. Power Business customer satisfaction survey. The goal was to improve customer satisfaction for business customers, as reflected in improved J.D. Power Business Customer Survey Scores. However, **PSEG Long Island's year-end performance position remained in the 4th quartile in East Large with a score of 710, missing the position target of the 3rd quartile. PSEG Long Island did not have a focused approach to understanding and intentionally improving the ranking.** PSEG Long Island's strategy was solely to execute the OSA metrics. LIPA suggested since February 2022 that PSEG Long Island develop a targeted plan to address customers' negative perceptions, but PSEG Long Island did not act on this recommendation. PSEG Long Island will develop a tactical plan as part of 2023 metrics.

CS-6: Billing - Inactive Accounts Long-Term Estimates (LTEs)

ALLOCATED COMP	YE PERFORMANCE	AWARDED COMP
$200,000	Met Metric	$200,000

The goal of the Inactive Accounts Long-Term Estimates (LTEs) metric was to investigate and take subsequent action to resolve inactive estimated accounts and ensure outcomes of field investigations and corresponding results are accurately reflected in Customer Accounting System (CAS) records. **This metric led to reduced LTEs (>=5 months) for inactive accounts from 8,605 to 535, a 94% reduction.** LIPA IV&V detected that counting was not consistent with the metric definition for bi-monthly accounts. It was determined that the manual effort to correct the reporting was significant and would not drive the desired outcome of establishing monthly AMI readings for customer bills. LIPA and PSEG Long Island processed an exception to develop and execute a business process to ensure legacy bi-

monthly accounts were converted to monthly billing upon new customer move-in. This allowed for better and quicker detection of theft and unauthorized usage and identified accounts that were documented as existing but were actually demolished premises that no longer have service. This also led to improved meter reading efficiency by eliminating visits removed services.

CS-7: Billing - Active Accounts Long-Term Estimates (LTEs)

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of the Active Accounts Long Term Estimates (LTEs) metric was to investigate and take subsequent action to resolve active estimated accounts and ensure outcomes of field investigations and corresponding results are accurately reflected in CAS records. **This metric reduced LTEs (>=3 months) for inactive accounts from 3,126 to 623, which met the target of 700.** In addition, a business process was established to ensure legacy bi-monthly accounts were converted to monthly billing upon new customer move-in. Customers who had not installed an AMI meter by August 1, 2022, were converted to AMI opt-out. This metric improved the customer billing experience by ensuring greater use of actual reads. The research performedas part of the metric helped better understand the customer's rationale for enrolling in bi-monthly billing and plan for the needs related to the conversion into monthly billing.

CS-8: Unauthorized Use/Advanced Consumption Resolution

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of the Unauthorized Use/Advanced Consumption Resolution metric was to provide timely processing of unauthorized use cases and maximize revenue associated with these cases. This metric led to the diligent processing of accounts and clean-up of the backlog post-full AMI deployment. **There was a reduction in 512 open cases (>90 days) from 872 to 360, a 59% reduction.** Year-end performance met the target of 400. This metric reduced the amount of unauthorized use of electric service by eliminating the situation where service was not turned off after a customer moved out and shortening the cycle time for resolving usage on the meter without a customer of record.

CS-9: Billing Exception Cycle Time

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The objective of the Billing Exception Cycle Time metric is to measure the timely rendering of accurate bills to customers. This metric measures the percent of billing exceptions completed within the prescribed 3-day requirement for completion. All bills scheduled for billing that do not have an exception

are issued within 3 business days. **Year-end performance was at 98.6% and met the target of 95%. AMI implementation was a major driver of the reduction of error memos being generated in the billing system.** This metric results in a higher percentage of customers receiving their bill on time when they expect it.

CS-10: Billing Cancelled Rebill

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

The goal of the Billing Cancelled Rebill metric was to provide an accurate bill to the customer the first time, not requiring a subsequent adjustment. **The Cancel Rebill performance for the year was 0.23% and met the target of 0.50%.** The acceleration of AMI installations and performance of AMI metered accounts have proven to generate operational improvements by increasing the number of actual reads, producing a higher volume of accurate first-time bills. Performance would have been even better except an issue arose in August in the integration of AMI and the billing system, and one bill cycle was estimated for about 40k customer accounts. PSEG Long Island established mitigation plans to ensure it does not happen again.

CS-11: Contact Center Service Level with Live Agent Calls

Allocated Compensation	YE Performance	Awarded Compensation
$175,000	Did Not Meet Metric	$0

The Contact Center Service Level with Live Agent Calls metric was conceived with the objective of ensuring customer interactions with contact representatives aligned with customer tolerance levels. This was intended to optimize staffing efficiency and enhance customer satisfaction. **The Call Center's performance concluded the year at a disappointing 29.2%, substantially below the target of 80%.**

Performance deterioration throughout the year can be attributed to several factors, including staffing shortages, performance management problems, inaccurate call forecasting, and the impact of increased call volumes. The staffing issue was largely due to the leadership's decision to leave open positions unfilled and the lengthy training process, which saw a high dropout rate from offer acceptance to phone answering.

Performance management problems were amplified by the inefficiencies of the work-from-home model, a transition in leadership necessitating skill development in performance management, representative fatigue, and a lack of clear expectations. An increase in call volume, driven by a larger number of customers in the collection, was further compounded by the failure of the call-back functionality.

In September 2022, LIPA identified that the required staff was neither prepared nor available to provide phone responses, prompting a request for PSEG Long Island to formally devise a 'Get Well' plan. This plan aims to ensure customer responsiveness meets top-quartile performance standards, enhancing the overall customer experience.

CS-12: Customer Email Closure Rate

Allocated Compensation	YE Performance	Awarded Compensation
$75,000	Did Not Meet Metric	$0

The Customer Email Closure Rate metric was established to elevate the proportion of customer contact issues resolved through email and web channels. This metric aims to ensure prompt resolutions for customers choosing these digital communication methods. However, **by year-end, the email closure rate stood at 58.8%, falling short of the 70% target.**

IV&V conducted by LIPA revealed that PSEG Long Island was not aligning its measurement practices with the defined metric. To rectify this, an exception was processed to correct the measurement discrepancy and allow for the adjustment of the interpretation.

When the performance failed to meet the expected targets early in the year, PSEG Long Island enlisted the expertise of a consultant to examine the email processing system and suggest efficiency improvements. However, the overall staffing deficiencies, as previously noted, exerted a negative impact on this metric, given that these are shared call center resources.

CS-13: First Call Resolution (FCR)

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Did Not Meet Metric	$0

The First Call Resolution metric was established with the aim of enhancing customer interactions and the PSEG Long Island's capability to effectively address customer issues and inquiries during the initial call. This metric, primarily based on customer survey feedback, is a key determinant of customer satisfaction. It evaluates the team's efficiency in providing the correct resolution at the customer's first point of contact with the company.

The First Call Resolution rate concluded the year at 79.4%, marginally below the target of 80%. A high call abandonment rate coupled with extended wait times, particularly noticeable in the latter half of the year due to the absence of a call-back function, led to an increase in repeat calls.

CS-14: Net Write-Offs (Per $100 Billed Revenue)

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The goal of the Net Write-offs metric was to actively manage the increased COVID-19 receivables. Net Write-Off year-end performance was $0.55, which met the target of $0.77. Performance was better than anticipated because of the delayed start from January to July for non-payment disconnect for residential customers. It should be noted that the $25 million in Phase 1 arrears forgiveness was not included in

this metric. Effective recovery of receivables due to the increased accumulated debt from COVID-19 was targeted to improve the financial outlook.

CS-15: Accounts Receivable Aging > 90 Days Past Due (AR>90)

Allocated Compensation	YE Performance	Awarded Compensation
$300,000	Did Not Meet Metric	$0

The Accounts Receivable Aging metric was developed to aid in the effective recovery from the financial impacts of COVID-19. Its objective was to revert the performance level of aged receivables exceeding 90 days to pre-pandemic levels by the conclusion of the Contract Year. However, **the year-end performance for Accounts Receivable (>90 days) stood at 29.31%, narrowly missing the minimum incentive target of 28.71%.**

As previously noted, the delay in initiating residential field disconnect activity from January to July was a significant contributor to the failure to achieve the target. Additionally, **an exception was processed for this metric to ensure that PSEG Long Island and LIPA were employing the same methodology for calculating the adjustment defined in the metric.** This adjustment was tied to additional COVID-19 funding and the arrears forgiveness program, further underscoring the importance of a consistent calculation approach.

CS-16: Days Sales Outstanding (DSO)

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The Days Sales Outstanding (DSO) metric was designed with the goal of facilitating an effective recovery from the financial impacts of COVID-19 by returning to pre-pandemic performance levels. **By year's end, the performance stood at 41.08 days, falling short of the minimum incentive target of 38.32 days.**

One significant contributing factor to the failure to achieve the target was the delay in residential field disconnect activity, which did not commence until July. **Furthermore, an exception was processed for this metric to ensure PSEG Long Island and LIPA adhered to the same methodology when calculating the adjustment defined in the metric.** This adjustment pertained to additional COVID-19 funding and the arrears forgiveness program, further emphasizing the importance of alignment in measurement and calculation practices.

CS-17: Low to Moderate Income (LMI) Program Participation

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Did Not Meet Metric	$0

The Low to Moderate Income (LMI) Program was designed with the objective of boosting the enrollment of LMI customers into the Household Assistance Rate (HAR). **The peak monthly enrollment reached in 2022 was 42,528 accounts, but the year ended with 42,365 accounts - notably below the targeted 55,000 accounts for the HAR.**

Throughout 2022, more than 17,600 new accounts were added to the HAR program, which helped to balance the approximately 17,000 accounts that were removed from the program. Accounts were discontinued either due to closures or the failure of customers to provide updated certification of participation in one of the social service programs that qualify customers for the HAR program.

Efforts to automate the process did not yield the expected success, and the manual review process fell short of generating the necessary results to reach the desired enrollment target.

CS-19: DPS Customer Complaint Rate

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The DPS Customer Complaint Rate metric was designed to minimize regulatory complaints by tracking the total number of initial customer complaints registered with the Department of Public Service. This gauge serves as a measure of how customer concerns are addressed by PSEG Long Island before they turn into a complaint.

By the year's end, the performance stood at 3.8, successfully meeting the target of 4.2, a figure that represents top-quartile performance within the state. **The delay in commencing residential field disconnects had a positive impact on the metric, averaging around 2.0 through July. However, once disconnects were initiated, complaints fluctuated between 3.9 to 6.8.**

PSEG Long Island demonstrated effective management of customer complaints, earning them the rank of third best in the state.

BUSINESS SERVICES

The Business Services (BS) scope has 21 metrics, accounting for $3,000,000[12] in compensation at-risk based on performance. Of these 21 metrics, 14 are Qualitative, and seven (7) are Quantitative. Detailed metric descriptions are available on LIPA's website.

Year-End Status Overview

LIPA has determined that PSEG Long Island fully met 15 of the 21 Business Services metrics, with one (1) metric that was partially met, and five (5) metrics that were not met. Based on this assessment, which is described in detail below, LIPA awards PSEG Long Island $2,050,000 of the allocated $3,000,000 in compensation.

Business Services is comprised of Human Resources, Legal, Enterprise Risk Management, External Affairs, Finance, and Communications. Overall, **Business Services metric performance was mixed.**

Two Enterprise Risk Management (ERM) **metrics (BS-1-2) were successfully met. These metrics were created to improve the ERM Annual Report delivered each June and to develop a pilot for the definition and reporting of Key Risk Indicators for select PSEG Long Island Tier 1 & 2 risks.**

The Information Request (IR) Responses metric (BS-13) required PSEG Long Island to collaborate with LIPA in devising a policy that sets clear expectations for prompt and substantive responses to IRs. While IR responsiveness fluctuated from quarter to quarter, by the end of the year, PSEG Long Island demonstrated a 95.1% completion rate and met the year-end performance target.

Three metrics focused on Reputation Management and Social Media Engagement. The two Reputation Management metrics (BS-19 and BS-20) aimed to incentivize PSEG Long Island to have 28% of leading media stories mentioning PSEG Long Island be of positive sentiment and to capture at least 50% Share of Voice, keeping the proportion of negative stories to a minimum. The third metric (BS-21) aimed to motivate PSEG Long Island to improve its social media engagement and response rates. **All the Reputation Management and Social Media Engagement metrics were met.**

The Full Time Vacancy Rate metric (BS-05) aimed to incentivize PSEG Long Island to obtain the budgeted full-time headcount identified as necessary to achieve operational objectives. **PSEG Long Island attained targets in four (4) out of the five (5) occupation categories, leaving the metric partially met.**

The Employee Engagement - Score Rate metric (BS-3) endeavored to drive actions and results that demonstrate higher employee engagement scores in selected categories. **PSGEG Long Island's survey scores were an improvement over the prior year's score in only 2 of 6 categories, and the metric required a 4% or greater improvement in 4 of 6 categories. The metric was not met.**

The Long Island Choice Reform metric (BS-11) was designed to implement reforms to the LI Choice program recommended by DPS. This metric included six (6) deliverables, of which five (5) were completed. PSEG Long Island was unable to secure DPS' recommendation of business processes consistent with the Public Service Commission's framework by December 31, 2022. A primary factor in that failure was that PSEG Long Island did not submit the business processes to DPS until December 27, 2022, which could have been mitigated by timely efforts during the year. LIPA granted an exception to permit an additional 30 days; however, **PSEG Long Island as of this date has still yet to secure DPS'**

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[12] All compensation amounts (allocated and awarded) listed in this section are relative to the $20 million Variable Compensation specified in the OSA and do not include the annual adjustment for indexing to the Consumer Price Index, which is 5.127% for 2022.

recommendation.

The AMI Opt-Out Fees metric (BS-12) was not met. This metric involved assessing meter opt-out fees for customers who refused a smart meter during the initial rollout but later requested to change to a smart meter. **The AMI Opt-Out Fee was not implemented accurately, and as a result, customers were billed incorrectly.**

The Affiliate Cost Benefit Justification metric (BS-7) required PSEG Long Island to conduct a Cost Benefit and Alternative Analysis to document and itemize the full cost for services billed to LIPA where PSEG Long Island has elected to hire PSEG affiliated companies, as compared to the costs and benefits of providing the service either in-house directly on Long Island through ServCo, which provides most operations services to LIPA, or by utilizing third party contractors. The 2022 metric focused on the two largest affiliate service categories: Human Resources Services and Information Technology. PSEG Long Island was expected to provide full disclosure of the costs and scope of services provided by its affiliate companies. Since the spring of 2022, LIPA has requested backup documentation supporting certain costs related to IT affiliate services. To date, **PSEG Long Island has failed to provide the information LIPA needs to substantiate the PSEG affiliate company costs billed to LIPA. Furthermore, LIPA does not accept the method PSEG Long Island is applying to determine the allocation of costs billed to it by PSEG affiliate companies. As such, PSEG Long Island has failed to achieve metric BS-7.**

The Project Outreach (BS-17) metric was not met. The goal of this metric was to further a requirement of the 2018 DPS Management Audit. A survey was developed but experienced low participation, and PSEG Long Island declined to provide any recommendations for improving its outreach activities. **LIPA offered an exception to modify the proposed plan to meet the objective of the metric, but PSEG Long Island declined to modify its methodologies despite their obvious lack of success.**

Year-End Status Details

Qualitative Metrics

LIPA has detailed the status of each Business Service Qualitative Metric below.

Metric #	Metric Name	Allocated Compensation	Metric Met	Awarded Compensation
BS-1	Enterprise Risk Management (ERM) Report	$150,000	Met Metric	$150,000
BS-2	ERM Key Risk Indicators (KRIs)	$150,000	Met Metric	$150,000
BS-6	Contract Administration Manual (CAM) Completion	$50,000	Met Metric	$50,000
BS-7	Affiliate Cost Benefit Justification	$250,000	Did Not Meet Metric	$0
BS-8	Capital Project Impact Analysis	$100,000	Met Metric	$100,000
BS-9	Substation Property Tax Report	$150,000	Met Metric	$150,000

BS-10	Substation Property Tax Module Plan	$50,000	Met Metric	$50,000
BS-11	Long Island Choice Reform	$150,000	Did Not Meet Metric	$0
BS-12	Advanced Metering Infrastructure (AMI) Opt Out Fees	$100,000	Did Not Meet Metric	$0
BS-14	Legal Staffing	$150,000	Met Metric	$150,000
BS-15	Contractor Performance Evaluation System	$250,000	Met Metric	$250,000
BS-16	Government & Legislative Affairs	$100,000	Met Metric	$100,000
BS-17	Project Outreach	$200,000	Did Not Meet Metric	$0
BS-18	Customer Segmentation	$100,000	Met Metric	$100,000

BS-1 (ERM-1): Enterprise Risk Management (ERM) Report

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The goal of this metric was for PSEG Long Island to improve the ERM Annual Report delivered each June and to update the report each December. The ERM Annual Report addresses updates to the 2021 report, mutually agreed upon targeted improvements over the 2021 report, key insights for year-over-year changes for the Tier 1 and Tier 2 risks, actionable mitigations intended to reduce or prevent an increase in either the likelihood or impact of Tier 1 or Tier 2 risk, current statuses from the Mitigation Tracker, and a detailed calendar for deep-dive analyses.

LIPA received the report from PSEG Long Island on the agreed-upon date of June 30th. The LIPA ERM Team noted many year-over-year (YoY) improvements to the report, including key insights on significant risks, YoY changes, the inclusion of mitigation actions for applicable Tier 1 and 2 risks along with status updates, challenges, and remediation plans, and adding the concept of controllability (e.g., what is within our power to control) for each risk. Risks were also aligned with 2022 OSA Performance metrics and will be monitored for metric achievement and how this may impact how risks are managed.

Additionally, the PSEG Long Island ERM Team developed a high-level process to begin to assess the effectiveness of mitigation actions for significant risks. This is a concept that will be implemented with a particular focus in 2023. With the improvements made to the ERM Annual Report, LIPA gained additional transparency into how the most significant risks to the business are changing and better insight into mitigation actions that are either recently completed or underway to better manage the utility's most significant risks.

Lastly, an update to the annual report was provided in December for the first time. The update included new risks based on events that had occurred since the June report, an updated status on the completion and/or delay of mitigation actions underway, and insights into issues and progress made

mitigating risks since the June report.

BS-2 Enterprise Risk Management (ERM) KRIs

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The goal of this metric was to develop a 'proof-of-value' pilot for the definition, development, and reporting of Key Risk Indicators (KRIs) for select PSEG Long Island Tier 1 and Tier 2 risks. Also included are thresholds and a tracking process for the established KRIs. PSEG Long Island identified five risks to include in the pilot: Safety, Major Storm, Cyber Attack, Supply Chain, and Loss of Multiple Interconnections. PSEG Long Island provided their 'proof of value' for the development of KRIs for the five identified risks in the update to the annual report in December. This proof of value included specific KRIs for each of the five risks along with thresholds, reporting timeline, status, and other relevant information. Many of the KRIs were able to leverage historical and current data that was tracked in other areas of the organization and provided additional insights used in the ERM Program.

The development of a 'proof of value' pilot was a good initial effort on PSEG Long Island's behalf. LIPA will push for the KRIs to be maintained and additional KRIs developed for other significant risks. The KRIs for the five risks above will be updated and monitored throughout 2023 to determine their effectiveness and modified as necessary to ensure value is derived. The KRIs will also be used in the 2023 metric related to evaluating the effectiveness of mitigation actions.

BS-6 (PMA-1): Contract Administration Manual (CAM) Completion

Allocated Compensation	YE Performance	Awarded Compensation
$50,000	Met Metric	$50,000

The goal of this metric was to introduce and execute business process improvements to the administration of the CAM. The CAM sets forth documentation, reporting, and other procedures for all aspects of the administration of the Second A&R OSA. PSEG Long Island is responsible for maintaining the CAM by making necessary updates, supplements, or revisions thereto from time to time to reflect applicable Contract Standards and such policies and procedures as the Service Provider may adopt from time to time as provided in the OSA consistent with the Contract Standards

LIPA's primary focus in reviewing these CAMs was to ensure that the terms did not undermine or renegotiate the terms of the Second A&R OSA. This was an area of contention on certain CAMs reviewed during the year. LIPA and PSEG Long Island did not need to agree on the final terms of the CAMs for PSEG Long Island to achieve this metric.

The key targets for this metric were the timely appointment of a PSEG Long Island staff member dedicated to the role of management of the CAM, a requirement for PSEG Long Island to produce initial drafts of seven previously agreed upon CAMs by March 31, 2022, and finally, PSEG Long Island's adherence to a 15-business-day turnaround for each review, edit, and comment iteration.

At the close of the year, PSEG Long Island had successfully met all three targets for this metric. Specifically, PSEG appointed a dedicated CAM Manager in mid-January. Initial drafts for seven CAMs were developed by the end of the 1st quarter and subsequently worked on by both parties throughout the year. Lastly, PSEG Long Island successfully met the standard of producing substantive initial and updated drafts 97.2% of the time (versus a target of > 90.0%) within the specified 15 business day period. In all, the parties came to a resolution on a total of seven CAMs in 2022. LIPA validated PSEG Long Island's stated performance and recommends awarding the full allocated incentive compensation amount for this metric.

Affiliate Cost Benefit Justification (BS-7)

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Did Not Meet Metric	$0

The goal of this metric was to provide increased transparency on the use and cost associated with Affiliate Services. PSEG Long Island utilizes a PSEG affiliated company, the PSEG Services Corporation, to supplement in-house staff in providing support and administrative services pursuant to the OSA. These services are referred to as Affiliate Services.

Specifically, the metric required PSEG Long Island to conduct a Cost Benefit and Alternative Analysis to fully document and itemize the full cost for services as well as evaluate the potential costs and benefits of providing the service either in-house on Long Island directly through the ServCo, which provides most operations services to LIPA, or by utilizing third party contractors. The 2022 metric focused on the two largest Affiliate Service categories: Human Resources Services and Information Technology.

PSEG Long Island provided LIPA with a completed Cost Benefit and Alternative Analysis for Human Resource Services on June 30, 2022, in accordance with the Metric. LIPA has reviewed PSEG Long Island's submission and concluded that LIPA would benefit from separating such Affiliate services, with additional study required in 2023 on the cost and benefits of migrating services to Long Island ServCo.

PSEG Long Island was expected to fully disclose Affiliate Services related to IT to LIPA. However, since the spring of 2022, LIPA has consistently requested backup documentation to support the costs associated with these IT affiliate services and independently verify the cost-benefit analysis. Specifically, LIPA has asked for supporting documentation from the selected vendors (Remini Street, SAP (SuccessFactors), and DXC Technologies) with a combined total of $9.4M to establish a baseline. The required baseline documents include Vendor Contracts (such as Master Service Agreements or End User License Agreements), Pricing Information, Scope of Work, four months of monthly invoices, and a monthly report detailing the work performed.

PSEG Long Island has only provided two documents thus far: a Master Services Agreement from Remini Street (lacking scope and pricing information) and an Order Form from SAP (SuccessFactors). In addition, no documents have been received from DXC Technologies, and no vendor invoices have been provided for any of the vendors. These two documents fall short of meeting the specific information that LIPA requires to substantiate the associated costs.

Furthermore, LIPA has also requested documentation pertaining to IT lifecycle projects, which involve reserve funds for miscellaneous IT projects. LIPA firmly believes that the IT vendors involved in the $2.2M pool of IT lifecycle projects should provide the same supporting baseline documents and

transparency as other vendors to justify those projects' costs. Unfortunately, PSEG Long Island has neither provided any backup documentation for these projects.

In addition, LIPA also requested more information about the labor categories, including a description of work performed by job title and the percentage of the time allocated to PSEG Long Island-related work of the PSEG Services Corp. in-house staff that charge to IT Baseline. **Providing correct information about the four contracts and the percentage of time allocated to PSEG Long Island-related work is critical for LIPA to assess the reasonableness of the cost allocated to PSEG Long Island and funded by LIPA. Moreover, LIPA has disapproved of the cost allocation method employed by PSEG Long Island.** Therefore, until PSEG Long Island can substantiate its cost allocation method and provide the required actual usage information as outlined in the Second A&R OSA. LIPA concludes that the achievement of BS-7 as a metric has not been met.

BS-8 (BGT-2): Capital Project Impact Analysis

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of the metric was to facilitate the implementation of a Capital Project Impact Analysis for infrastructure projects that aim to address load growth, enhance system reliability, and leverage new technology while also serving as long-term investments. While many of these projects involve routine system replacements and upgrades, there are significant investments each year in new technology, system expansion, and other substantial improvements. The Capital Project Impact Analysis metric is designed to promote effective planning and ensure accountability, transparency, and realization of desired project benefits, with a particular focus on major new projects proposed for funding in the 2023 Capital Budget.

As of year-end 2022, PSEG Long Island has successfully achieved its target deliverable. PSEG Long Island has provided LIPA with a comprehensive framework that outlines the structure and components of the impact analysis, new internal procedures, and a completed Capital Project Impact Analysis for five selected projects.

Substation Property Tax Report (BS-9)

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The goal of this metric is to develop and complete the first annual Substation Payment-in-Lieu-of-Taxes (PILOT) and Valuation Report. PSEG Long Island manages the payment of LIPA's property tax PILOTs for its properties, including its substations. This metric is for developing a report using plant accounting and related tax module data to monitor the reasonableness of property tax PILOTs. The report provides tax and PILOT information for 120 of LIPA's substation properties. PSEG Long Island worked to develop the appropriate formulas for calculating the reproduction cost of new assets less

depreciation (RCNLD) in accordance with method recommended by LIPA's tax counsel. The final report was provided to LIPA by December 31, 2022. To ensure RCNLD is appropriately calculated, LIPA's tax counsel tested a sample population against previously calculated amounts to ensure accuracy. LIPA also sampled randomly selected substation tax assessment and values and determined the amounts were accurate. PSEG Long Island has successfully met this metric.

Substation Property Tax Module Plan (BS-10)

Allocated Compensation	YE Performance	Awarded Compensation
$50,000	Met Metric	$50,000

Under this metric, PSEG Long Island was to provide a Project Implementation Plan ("PIP") to map an additional 45 substations not included in the 2022 Tax and PILOT report (BS-9) to substantially complete the annual report. PSEG Long Island provided to LIPA a completed PIP to map the remaining substations by December 31, 2022, meeting this metric.

BS-11 (RT-1): Long Island Choice Reform

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Did Not Meet Metric	$0

The goal of this metric was to implement reforms to the LI Choice program that were recommended by the DPS. The LI Choice program has been updated to provide market-based pricing to customers that participate in the program that is consistent with the approach used at the investor-owned utilities. The LI Choice tariff changes ensure that all customers are treated equally under the LI Choice program. Customers participating in LI Choice avoid the market-based charges that LIPA pays for power supply, and non-participants don't have to subsidize the local supply charges that LIPA incurs to serve the participants. The approach was approved by the LIPA Trustees in December 2021, so the first three deliverables (11.1, 11.2, and 11.3) were satisfied before the beginning of 2022.

The single bill option (11.4) and updated Uniform Business Practices (11.6) have also been provided to make the LI Choice program comparable to the programs offered by the investor-owned utilities in the State. This provides a benefit to the ESCOs, who can adopt similar practices for all the customers they serve in the State and ensures that LIPA's participating customers are receiving the same terms as all customers in the State. Community Choice Aggregation (CCA) is a form of LI Choice that is run by local municipalities for all customers within their boundaries. Having PSEG Long Island's forms and procedures for CCAs reviewed and recommended by the DPS (11.5) is important to achieving this goal of Statewide uniformity for participating customers. In 2022, PSEG Long Island had a requirement to obtain such a recommendation from the DPS that its CCA program rules and data protection agreement forms met the statewide standards established by the Public Service Commission for the regulated utilities.

PSEG Long Island was delayed in submitting its proposed CCA program rules and data security agreement to DPS until December 27, 2022, only four days before the required year-end

deadline. At that point, there was no realistic way to obtain DPS' recommendation by year-end. LIPA granted an extension to PSEG Long Island through January 31, 2023 to obtain DPS' recommendation. As of January 31st, PSEG Long Island had not received the required recommendation from DPS. DPS sent a letter to PSEG Long Island on January 27, 2023, indicating that additional information was needed before a recommendation could be provided. Since the LI Choice Reform metric (BS-11) required that all elements be provided, and PSEG Long Island has failed to achieve an important and substantial expectation for the metric, LIPA denies the compensation award for this metric. **The main factor in PSEG Long Island's failure to complete this metric was its late submission of the documents to DPS, which was within its control.**

BS-12 (RT-2): Advanced Metering Infrastructure (AMI) Opt Out Fees

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Did Not Meet Metric	$0

The goal of this metric was to implement AMI fees associated with the substantial completion of the AMI project. This metric involved assessing meter opt-out fees for customers who refused a smart meter during the initial rollout but later requested to change to a smart meter.

The billing component was implemented and opt-out fee charges are appearing on customer bills, providing customers the opportunity to opt-out of AMI metering, and ensuring other customers are being compensated for the added cost incurred for that option.

The AMI Opt-Out Fee was not implemented accurately by the extended target date of July 31, 2022. As a result, customers were billed daily charges for days prior to the effective date authorized by the Board on August 1, 2022. This became a public relations issue when an inquiry was received from a Newsday reporter noting the discrepancy.

The AMI Opt-Out Fee is a daily charge that became effective on August 1st. Tariff leaf 100 says:

"3. Applying Rate Changes to Customer's Bills: If a rate change becomes effective during a billing period (and unless the Authority determines otherwise), the Authority will average the old and new rates, weighted by the number of days in the billing period before and after the effective date of the rate change." The charge was not implemented accurately because the daily charge was imposed on days prior to August 1st, which is not consistent with the Tariff provisions approved by the Board.

Because billing was incorrectly applied to the first bill cycle, and customers were charged the daily opt-out fee, which included days before the rate was authorized, this metric did not meet the standard and was rejected by LIPA.

Legal Staffing (BS-14)

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The goal of this metric was to adequately staff PSEG Long Island's Legal department, including attorneys and paralegals, and to implement staffing recommendations in PSEG Long Island's Legal Department that were identified by a consultant retained by LIPA to assess their legal staffing resources. The consultant conducted interviews with attorneys from both companies, reviewed contractual obligations under the new OSA and other pertinent documents, and evaluated the adequacy of the staffing levels. PSEG Long Island and LIPA have agreed upon the terms of a plan to implement the recommendations from the consultant. This metric met all standards.

Contractor Performance Evaluation System (BS-15)

Allocated Compensation	YE Performance	Awarded Compensation
$250,000	Met Metric	$250,000

The goal of this metric was to procure and implement a system to track Contractor Evaluation Performance Data. PSEG Long Island has procured SupplyHive and started implementation. The first phase monitored contracts valued at $2 million or greater and tracked vendors' performance against the following benchmarks: Safety and Casualty Rate, Contract Risks, Quality Performance, and Values and Cost. The first report from SupplyHive was delivered to LIPA on September 28, 2022, and LIPA and PSEG Long Island met to discuss LIPA's comments on the report. The metrics met all standards.

BS-16 (E&C-1): Government & Legislative Affairs

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of this metric was to provide lines of business with timely information and analysis of legislation that could impact LIPA or PSEG Long Island. From January 1 through June 6, when the State Legislature was in session, PSEG Long Island provided all required bi-weekly updates on relevant bills introduced. Updates included the introduction of new legislation and movement through committees in either house or, if passed, when bills were delivered to the Governor. Additionally, PSEG Long Island completed all required bill memos, describing bills deemed mutual priorities and providing analysis, as required by the metric. Of note, **the bill analysis was not uniformly complete or substantive but met minimum metric requirements for timliness.** This metric met standards.

BS-17 (E&C-2): Project Outreach

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The goal of this metric was to further a requirement of the 2018 DPS Management Audit, where a customer survey was suggested to inform recommendations to improve outreach on capital projects to determine whether outreach efforts are cost-efficient, on target, and achieving results.

A survey was developed, but due to poor participation in the survey, the LIPA Executive Sponsor did not approve the PSEG Long Island-developed plan to distribute the survey. Ultimately, a limited number of survey responses were received, and PSEG Long Island declined to provide any recommendations for improving its outreach activities, citing the poor number of responses as justification. LIPA offered an exception to modify the proposed plan to distribute the survey to increase participation, but PSEG Long Island declined to modify its methodologies. By December 2022, 276,978 mailers yielded only 50 survey responses, mostly regarding issues not related to capital projects. There was no discernible customer benefit to PSEG Long Island's activities under this metric. LIPA had proposed a 2023 metric to clarify expectations around methods to achieve a higher participation rate, including utilizing focus groups. DPS Long Island did not recommend this metric for 2023. LIPA believes that a continuous improvement philosophy to outreach practices is necessary to align outreach activities with industry best practices and to meet customer expectations.

BS-18 (E&C-3): Customer Segmentation

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The purpose of this metric was to incentivize PSEG Long Island to implement better customer segmentation practices to improve customer communications. Customer segmentation is the process of grouping customers into segments, using utility data, according to common characteristics and similarities (i.e., demographics, geographic, behaviors) so one can customize marketing efforts to communicate with those customers more effectively.

This metric required PSEG Long Island to finalize and test the customer segmentation research to find alternative strategies to segment customers more effectively. PSEG Long Island conducted research and a residential segmentation survey with Illume Advising, LLC, to provide "utility-wide residential segmentation to drive the strategic direction of PSEGLI's utility outreach." **Illume Advising utilized pre-Covid customer and usage data to produce five new customer profiles and personas with the intent to better segment the customer base.**

To test the recommended personas, PSEG Long Island was also required to develop three marketing campaigns to test and validate the effectiveness of third-party customer persona segmentations for more curated messaging of residential customer communications. These campaigns went into the market from June 2022 to September 2022. After reviewing the key performance indicators, conversion

rates for these campaigns did not prove to be more successful for customers marketed to through the Illume Advising developed customer persona segmentations than traditional marketing segmentation. **LIPA and PSEG Long Island concluded the custom developed Illume Advising personas were ineffective, and the use of Off the Shelf new product with an artificial intelligence-powered segmentation approach appears warranted for consideration. PSEG Long Island technically met the minimum requirements of the metric standards, but the project did not provide the expected value to customers.**

Quantitative Metrics

LIPA has detailed the status of each Business Services Quantitative Metric below. **Of the seven (7) Quantitative Metrics, five (5) were met, one (1) was partially met, and one (1) was not met**.

METRIC #	METRIC NAME	L/H	YE TARGET	YE RESULT	YE PERFORMANCE	ALLOCATED COMP	AWARDED COMP
BS-03	Employee Engagement - Participation Rate	H	100.0%	100%	Met Metric	$100,000	$100,000
BS-04	Employee Engagement Score	H	66.7%	33.3%	Did Not Meet Metric	$200,000	$0
BS-05	Full-Time Vacancy Rate	H	100.0%	4 of 5	Partially Met Metric	$200,000	$150,000
BS-13	Information Request (IR) Responses	H	90.0%	95.1%	Met Metric	$150,000	$150,000
BS-19	Reputation Management – Positive Media Sentiment	H	28.0%	63.1%	Met Metric	$100,000	$100,000
BS-20	Reputation Management – Share of Voice	H	50.0%	100.0%	Met Metric	$100,000	$100,000
BS-21	Social Media Engagement and Following	H	100.0%	100.0%	Met Metric	$200,000	$200,000

Table Note 1: "L/H" column refers to "Low/High" – a designation of "H" indicates that the performance objective is to score higher than the target; "L" has a performance objective that is lower than the target.

Table Note 2: The objective of BS-5 – "Full-Time Vacancy Rate" is to achieve a vacancy rate of no greater than 5.0% for the following four categories : (Overall PSEG Long Island, Electric T&D, Customer Services (including Energy Efficiency), and Business Services (including Power Systems Management) and a vacancy rate of no greater than 7.0% for Information Technology. At year-end, PSEG Long Island's performance achieved the vacancy rate target for four (4) categories: (Overall PSEG Long Island, T&D Electric, Customer Services (including Energy Efficiency), and Business Services (including Power Systems Management),but is behind target for the remaining category, Information Technology.

Table Note 3: BS-20 "Reputation Management – Share of Voice" requires that PSEG Long Island achieves a 50% "Share of Voice" during storms and other crisis events. It is defined as the amount of media stories mentioning PSEG Long Island that quote someone from the organization or cite data it

has provided. Through year-end, PSEG Long Island is performing at 100% versus the target of 50% for qualifying events.

BS-3 (HR-1): Employee Engagement - Participation Rate

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The Employee Engagement - Participation Rate Metric (BS-3) required PSEG Long Island to improve the rate of employee participation in the annual Employee Engagement survey so that the 2022 results represented a larger and broader spectrum of employees than in 2021. Employers with strong engagement scores report higher productivity, greater efficiency, and lower turnover than employers with low engagement scores. Therefore, receiving feedback from a greater percentage of employees provides a more accurate assessment of employee sentiment and satisfaction.

The metric required PSEG Long Island to:

1. Achieve a participant rate increase above the 2021 rate by ≥ 15% for Union employees and;

2. Maintain a participation rate of 78% or better for MAST employees.

PSEG Long Island achieved the following participation rates in the 2022 Employee Engagement Survey and therefore earned the metric targets:

1.   For Union employees, the participation rate increased from 43.6% in 2021 to 66.9% in 2022.

2.   For MAST employees, the participation rate was 90.5%.

By achieving an improved rate of employee participation in the annual Employee Engagement Survey, PSEG Long Island's survey results represent the level of engagement and satisfaction of a larger and broader spectrum of employees.

BS-4 (HR-2): Employee Engagement – Score

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Did Not Meet Metric	$0

The Employee Engagement - Score Rate metric drives actions and results that demonstrate higher employee engagement scores in selected categories. Irrespective of their job titles or salary, employees who are more satisfied with their job produce more and do it more efficiently. Categories that impact performance and culture are included in the 2022 metric.

The metric required PSEG Long Island to achieve an increase of at least 4% above the prior year's score for 4 out of 6 of the following categories:

•   Net Promoter Score

•   Recognition and Reward

•   Continuous Improvement

- Performance Management
- Growth and Development.
- Diversity, Equity, and Inclusion

PSEG Long Island's performance did not meet metric targets. PSGEG Long Island's survey scores exceeded 4% above the prior year's score in only 2 of 6 categories, and the metric required a 4% or greater improvement in 4 of 6 categories, as shown below

	2022	2021	% Change	Target	Objective Achieved
Net Promoter Score	20.6%	15.6%	32.1%	4%	√
Recognition and Reward	60.4%	59.5%	1.5%	4%	**X**
Continuous Improvement	61.6%	60.4%	2%	4%	**X**
Performance Management	76.6%	75.7%	1.2%	4%	**X**
Growth and Development	72.8%	71.3%	2.1%	4%	**X**
Diversity, Equity, and Inclusion	74.4%	71.5%	4.1%	4%	√

Although PSEG Long Island did not satisfy the metric, two identified categories did meet or exceed the 4% target: Diversity and Inclusive - 4.1% improvement year over year, and Net Promoter Score - 32.1% improvement year over year.

PSEG Long Island can continue and build on the initiatives they undertook in 2022 that resulted in year-over-year improvements in Diversity & Inclusion and the Net Promoter Score.

BS-5 (HR-3): Full Time Vacancy Rate

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Partially Met Metric	$150,000

The goal of the full-time vacancy rate metric was to incentivize PSEG Long Island to obtain the budgeted full-time headcount identified as necessary to achieve operational objectives within the identified categories; and to minimize expenses related to supplemental resources such as temporary employees, consultants, affiliate employees, etc. The metric required achievement of an annual vacancy rate no greater than 5.0% for each of the following four categories: Overall, Transmission and Distribution, Customer Services, Business Services including Power Markets, and achieve a vacancy rate no greater than 7.0% for Information Technology.

Category	Vacancy Rate	Target	Objective Achieved
Overall	3.5%	5%	√
Transmission & Distribution	0.2%	5%	√
Customer Services	4.6%	5%	√
Business Services	3.4%	5%	√
Information Technology	20.8%	7%	X

PSEG Long Island partially met the metric targets. 75% of the allocated incentive compensation is payable for achieving vacancy rate targets for 4 out of 5 categories. PSEG Long Island did not meet the vacancy target in the fifth category, IT. **PSEG Long Island continues to struggle with recruiting the IT staff budgeted and had a year-end vacancy rate of 20.8% in this category.**

LIPA granted two exceptions on this metric to adjust the vacancy rate calculation for the following business purposes:

1. PSEG Long Island and LIPA agreed not to fill the pool of excess meter readers budgeted for in 2022 due to the AMI deployment.

2. LIPA agreed that not filling vacancies in Customer Offices after May as customer offices were not reopening.

BS-13 (LEG-1): Information Request (IR) Responses

Allocated Compensation	YE Performance	Awarded Compensation
$150,000	Met Metric	$150,000

The IR Responses metric required PSEG Long Island to collaborate with LIPA in devising a policy that sets clear expectations for prompt and substantive responses to information requests. To assess the fulfillment of this metric each quarter, LIPA designed a tracking system.

In the first quarter, PSEG Long Island achieved a commendable 96.97% on-time completion rate for IRs. The second quarter saw a slight dip to 82%, followed by a rebound to 88% in the third quarter. By the end of the year, PSEG Long Island demonstrated a 95.1% completion rate and met the year-end performance target.

BS-19 (E&C-4): Reputation Management – Positive Media Sentiment

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of this metric was to incentivize PSEG Long Island to have at least 28% of the leading media stories mentioning PSEG Long Island be of positive sentiment. The intent of the Reputation

Management metrics is to be able to quantify factors that affect reputational risks so they can be better managed. To effectively manage reputational risk involves a few steps – one of which is assessing perception.

As reputation is consistently understood throughout the industry as a matter of perception, specifically among key stakeholder groups, it's a perception that must be measured and quantified. While there are numerous ways to evaluate a company's reputation, a comprehensive analysis of the news media was identified in this metric to be the most effective for quantifying perception.

Sentiment is a metric which was designed to provide helpful insights into how stakeholders feel about and perceive a brand from what they read in the media. The definitions for sentiment, as stated in the metric, are widely used and understood to assess the sentiment of media articles – positive, neutral, and negative. When a company has a more positive or strong reputation in totality, benefiting from more favorable media coverage, they are less susceptible to reputational damage when negative media stories emerge.

Overall, in 2022, PSEG Long Island's proactive media strategy achieved more favorable results through media analysis than in prior years, and they have met the year-end performance target.

BS-20 (E&C-5): Reputation Management – Share of Voice

Allocated Compensation	YE Performance	Awarded Compensation
$100,000	Met Metric	$100,000

The goal of the metric was to have at least a 50% share of voice to keep the proportion of negative stories to a minimum. This metric also aligns with the intent of BS-19, incentivizing a more proactive approach to managing reputational risks. Understood throughout the industry, one can work to influence the mix of positive, negative, and neutral media stories by maximizing the company's "share of voice" – the percentage of media stories that mention or quote a leader from the company or cite/include company data provided to the media.

In 2022, our service area experienced fewer severe weather incidents than in previous years. For example, in 2020, we weathered 23 storms; in 2021, the number reduced to 11; and in 2022, we faced only 10 storms. The proactive media strategy of PSEG Long Island has successfully met the objectives of this metric, partially aided by reduced weather events.

BS-21 (E&C-6): Social Media Engagement and Following

Allocated Compensation	YE Performance	Awarded Compensation
$200,000	Met Metric	$200,000

This metric aimed to motivate PSEG Long Island to improve its social media engagement and response rates. To achieve this, PSEG Long Island deployed artificial intelligence tools designed to automate responses when necessary, such as during weather events, specific times of the day, or in instances of staff shortage. This technology ensured that customers received immediate, real-time responses when engaging with the company on platforms such as Facebook and Twitter. The PSEG Long Island team collaborated diligently with their software vendor to arrange the data for LIPA's review.

The integration of artificial intelligence, coupled with the recruitment of additional social media staff, has facilitated swift responses to customers, particularly those facing health and safety incidents. Owing to the considerable volume of social media response data that needed collection and organization, PSEG Long Island requested an extension for the first quarterly report. Despite this, PSEG Long Island successfully met the target for this metric.