

OPERATIONS SERVICES AGREEMENT

between

LONG ISLAND LIGHTING COMPANY d/b/a LIPA

and

PSEG LONG ISLAND LLC

Dated as of

December 28, 2011

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OPERATIONS SERVICES AGREEMENT

THIS OPERATIONS SERVICES AGREEMENT (this "Agreement") is made and dated as of December 28, 2011 between the LONG ISLAND LIGHTING COMPANY d/b/a LIPA, a New York corporation ("LIPA"), a wholly-owned subsidiary of the LONG ISLAND POWER AUTHORITY, a corporate municipal instrumentality of the State of New York and a body corporate and politic and a political subdivision of the State of New York (the "Authority"), and PSEG Long Island LLC, a New York limited liability company (the "Service Provider", which term includes the Service Provider's subsidiary service company, ServCo, unless the context otherwise requires). The Service Provider and LIPA are sometimes hereinafter referred to individually as a "Party" and together as the "Parties."

RECITALS

WHEREAS, on June 3, 2010, the Authority issued the Utility Services Management Request for Proposals issued by LIPA (the "RFP") soliciting proposals for the operation and maintenance of, and Capital Improvements (as defined below) to, the T&D System in LIPA's Service Territory;

WHEREAS, in response to the RFP, the Service Provider has submitted a Technical Proposal, dated August 24, 2010, and a Pricing Proposal, dated December 15, 2010, in each case as supplemented by the Service Provider's responses to questions provided by LIPA (the "Service Provider's Proposal");

WHEREAS, the Authority has determined that the Service Provider's Proposal demonstrates that the Service Provider's capability to deliver the Operations Services (as defined below) and perform its other obligations under this Agreement and the Transition Services Agreement (as defined below) provides the best overall value to LIPA and its customers;

WHEREAS, simultaneously herewith, LIPA and the Service Provider are entering into an agreement providing for the transition and handover to the Service Provider of activities, responsibilities, custody and control under the MSA (as defined below) (the "Transition Services Agreement"); and

WHEREAS, the Parties also desire to enter into this Agreement in order to provide for the operation and maintenance of, and Capital Improvements to, the T&D System in which LIPA has an ownership or leasehold interest.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and other agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1

DEFINITIONS; INTERPRETATION

SECTION 1.1 DEFINITIONS; INTERPRETATION.

In this Agreement, unless the context otherwise requires:

(A) Defined Terms. All initially capitalized terms used and not otherwise defined herein are used as defined in Appendix 1 hereto. The definitions set forth in Appendix 1 hereof shall control in the event of any conflict with the definitions used in the recitals hereto.

(B) References. The terms “hereby,” “hereof,” “herein,” “hereto,” “hereunder” and any similar terms refer to this Agreement, and the term “hereafter” means after, and the term “heretofore” means before, the Effective Date. Whenever any of the words “include”, “includes” and “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation” or equivalent words.

(C) Gender and Plurality. Words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

(D) Headings. The table of contents and any headings preceding the text of the Articles, Sections and subsections of this Agreement shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

(E) Costs, Cost Substantiation and Cost Disputes. Any cost proposed or incurred by the Service Provider which is directly or indirectly chargeable to LIPA and which, in whole or in part, will be a Pass-Through Expenditure hereunder shall be no greater than the fair market price, to the extent available, for the good or service provided, or, if there is no market, shall be a fair and reasonable price; provided, however, that use of Service Provider inventory in connection therewith shall be charged to LIPA at the cost the Service Provider paid for such inventory (excluding any inter-company profit); and provided further, that wages, salaries and other labor and labor-related costs of the General Workforce shall be deemed to be no greater than the fair market price thereof. The Service Provider shall maintain and, at LIPA’s reasonable (as to timing and format) request, and consistent with LIPA’s rights and access to information otherwise provided in Section 4.12 hereof, provide cost substantiation and, at LIPA’s request, such additional relevant information for all such costs invoiced to LIPA hereunder, and for all budgets, estimates and quotations furnished to LIPA hereunder for the purpose of reviewing and approving costs for Operations Services or any other additional work or costs incurred for which LIPA is responsible hereunder. The Service Provider agrees to use all commercially reasonable efforts to limit the costs incurred under this Agreement consistent with the Contract Standards. LIPA may object to any cost or to the payment of any cost on the grounds that such cost or the amount being charged to LIPA was improperly computed, that the costs incurred by the Service Provider were unreasonable for the work performed, or that the costs incurred were not properly approved by LIPA or the JOC (as defined below) as required by this Agreement.

(F) References to Transmission and Distribution of Power. The phrases “transmit”, “transmitted”, “transmitting” and “transmission” and any similar phrases herein, when used with respect to Power and Energy, shall mean and refer to the operation of the T&D System in accordance with this Agreement to transmit Power and Energy. The phrases “distribute”, “distributed”, “distributing” and “distribution” and any similar phrases herein, when used with respect to Power and Energy, shall mean and refer to the operation of the T&D System in accordance with this Agreement to distribute Power and Energy.

(G) Actions Taken Pursuant to Agreement. The Parties acknowledge that this Agreement sets forth procedures and intended results with respect to various circumstances which may arise during the Term (as defined below). Such circumstances include, without limitation, the “wheeling”, “transmission” or “distribution” of Power and Energy; Changes in Law and other Force Majeure events; the preparation, revision and updating of Budgets, Work Plans, operating plans and schedules; revisions and modifications to the Performance Metrics; the preparation, revision and updating of the Operations Manual and the Contract Administration Manual; the provision of Back-End Transition Services; and the assignment and transfer of this Agreement. Unless otherwise agreed to by the Parties, any such correspondence, report, submittal, revision update, consent or other document or communication given pursuant hereto on account of such a circumstance shall be considered as between the Parties to be an action taken pursuant to this Agreement and not an amendment hereto.

(H) Prudent Utility Practice. Prudent Utility Practice shall be utilized hereunder, among other things, to implement and in no event lower or diminish, the Contract Standards.

(I) Delivery of Documents in Digital Format. In this Agreement, the Service Provider is obligated to deliver reports, records, drawings, proposals and other documentary submittals in connection with the performance of its duties hereunder. The Service Provider agrees that all such documents shall be submitted to LIPA both in printed form (in the number of copies indicated) and, to the extent reasonably available, in digital form, unless LIPA otherwise agrees. Electronic copies shall consist of computer readable data submitted in consistent standard interchange format to facilitate the administration and enforcement of this Agreement.

(J) Counterparts. This Agreement may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same original Agreement. Execution and delivery of this Agreement may be effected by means of an exchange of facsimile or other electronic copies.

(K) Applicable Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York without regard to any applicable principles of conflicts of law that would require this Agreement to be governed by and construed in accordance with the laws of a different state or jurisdiction.

(L) Severability. If any clause, provision, subsection, Section or Article of this Agreement shall be ruled invalid, unenforceable or in conflict with Applicable Law in any Legal Proceeding, then the Parties shall: (1) promptly meet and negotiate in good faith a substitute for such clause, provision, subsection, Section or Article which shall, to the greatest

extent legally permissible, effect the intent of the Parties therein; (2) if necessary or desirable to accomplish item (1) above, apply to the court, arbitral body or other authority, as applicable, having declared such invalidity, unenforceability or legal conflict of the invalidated portion of this Agreement; and (3) negotiate in good faith such changes in, substitutions for, or additions to, the remaining provisions of this Agreement as may be necessary in addition to and in conjunction with items (1) and (2) above to effect the intent of the Parties reflected in the invalid, unenforceable or legally conflicting provision. The invalidity, unenforceability or legal conflict of such clause, provision, subsection, Section or Article shall not affect any of the remaining provisions hereof, and this Agreement shall be construed and enforced as if such invalid portion did not exist.

(M) References to Days. All references to days herein are references to calendar days unless specified as Business Days.

(N) Negotiated Agreement. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against any one Party or the other as a result of the preparation, substitution or other event of negotiation, drafting or execution hereof.

(O) Good Faith Obligation. In the performance of any and all of their respective obligations and responsibilities hereunder, LIPA and the Service Provider shall be required to do so in good faith and with due diligence.

ARTICLE 2

TERM; EFFECTIVE DATE.

SECTION 2.1 TERM.

This Agreement will commence on the Effective Date (as defined below) and extend for a period of ten (10) years from the Service Commencement Date (as defined below) (the “Term”), unless earlier terminated in accordance with its terms, in which event the Term shall be deemed to have expired as of the date of such termination. All rights, obligations and liabilities of the Parties hereto shall commence on the Effective Date, subject to the terms and conditions hereof. The rights and obligations of the Parties hereto pursuant to Sections 1.1(K), 1.1(L), 3.1(E), 4.11, 4.12(D), 4.18, Articles 5, 6 and 7, Sections 8.3, 9.1, 9.2, 9.3(B), 9.3(O), 9.4(A), 9.4(B), 9.4(C), 9.4(D), 9.7, 9.10, 9.11, 9.12, 9.13 and 9.15 hereof, and the Set Off Rights and Records provisions described in Appendix 3 shall survive the termination or expiration of this Agreement, and no such termination or expiration shall limit or otherwise affect the respective rights and obligations of the Parties hereto accrued prior to the date of such termination or expiration. At the conclusion of the Term, all other obligations of the Parties hereunder shall terminate unless extended or otherwise survive as provided for herein.

SECTION 2.2 EFFECTIVE DATE; BINDING EFFECT.

(A) Effective Date. This Agreement shall not be a legally binding and effective agreement upon the Parties hereto unless and until each of the following conditions precedent shall have been satisfied (the “Effective Date”):

General;

(1) approval of this Agreement by the New York State Attorney

(2) approval of this Agreement by the New York State Comptroller;

and

(3) receipt of the IRS Ruling in form and substance satisfactory to LIPA.

(B) IRS Ruling. The Parties acknowledge and agree that LIPA will seek a private letter ruling from the Internal Revenue Service (the “IRS”) to the effect that this Agreement (including the Compensation provisions set forth in Article 5 hereof) (i) is a “Qualified Management Contract” or (ii) will not cause the portion of the T&D System financed by LIPA’s tax exempt bonds to be used for private business purposes under Section 141(b) of the Code (the “IRS Ruling”).

As promptly as practicable following the Parties’ execution of this Agreement, LIPA will submit to the IRS a request for the IRS Ruling (the “Ruling Request”) and will thereafter prosecute such Ruling Request in good faith in order to obtain an IRS Ruling at the earliest possible date. The Service Provider shall provide LIPA with such information and assistance as LIPA may reasonably request in connection with the Ruling Request. LIPA shall (a) provide the Service Provider with a copy of the IRS Ruling (which shall be deemed Confidential Information hereunder) promptly following LIPA’s receipt thereof and (b) advise the Service Provider either (i) that the IRS Ruling is satisfactory to LIPA or, (ii) that the IRS has raised objections to LIPA’s Ruling Request or the IRS Ruling otherwise contains provisions or conditions which LIPA considers objectionable (the “IRS Objections”). Notwithstanding that the Effective Date has not yet occurred, if the IRS Ruling contains IRS Objections the Parties hereby agree as follows:

(1) The Parties shall enter into good faith negotiations as promptly as possible to make such mutually agreeable modifications to this Agreement as may be necessary to overcome any IRS Objections and, to the fullest extent consistent therewith, preserve the full range of economic results, benefits and obligations with respect to each Party hereto; (2) LIPA shall submit to the IRS a supplemental Ruling Request together with the modifications to this Agreement's terms as agreed upon by the Parties promptly following such agreement and shall promptly advise the Service Provider when LIPA has received a satisfactory IRS Ruling; and (3) In the event, however, that within thirty (30) days after commencing negotiations pursuant to clause (1) above, the Parties are unable to agree upon such modifications (an “IRS Ruling Dispute”), then the Parties shall submit the IRS Ruling Dispute to binding arbitration pursuant to the expedited dispute resolution provisions as set forth in Section 7.6 (I) and (J) hereof and LIPA shall promptly submit to the IRS a supplemental Ruling Request incorporating the Arbitrators' decision.

(C) Service Commencement Date. The Service Provider shall begin rendering Operations Services under this Agreement upon the last to occur of the following: (a) 12:00 a.m. on January 1, 2014; (b) the Effective Date of this Agreement; and (c) the Service Provider having achieved Substantial Completion of the Front End Transition Plan (as defined in the Transition Services Agreement) (the “Service Commencement Date”).

ARTICLE 3

OWNERSHIP OF THE TRANSMISSION AND DISTRIBUTION SYSTEM

SECTION 3.1 OWNERSHIP OF THE T&D SYSTEM.

(A) LIPA Ownership. The T&D System is owned, leased or otherwise controlled by LIPA and the Service Provider shall not have any legal, equitable, tax, beneficial or other ownership or leasehold interest in the T&D System. All additions to the T&D System purchased or constructed in conjunction or for the use with any part of the T&D System during the Term shall be the property of LIPA.

(B) Engagement of Service Provider. LIPA hereby engages the Service Provider as an independent contractor (except where the Service Provider is appointed as LIPA's agent as specifically provided herein) to furnish the Operations Services described in this Agreement at and for the Compensation provided for hereunder. The Service Provider hereby accepts such engagement upon the terms and conditions provided for herein. All monies collected by the Service Provider or its Subcontractors pursuant to this Agreement (other than Compensation paid by LIPA to the Service Provider hereunder) shall be the property of LIPA and shall be deposited by the Service Provider daily in such account as LIPA shall specify. In collecting such monies, the Service Provider and any Subcontractor shall act solely as an agent for LIPA and shall have no right or claim to such monies and, without limiting the generality of the foregoing, shall have no right to assert a claim of set-off, recoupment, abatement, counterclaim or deduction for any amounts which may be owed to the Service Provider hereunder or with respect to any other matter in dispute hereunder. The Service Provider is unconditionally and absolutely obligated to pay or deposit all such monies as directed by LIPA.

(C) Use of LIPA Assets. During the Term hereof, the Service Provider and its Subcontractors may enter upon, occupy and operate the T&D System to perform the Operations Services for LIPA in accordance herewith and for no other purpose unless otherwise directed or approved by LIPA. LIPA will own, lease or otherwise control substantially all material assets necessary for the provision of the Operations Services. The Service Provider shall have the right to utilize LIPA's assets at no additional charge, but only to perform Operations Services hereunder, unless LIPA otherwise agrees; provided, however, that LIPA will not make available any tax-exempt bond financed assets for use in connection with any non-LIPA activities. If and to the extent that LIPA's assets are insufficient to perform any Operations Services, or if the Service Provider believes any of its own assets should be used in place of LIPA's assets, the Service Provider may, subject to LIPA's prior review and approval, utilize such asset and LIPA will compensate the Service Provider therefor as provided in Article 5 hereof.

(D) Encumbrances. The Service Provider shall not, without LIPA's prior written consent, directly or indirectly, create or permit to be created or to remain, and will promptly discharge, at its expense, any Encumbrance on the T&D System, other than (1) Encumbrances existing as of the Service Commencement Date, or (2) any Encumbrance affecting the T&D System (i) resulting or arising from any action or failure to act by LIPA or anyone claiming by, through or under LIPA (other than the Service Provider and persons claiming by, through or under the Service Provider) or (ii) created by Subcontractors; provided,

however, that such Encumbrances must be promptly bonded against by the Service Provider. Nothing in this Agreement shall be deemed to create any Lien or Encumbrance in favor of the Service Provider on any asset of LIPA, including the T&D System, as security for the obligations of LIPA hereunder.

(E) Surrender of the T&D System. At the expiration or earlier termination of the Term hereof, the Service Provider and, if and to the extent LIPA requests, its Subcontractors shall peaceably leave and surrender the T&D System to LIPA in a condition consistent with the Service Provider's Operations Services responsibilities hereunder. In conjunction with such surrender, the Exit Test shall be conducted in accordance with Section 8.3 hereof.

(F) Right of Access. Notwithstanding any other provision of this Agreement, LIPA, as the owner or lessor of the T&D System, shall have a right of unrestricted access to the T&D System for itself and its Representatives at such times and for such purposes as it deems necessary or desirable. LIPA and its Representatives shall have, at LIPA's request, a dedicated on-site office space and access to and use of office facilities and equipment located at ServCo's facilities or another suitable site mutually agreed upon and a separate work space adequate to enable LIPA to exercise its oversight rights and responsibilities under this Agreement. LIPA shall pay, as a Pass-Through Expenditure, the Service Provider's reasonable costs of providing such facilities and equipment. LIPA shall also have a right of reasonable access to the T&D System for other visitors upon reasonable notice to the Service Provider. LIPA and its Representatives also shall have a right of unrestricted access to ServCo facilities at all times.

ARTICLE 4

OPERATION OF THE T&D SYSTEM

SECTION 4.1 T&D SYSTEM GENERALLY.

(A) Reliance. The Service Provider acknowledges that LIPA, in meeting the Power and Energy requirements of the Service Area, is providing an essential public service, and in complying with Applicable Law, will rely on the performance by the Service Provider of its obligations hereunder.

(B) Limitations on Service Provider Rights. The Service Provider shall not transmit or distribute Power and Energy using the T&D System other than Power and Energy obtained by, on behalf of, or with the approval of LIPA, and shall not use the T&D System (i) for any purpose other than the purposes contemplated hereby or (ii) to serve or benefit any person other than LIPA and its retail and wholesale customers.

(C) Curtailments and Shutdowns. If deliveries of Power and Energy through the T&D System are temporarily reduced, curtailed or shut down for any reason, including without limitation due to a Storm Event (as defined herein), the Service Provider shall, with due consideration of its responsibility for safety and system reliability, immediately advise LIPA as to the nature, reason and probable duration thereof and the expected effect thereof on the operation of the T&D System. Such notices shall be given as provided in the Contract

Administration Manual. Any announcement concerning such events made to the public or the media shall be made in accordance with the provisions of Section 4.2(A) and Section 4.4 hereof.

SECTION 4.2 OPERATIONS SERVICES.

(A) Scope of Services. The Service Provider shall provide Operations Services for the T&D System on behalf of LIPA at all times in accordance with the Contract Standards. The scope of services to be provided by the Service Provider (the “Scope of Services”) will include the following:

(1) T&D System. The Service Provider will be responsible for all electric transmission, distribution, and load serving activities for the safe and reliable operation and maintenance of the T&D System, including expansions and replacements to meet LIPA’s technical, financial, customer satisfaction, and regulatory compliance goals (including LIPA’s environmental, energy efficiency and renewable resource initiatives) in accordance with LIPA’s then current Electric Resource Plan; management and performance of construction of improvements thereto; and delivery of Power and Energy to LIPA’s customers, including but not limited to the implementation of the following activities subject, however, to LIPA’s rights and responsibilities as set forth in Section 4.4 hereof or otherwise herein:

(a) day-to-day operation of the T&D System, including: satisfying customer concerns under LIPA approved procedures; physical operation of the T&D System; maintaining T&D System configuration; maintenance of an Open Access Same-Time Information System (“OASIS”); optimization of reliability performance goals, cost of uneconomical generation, cost and impact of planned maintenance and use of load shedding; and producing, reviewing and maintaining all operating logs and maintenance records to meet regulatory requirements and LIPA goals;

(b) engineering activities, including: analyses related to, and maintenance of records and standards for design and engineering, design standards, construction standards, system mapping and related information, system performance, reliability, root cause analysis, equipment ratings, customer contact and needs assessment; administration of customer contribution in aid of construction; managing an effective environmental health and safety program; maintenance of environmental and regulatory compliance and the documentation thereof;

(c) maintenance of revisions to all T&D System drawings, specifications, construction manuals, equipment diagrams and other technical documentation; management of T&D System interconnection permit applications and processing thereof (including negotiation and administration of generation interconnection agreements); and preparing capital project close-out reports;

(d) development and implementation of asset management strategies and risk optimization for combined technical performance, life cycle cost, customer satisfaction, and regulatory compliance consistent with LIPA goals; real estate management, easements, leases and agreements, pole attachments (including billing and collection for pole attachment fees, as well as maintaining a complete inventory of type and location of each

attachment and plans for revenue optimization), joint use agreements, and telecommunications for the provision of electric service; meter maintenance; fleet management; materials and services procurement and inventory management; T&D System security to protect the system from vandalism, terrorism, or other acts; emergency preparedness and planning; and warehousing;

(e) preparation of: recommended capital plans and monitoring of the approved annual Capital Budget (including a review thereof by persons familiar with capitalization criteria as described by FERC); risk assessments and analyses in support of capital projects prioritization and planning (which shall be based on LIPA's Electric Resource Plan and its short and long range operational and financial objectives); LIPA's load and energy forecasts; fuel price and quantity forecasting; LIPA's long and short range system plans, including integrated electric resource plans; LIPA's proposed annual operating and maintenance work plan; and complete annual two-year Operating Budget and input into LIPA's long-term financial plan;

(f) preparation of long and short range transmission and distribution planning analyses and forecasts to determine the need for Capital Improvements, including introduction of smart grid and other emerging technologies and project management services to ensure the technical performance and reliability of the T&D System, and to meet LIPA's financial, customer satisfaction, and regulatory compliance goals in accordance with LIPA's Electric Resource Plan and its short and long range financial objectives;

(g) preparation, maintenance and ongoing updating of the Operations Manual and capital planning procedures for use by the Service Provider and by LIPA and its Representatives, including the preparation of a maintenance matrix of preventive and diagnostic maintenance tasks as part of the development of a reliability centered maintenance program;

(h) performance of Capital Improvements and supervision of capital projects including engineering and related design and construction management services and repair or modification activities required due to Public Works Improvements;

(i) cooperation with third parties providing services to LIPA with respect to the provision of electric service;

(j) maintenance, during the Term, of the Contract Administration Manual (subject to LIPA's prior review and approval);

(k) maintenance of mutual aid agreements to support the workforce in restoration response; and

(l) other activities necessary, appropriate or advisable, including research and development, to safely, reliably and efficiently operate and maintain the T&D System in accordance with the Contract Standards.

(2) Customer Services. The Service Provider will be responsible for the performance of customer service functions related to the provision of electric service;

subject, however, to LIPA's rights and responsibilities as set forth in Section 4.4 hereof or otherwise hereunder, including the following, and as more fully described in the Contract Administration Manual:

(a) achieving a high level of customer satisfaction, including: determining the approach and methodology for measuring, monitoring, and optimizing customer satisfaction; monitoring customer satisfaction results; overseeing the performance of perception-based and transactional-based customer satisfaction surveys for other service providers; interpreting and communicating the results of customer surveys to LIPA; coordinating initiatives aimed at improving the product portfolio, service delivery mechanisms, and overall customer satisfaction across the full spectrum of services provided, such as system operations and electronic transaction and self help options, customer interactions and back-office functions;

(b) maintaining customer contact through call centers with toll free service numbers, customer offices, authorized payment centers, maintaining and overseeing customer portion of LIPA's Web Site and other electronic media, inbound and outbound customer communication systems, co-management of customer loyalty and satisfaction programs, customer services field operations, and customer care and institutional communications and responding to customer inquiries regarding LIPA provided services;

(c) marketing and sales for retail system expansion, retail customer retention, and customer care and service programs, including all aspects of marketing planning and implementation activities, promotion and communications; market research; account relationship management; economic development; field sales; trade ally relations; demand response programs; and participating in and complying with LIPA's renewable and energy efficiency programs;

(d) managing the billing and revenue cycle processes associated with retail and wholesale electric sales and other services provided by LIPA, including: meter reading; customer billing; payment processing; credit and collections; and revenue protection; assuring billing accuracy and investigating and resolving in a timely manner, all billing errors and disputes; issuing customer refunds and credits; and setting new customer billing cycles to promote even cash flow throughout each month;

(e) managing the rates, tariffs and load forecasting functions, including: performance of system revenue requirement and class cost of service studies; rate case preparation and support; proposing and evaluating rate designs and tariff changes; tariff administration and enforcement; monitoring of regulatory trends and developments; performance of load research; and preparation of load and sales forecasts; and

(f) other activities necessary, appropriate or advisable to implement LIPA's customer service programs in accordance with the Contract Standards or as requested by LIPA from time to time.

(3) Finance, Accounting, Budgeting and Financial Forecasting and Treasury Operations. The Service Provider will be responsible for all finance, accounting,

budgeting, longer-term financial forecasting and treasury operations related to the T&D System, including the following activities:

- (a) Accounting and Reporting.
 - (i) maintenance of a complete and separate set of financial and accounting records for LIPA's electric service business in accordance with GAAP and other applicable standards;
 - (ii) maintenance of a general ledger and all subledgers in accordance with the FERC chart of accounts necessary to support the preparation of monthly financial statements and management reports as directed by LIPA;
 - (iii) monthly closing of the financial records within seven (7) Business Days for full reporting to LIPA by the end of the seventh (7th) Business Day of each month, including a complete accounting package with schedules and analysis as requested by LIPA appropriate to support the financial records provided, including ad-hoc schedules and analysis as may be requested by LIPA management from time to time;
 - (iv) delivery to LIPA of a full set of monthly and year to date financial statements (balance sheet, income statement and cash flows), quarterly financial statements (for the three-month period then ended), and year-end financial statements (for the full 12-month period then ended) for ServCo;
 - (v) performance of all reconciliations necessary to ensure accurate and complete books and records are maintained;
 - (vi) analysis of all accounts, providing variance analysis and explanations for both actual period-to-period variances and budget versus actual variances to the extent requested by LIPA;
 - (vii) providing monthly revenue analysis, including weather normalization, billed and unbilled revenue analysis and lost and unaccounted for revenue;
 - (viii) performance of all accounting and reporting functions necessary to support the T&D System operations, tax and payment in lieu of tax reporting functions (including monitoring, reviewing and verifying all tax billings), support of LIPA's efforts in contesting tax and PILOT-related assessments and the maintenance of the fixed assets records in accordance with FERC and other applicable regulatory or accounting requirements;
 - (ix) preparation from time to time as requested by LIPA of a depreciation study, the goal of which is to recommend consolidated annual depreciation accrual rates and to advise LIPA management of factors that relate to the fair and timely recovery of capital invested in the assets of the Authority, including general plant;

(x) preparation of the monthly EIA form 826 and the Annual EIA form 861, including supporting schedules;

(xi) separate accounting and reporting that may be required from time to time for any federal grants received by LIPA;

(xii) billing, tracking, reporting, managing, and collecting of all attachment fees, rents and other “non-product” revenues due to LIPA associated with services provided or related to lighting, telecommunications and other equipment attached to or located on the T&D System Site;

(xiii) provision of accounting memorandum documenting procedures used in creating journal entries related to the T&D System;

(xiv) provision of recommendations to LIPA accounting personnel for review and approval, prior to implementation, of new pronouncements from GASB, FASB or other authoritative bodies; and

(xv) accounting for and documenting the costs and revenues resulting from the Service Provider’s performance under this Agreement in accordance with GAAP, GASB, FERC, NYSPSC and any other applicable accounting requirements as determined necessary by LIPA.

(b) Budgeting and Financial Forecasting.

(i) preparing and monthly monitoring of budgets necessary for both capital and operating expenses for the services provided by the Service Provider under this Agreement;

(ii) analyzing monthly and year-to-date budget to actual variances, providing explanation of such variances and formulating financial projections based on the variance analyses;

(iii) providing revenue and expenditure projections for the annual or multi-year period beyond the period of actual results; and

(iv) preparing and delivering sales, revenues and costs budget input data for LIPA’s annual budgeting processes, including LIPA’s five-year and other long-range financial planning process.

(c) Auditing.

(i) auditing of all attachment fees, rents and other revenues due to LIPA associated with services provided on or related to lighting, telecommunications and other equipment attached to or located on the T&D System Site;

(ii) internal audit function to perform annual risk assessment related to the T&D System to be presented to LIPA management prior to the

beginning of each business cycle for review and approval by LIPA management. Audits are to be developed and carried out based upon LIPA's risk assessment policies and may be modified by periodic and specific financial, operational and internal control audits and reviews as requested by LIPA from time to time; and

(iii) obtaining, no less than once annually (to correspond with LIPA's year-end), an external audit (in accordance with GAAP) of the financial statements and underlying financial records maintained by the Service Provider related to the services provided under this Agreement.

(d) Treasury Operations.

(i) timely and accurate collection of customer remittances and other "non-product" revenue on LIPA's behalf through lockbox operations, customer centers and other sources;

(ii) monthly or as requested cash flow projections (including daily, weekly and monthly forecasts of customer cash receipts) and cash management services; and

(iii) monthly reconciliations of all LIPA bank accounts managed on behalf of LIPA by the Service Provider.

(e) Other.

(i) performance of a depreciation study by a qualified external consultant) of LIPA's T&D System assets and other assets subject to this Agreement by the Service Provider no less frequently than once every five (5) years;

(ii) assistance with the preparation and provision of information and data (both financial and operational) to support LIPA's financing activities and required periodic filing requirements;

(iii) assistance with the preparation and provision of information and data (both financial and operational) to support LIPA's reporting requirements including: quarterly and annual (year-end) financial reporting; monthly and annual federal agency reporting requirements; Federal ARRA and other stimulus program reporting requirements; Department of Energy reporting requirements; and filings in compliance with New York State and other Applicable Laws;

(iv) record keeping in compliance with New York State and other Applicable Laws; and

(v) any other accounting and finance related activities necessary or advisable to support the operations of a stand-alone electric transmission and distribution business, as LIPA may request from time to time.

(4) General Activities. The Service Provider will be responsible for the following general activities with respect to the provision of electric service to customers of the T&D System:

(a) Governance

(i) assigning a full-time, core Senior Management team from the Service Provider with defined responsibilities (each a “Senior Manager”) to carry out in a timely manner the Service Provider’s obligations under this Agreement and from which one such Senior Manager, located on Long Island, shall be designated as the Service Provider’s single point of contact for LIPA with decision making authority and overall oversight responsibility related to the Operations Services;

(ii) assigning and supervising the Service Provider, ServCo and Subcontractor workforce consistent with the day-to-day requirements of this Agreement; and

(iii) assigning and allocating physical resources consistent with the day-to-day and special occasion operational requirements of this Agreement.

(b) Information Technology

(i) as more fully described in Section 4.12 hereof, providing information technology systems maintenance support and improvements in accordance with LIPA’s strategic goals of achieving interoperability and “near plug and play” flexibility of open design and standard-based data architecture and in compliance with LIPA requirements for technical architecture, data modeling, and Software Development Life Cycle (“SDLC”); and safeguarding the system software and data.

(c) Human Resources

(i) providing all personnel and human resource-related services and personnel training for the Service Provider and ServCo personnel and providing emergency and other training to LIPA personnel consistent with the other services provided by the Service Provider under this Agreement, including preparing, maintaining and providing to LIPA staffing and training plans;

(ii) assisting LIPA in developing and maintaining System Policies and Procedures and any other procedures as LIPA may deem necessary, and training the Service Provider and ServCo workforce in accordance therewith;

(iii) interfacing with the labor union representing any ServCo employees and management of ServCo’s labor and employee relations;

(iv) administration and management of the ServCo Benefit Plans;

(v) recruiting, retaining, deploying, and supervising ServCo and subcontract labor and resources; and

(vi) developing safety programs, safety reports, and written procedures and practices for the Service Provider's staff.

(d) Procurement

(i) procuring from third parties other goods and services and managing such procurement and implementation activities relating to the Scope of Services in accordance with LIPA's procurement requirements, as necessary or appropriate.

(e) Implementation of Emergency Response and Reporting

The Service Provider will be responsible for developing and implementing business continuity, disaster recovery and emergency response plans, and all necessary emergency response and reporting relating to the T&D System and other assets, and coordinating such plans with LIPA's plans and the plans of LIPA's other service providers for business continuity and disaster recovery, including but not limited to, response and reporting relating to storms, other unusual weather occurrences and other emergencies as follows; subject, however, to LIPA's rights and responsibilities as set forth in Section 4.4 hereof and otherwise hereunder, including the following activities:

(i) timely reporting to LIPA of such emergency conditions including regular updates as to the courses of action taken in response thereto or in anticipation thereof and progress made in responding to such emergency conditions;

(ii) storm monitoring and mobilization of the Service Provider or Subcontractor's workforce (including workforce available under any mutual assistance agreements) in connection with anticipated storms and other electrical system emergencies;

(iii) media, fire, police and government coordination;

(iv) customer communications, including all inbound and outbound customer communication systems;

(v) system condition monitoring;

(vi) repair and replacement of damaged components of the T&D System;

(vii) public safety activities;

(viii) restoration of the T&D System to pre-emergency conditions; and

(ix) conducting periodic drills to test the validity of emergency response plans and strategies, conduct post-event analysis and incorporate lessons learned from drills and actual events to improve the overall state of readiness.

(f) Continuous Improvement

(i) assisting LIPA in the development and administration of research and development, the goal of which is to increase operational efficiency and effectiveness and improve maintenance practices;

(ii) with LIPA's participation and approval, establishing and conducting a continuous improvement program designed to enhance the Service Provider's performance, operational efficiency and LIPA's cost effective delivery of services to customers; and

(iii) monitoring industry advancements and technological changes in the operation, maintenance, repair and expansion of transmission and distribution systems, including customer care and related services, by electric utilities and recommending improvements in current programs and practices for LIPA's consideration.

(g) Communications

(i) staffing public events and presenting workshops, seminars, and similar activities during normal business hours, evenings, weekends, and holidays, as LIPA may require from time to time; and

(ii) supporting government, community and media relations as LIPA may request from time to time.

(h) Environmental, Health and Safety

(i) managing an environmental, health and safety program to meet specified performance standards;

(ii) maintaining environmental and regulatory compliance of the T&D System, including documentation thereof;

(iii) providing coordination and support of environmental compliance (including compliance by power suppliers) as directed by LIPA;

(iv) monitoring emerging federal, state and local government environmental and utility commission regulations to ensure future and ongoing compliance and operational efficiencies; performing analyses of proposed regulations;

(v) providing environmental permitting services to support operations; and

(vi) maintaining the corporate environmental profile with stewardship, reporting, and best practices relating to environmental endeavors.

(i) NMP2 Oversight

(i) administrating and managing LIPA's co-ownership interest in NMP2, including: participating in meetings of the joint owners of NMP2; on site representation; budget versus actual analysis of these operations (including both O&M and capital); developing bi-monthly call for funds reports, monitoring and reviewing the Nuclear Regulatory Commission required ARO (Asset Retirement Obligation) calculation (prepared every five (5) years); reviewing the monthly reporting package to assist LIPA's financial staff in understanding the operations of the facility; providing assistance in determining the annual funding requirements for LIPA's nuclear decommissioning trust funds; and providing financial data for LIPA financial statements and reporting requirements.

(j) Regulatory

(i) monitoring the regulatory environment and general marketplace for changes or trends that could impact LIPA and recommending appropriate courses of action.

(k) Legal

(i) day to day legal responsibilities relating to the Operations Services, as directed by LIPA.

(l) Power Supply and Energy Markets

(i) representing LIPA before the NERC, NYISO, NY State Reliability Council, ISO-NE, NPCC and PJM and other similar regulatory or industry bodies, in each case if requested by LIPA.

(m) Contract Administration

(i) providing contract administration of all generation and transmission under contract to LIPA, as well as consumer-owned generation resources including: billing and collection of all fees and charges in connection with the use or availability of the T&D System for transmission and distribution services; reviewing invoices to, and preparing invoices from, LIPA for generation and transmission services provided or received by LIPA; interfacing with daily operation of contract counterparties; providing accounting for, reporting of, and general contract administration (including billing and collection services on behalf of LIPA) for pole attachments, contributions in aid of construction, and sales of emission credits; and developing, operating and maintaining an electronic system to manage and monitor contract administration.

(n) Performance Measurement and Reporting

(i) producing and delivering information as may be necessary to determine the Service Provider's performance under this Agreement.

(o) Government Relations

(i) coordinating, conducting and assisting, at LIPA's direction, communications with municipal, local, state and federal representatives and organizations.

(p) Fleet Management, Refueling

(i) as more fully described in the Contract Administration Manual, providing fleet management and vehicle refueling operations, including scheduling of vehicle replacements, specification of technical requirements, compliance with state and federal alternative fuel environmental compliance programs, performance of maintenance activities, maintenance of vehicle signage, and other similar functions.

(q) Facilities Management (Maintenance, Utilities, Communications)

(i) contracting for and maintaining services, including utilities, communication systems, and internet and intranet services to fulfill the Service Provider's obligations under this Agreement.

(r) Records Management

(i) developing and maintaining a comprehensive document management program with records storage, retention and destruction guidelines and procedures, in accordance with applicable state and federal guidelines and regulations.

(s) Insurance Management

(i) as more fully described in Sections 4.10 and 4.11 and in the Contract Administration Manual, providing insurance management services, placing insurance with carriers, and claims management and processing.

(t) Necessary Equipment and Systems

(i) determining, acquiring, deploying, and maintaining tools, equipment, and information systems necessary to perform all Operations Services under this Agreement.

(u) Energy Efficiency and Renewable Sources of Energy

(i) promoting, administering, planning, developing and implementing energy efficiency, demand response, load management, and renewable energy programs, including research and demonstration projects for the T&D System and LIPA's

customers, and coordination with third parties or other resources necessary or desirable to develop and implement such programs; and

(ii) developing and administering the annual Energy Efficiency Budget and implementing LIPA's Energy Efficiency Programs pursuant thereto.

(5) Additional Services. If requested by LIPA, the Service Provider will perform additional services reasonably related to the T&D System and other assets and not included within the Scope of Services based upon terms and conditions agreed to by the Parties.

(B) Contract Administration Manual. Not less than ninety (90) days prior to the Service Commencement Date, the Service Provider shall deliver the completed Contract Administration Manual subject to LIPA's review and approval which shall not be unreasonably withheld or delayed. The Contract Administration Manual will set forth documentation, reporting and other procedures for all aspects of the administration of this Agreement, including the JOC operation and procedures, measurement and reporting of administrative information as required by this Agreement, protocols and similar matters. The Service Provider shall be responsible for maintaining the Contract Administration Manual by making necessary updates, supplements, or revisions thereto from time to time to reflect applicable Contract Standards and directions of the JOC.

(C) Operations Manual. Not less than ninety (90) days prior to the Service Commencement Date, the Service Provider shall deliver updates, supplements or revisions (with LIPA's participation) to the Operations Manual as necessary to reflect the provision of the Operations Services to be performed under this Agreement. The content of the Operations Manual shall be consistent with the terms and conditions of this Agreement, shall provide for the management and operation of the T&D System in accordance with the Contract Standards and shall otherwise be sufficiently detailed to permit the management and operation of the T&D System by LIPA or a third party, reasonably experienced in electricity transmission and distribution operations. The Service Provider shall ensure that, during the Term, LIPA will have a complete and current copy of the Operations Manual by promptly supplying LIPA with any such updates, supplements or revisions thereto.

(D) Consequence of Review of Manuals by LIPA. Neither the review of or comment on by LIPA, nor the failure of LIPA to comment on, the Contract Administration Manual or the Operations Manual shall relieve the Service Provider of any of its responsibilities under this Agreement or impose any liability upon LIPA.

SECTION 4.3 PERFORMANCE METRICS.

The Parties have established certain performance metrics, as set forth in Appendix 8 to this Agreement, to measure the Service Provider's performance against specified operational and customer satisfaction goals (the "Performance Metrics"). Pursuant to these Performance Metrics, the Service Provider shall be eligible to earn Incentive Compensation and may in certain circumstances be assessed a penalty against the fixed component of the Management Services Fee based on the Service Provider's performance during a Contract Year as measured against the

relevant Performance Metrics. The Parties may mutually agree to amend or otherwise adjust the Performance Metrics under certain circumstances as contemplated in Section 5.2(B) hereof.

SECTION 4.4 RIGHTS AND RESPONSIBILITIES OF LIPA.

(A) Generally. As the owner, lessor or controlling entity of the T&D System, LIPA retains the ultimate authority and control over the assets and operations of the T&D System and the right, consistent with the Contract Standards and this Agreement, to direct the Service Provider, in connection with the performance of the Service Provider's obligations under this Agreement. Without limiting the generality of the foregoing, LIPA's specific rights and responsibilities with respect to the T&D System shall include:

- (1) the right to determine all T&D System rates and charges, line extension policies and service rules and regulations applicable to the T&D System and System Power Supply;
- (2) the right to determine and to change from time to time, in its sole discretion, all policies, procedures and plans for the T&D System and System Power Supply;
- (3) the right to review, amend as appropriate and approve the annual Operating Budget, Capital Budget and Energy Efficiency Budget pursuant to the procedures outlined in the Contract Administration Manual and approve or in its discretion, develop, all long-range strategic plans for the T&D System and System Power Supply;
- (4) to the extent the Service Provider acts as the representative of LIPA in connection with NERC, NPCC, the NYISO, the NYSPSC, the ISO-NE, PJM and any other similar industry or regulatory institutions or organizations, the right to direct the Service Provider's actions with respect thereto;
- (5) the right to determine customer service policies and plans;
- (6) the right to determine customer and public communications policy, including the right to approve all branding materials submitted in conformance with the Naming Guidelines as well as all billing formats, bill inserts, flyers and other advertisements distributed by the Service Provider;
- (7) the right to approve ServCo's corporate name;
- (8) the right to review and approve the power resource model and plan developed for the T&D System and the load forecasts developed by the Service Provider;
- (9) the responsibility for compliance with board resolutions and management of financial resources including determination of the sources of financing;
- (10) the responsibility for compliance with Bond Resolution provisions;
- (11) overall legal responsibilities;

(12) the responsibility for governmental relations and reporting, except to the extent otherwise expressly provided herein or to the extent LIPA has expressly authorized and directed the Service Provider to assist in such activities pursuant to Section 4.2(A) hereof;

(13) the right to approve the Service Provider's policies, procedures and processes with respect to this Agreement;

(14) the right to approve the Service Provider's decisions regarding the appointment and replacement of Senior Managers and of ServCo staffing levels;

(15) subject to Section 9.9 hereof, the right to approve all contracts to be entered into by the Service Provider in connection with the provision of Operations Services hereunder;

(16) the responsibility to respond in a timely and adequate manner to all requests of the Service Provider for action or decision by LIPA with respect to all matters requiring the approval, review or consent of LIPA hereunder and as to such other matters relating to the obligations of the Service Provider hereunder as to which the Service Provider shall reasonably request the response of LIPA in accordance with the provisions of this Agreement;

(17) the right to review and approve power supply agreements and the right to own and construct new generation;

(18) the responsibility to directly make or authorize all appropriate payments in lieu of taxes;

(19) the right (including audit rights) to all information relating to all services provided under this Agreement by the Service Provider, ServCo and any Subcontractors and Affiliates;

(20) the right to coordinate and control the performance of the Exit Test subject to the provisions of Section 8.3 hereof; and

(21) the responsibility to undertake the obligations imposed on LIPA as a co-owner of Nine Mile Point 2 and to directly make or authorize all appropriate payments relating to LIPA's ownership interest in Nine Mile Point 2.

(B) T&D System Access Policies and Prices. LIPA has established and will maintain in effect non-discriminatory prices and policies for access to, and use of, its transmission facilities for its customers, the Service Provider or its Affiliates, and other parties providing similar services, in a manner which is designed to enable LIPA to recover its costs and not inequitably shift costs among customers or classes of customers.

SECTION 4.5 SERVCO; STAFFING AND LABOR ISSUES.

(A) Organization. Pursuant to the terms of the Transition Services Agreement, the Service Provider shall form a subsidiary service company ("ServCo") to provide substantially all of the Operations Services required under this Agreement. ServCo will be organized as a

New York limited liability company and a wholly-owned subsidiary of the Service Provider. Without LIPA's prior approval, ServCo may not engage in any other business or activity other than to provide Operations Services pursuant to this Agreement.

(B) Ownership Maintenance. During the Term hereof, the Service Provider will maintain ownership of all of the ServCo membership interests (the "Membership Interests") free and clear of any Encumbrances other than those created under this Agreement.

(C) Employees.

(1) Employment. Within a reasonable period of time (but not less than sixty (60) calendar days) prior to the Service Commencement Date, ServCo shall: (i) offer employment to employees of NGES who are covered by the IBEW Local 1049 collective bargaining agreement(s) with NGES (the "IBEW CBA(s)") and, at such time, are employed in positions that are required to provide on a full time equivalent basis services to LIPA under the MSA (collectively, "Union Employees," and each such person who becomes employed by ServCo pursuant to this Section 4.5(C) shall be referred to herein as a "Transitioned Union Employee"); and (ii) offer employment to certain other employees of NGES employed in positions that are required to provide on a full time equivalent basis services to LIPA under the MSA and as determined during the Transition Period under the Transition Services Agreement as necessary for ServCo to provide Operations Services under this Agreement (collectively, "Non-Union Employees," and each such person who becomes employed by ServCo pursuant to this Section 4.5(C) shall be referred to herein as a "Transitioned Non-Union Employee." The Transitioned Union Employees and the Transitioned Non-Union Employees are sometimes collectively referred to as "Transitioned Employees." ServCo shall, during the Term of this Agreement, employ such additional employees ("New Employees" and together with the Transitioned Employees, the "ServCo Employees") as are necessary to supplement the Transitioned Employees to provide Operations Services. New Employees shall not be subject to this Section 4.5(C). Following acceptance of offers of employment to Transitioned Employees as described in this paragraph, ServCo shall obtain permission from each Transitioned Employee for ServCo's review of the Transitioned Employee's files and records, and shall provide written notice thereof to NGES. LIPA shall use commercially reasonable efforts to require NGES to provide ServCo with reasonable access to the files and records of such Transitioned Employees.

(2) Individuals who are otherwise Union Employees but who on the Service Commencement Date are not actively at work due to a leave of absence covered by the Family and Medical Leave Act (the "FMLA"), or due to any other legally protected or authorized leave of absence, including, without limitation, short-term disability, or long-term disability, shall nevertheless be treated as "Union Employees" on such date if they are able (i) to return to work within the protected period under the FMLA or such other leave, whichever is applicable, and (ii) to perform the essential functions of their job, with or without a reasonable accommodation.

(3) Offers of employment made to Union Employees shall be made at initial terms and conditions of employment comparable to those set forth in IBEW CBA(s). ServCo shall recognize each Transitioned Union Employee's service and seniority with NGES and any affiliate of NGES for all non-pension purposes, including the determination of eligibility

and extent of service or seniority-related welfare benefits such as vacation and sick pay benefits. Such offers of employment shall remain open for a period of ten (10) Business Days. Any such offer which is accepted within such ten (10) Business Day period shall thereafter be irrevocable, except for good cause, until the Service Commencement Date.

(4) Offers of employment made to Non-Union Employees shall (i) be made at terms and conditions of employment set by ServCo, provided that such offers shall be designed to attract and retain the employees necessary to provide the services required by this Agreement and to maximize continuity in the workforce providing services under the MSA, (ii) be competitive with offers being made by other similarly situated companies to employees for similar positions and (iii) consider, among other things, each Non-Union Employees years of service, salary or wage level and bonus opportunity to which they were entitled immediately prior to the Service Commencement Date.

(5) Effective on or prior to the Service Commencement Date, the Service Provider will cause ServCo to assume the existing IBEW CBA(s) with respect to the Transitioned Union Employees. ServCo shall comply with any bargaining obligations it may have with the IBEW as a result of employing Transitioned Union Employees.

(6) The Service Provider may not, without LIPA's prior written approval, utilize ServCo or its employees for any purpose other than providing Operations Services under this Agreement, nor may it hire, for any other business of Service Provider or an Affiliate, any existing ServCo employees without LIPA's prior written consent.

(7) Prior to commencing negotiations with the IBEW with respect to any new, amended or extended CBA or related agreement or memorandum of understanding, as in effect on the date hereof, the Service Provider shall:

(a) advise LIPA of the Service Provider's negotiating objectives with respect to compensation, benefits, staffing levels, work rules and similar principal terms and conditions of employment to be contained in the CBA;

(b) furnish LIPA with regional benchmarks supporting each of these targeted objectives; and

(c) provide LIPA with reasonable opportunity to (i) review, comment on and discuss with the Service Provider these objectives and (ii) discuss with the Service Provider LIPA's desired objectives, which the Service Provider shall, in good faith, take into consideration in its CBA negotiations.

During the CBA negotiation process, the Service Provider shall regularly update LIPA with respect to the status of the negotiations, the principal issues under discussion with the IBEW and the progress in achieving the Service Provider's and LIPA's expressed objectives. The Service Provider shall provide LIPA with the proposed terms and conditions of the CBA or related agreement or memorandum of understanding prior to entering into a final agreement with the IBEW.

(D) Employee Plans.

(1) Covered Employees. ServCo shall provide Benefits to ServCo Employees, and, subject to the terms of the plans created by ServCo to provide Benefits to ServCo Employees (collectively, the “ServCo Benefit Plans”), including spouses, dependents and beneficiaries of ServCo Employees as may be described in the ServCo Benefit Plans. Except as may be required by Applicable Law, ServCo shall have no obligation to provide Benefits to any other individual, including NGES retirees and their spouses, dependents and beneficiaries, and other individuals who terminated employment from NGES with a vested or non-vested benefit under a NGES benefit plan but do not become ServCo Employees. From and after the Service Commencement Date, except as required by Applicable Law or an applicable NGES plan, Transitioned Employees shall accrue no additional benefits under any employee benefit plan, policy, program or arrangement of NGES or its Affiliates. All NGES employees, retirees and beneficiaries currently receiving benefits under existing NGES benefit plans, shall continue to participate in those NGES benefit plans. Neither ServCo nor Service Provider shall have any responsibility for maintaining, administering or funding any NGES Benefit Plans.

(2) Level of Benefits. During the Term, ServCo will provide: (i) with respect to ServCo Union Employees, Benefits required by the applicable collective bargaining agreement then in effect, as may be amended from time to time; and (ii) with respect to ServCo Non-Union Employees, Benefits that are competitive with those provided by other similarly situated companies to employees for similar positions (as determined by ServCo). Except as may be required by Applicable Law, ServCo shall not terminate or make amendments to any ServCo Plan or any Benefits that result in an increase or decrease in benefits or that result in an increase in ServCo’s costs of benefits provided to ServCo Employees without the written approval of LIPA.

(3) Credit for NGES Service and Payments. The ServCo Benefit Plans shall credit the Transitioned Employees for service prior to the Service Commencement Date with NGES (or which NGES granted as past service with any other entity), and any other entity which together with NGES would be considered a single employer for purposes of Section 414 of the Code, for purposes of eligibility, participation, vesting, company match levels, subsidies (including any type of early retirement subsidy), attainment of retirement dates, entitlement to optional forms of payment, and, with respect to any cash balance pension plan for which an employee’s annual rate of benefit accrual depends on prior years of service, for purposes of determining the annual cash balance pension accrual, but not for any other benefit accrual purposes under defined benefit pension plans. For purposes of any life-time maximum benefit limit payable to a participant under any ServCo welfare plan, to the extent permitted by Applicable Law, the ServCo welfare plans will recognize any expenses paid or reimbursed by a NGES welfare plan with respect to such participant on or prior to the Service Commencement Date to the same extent such expense payments or reimbursements would be recognized in respect of an active plan participant under that NGES welfare plan.

(4) Separate Plans. ServCo shall be the “plan sponsor” (as defined in ERISA section 3(16)(B)), of the ServCo Benefit Plans, which shall not include any individuals other than ServCo Employees and their eligible dependents and beneficiaries. An individual or committee appointed by ServCo shall be the “administrator” (as defined in ERISA section 3(16)) and “named fiduciary” (as defined in ERISA section 402(a)(2)) of the ServCo Benefit Plans. The ServCo Benefit Plans’ assets will not be invested in a master trust or otherwise commingled

with other plans sponsored or maintained by the Service Provider and will otherwise be administered or operated in a manner that will facilitate the assumption of the ServCo Benefit Plans by a successor service provider that acquires ServCo. If requested by LIPA, and subject to the applicable collective bargaining agreement then in effect, ServCo will create, sponsor and maintain one or more separate ServCo Benefit Plans for Transitioned Union Employees.

(5) Benefit Plan Expenses. Notwithstanding anything to the contrary in this Agreement, Benefit Plan Expenses shall be Pass-Through Expenditures; provided, however, that nothing shall obligate LIPA to pay for any liabilities, losses, penalties, expenses, taxes, excise taxes or other similar amounts, to the extent arising from any violation of ERISA or the Code, or from the failure to operate a plan in accordance with its terms or the failure to maintain a plan in accordance with Applicable Law.

(6) Transitional Matters.

(a) Waiver of Limitations. The ServCo Welfare Plans shall waive all limitations as to pre-existing conditions and actively-at-work exclusions and waiting periods for Transitioned Employees (and their eligible dependents); provided that the ServCo Welfare Plans may, require any ServCo Employee or any dependent to meet an eligibility waiting period of no longer duration than as set forth in the applicable NGES welfare plan in effect on the Service Commencement Date.

(b) Treatment of Claims Incurred. ServCo shall not be responsible for any unpaid covered claims and eligible expenses incurred by any Transitioned Employee prior to the Service Commencement Date under any NGES welfare plans. For purposes of this Section, a claim or liability is deemed to be incurred (A) with respect to medical, dental, vision and/or prescription drug benefits, upon the rendering of health services giving rise to such claim or liability; (B) with respect to life insurance, accidental death and dismemberment and business travel accident insurance, upon the occurrence of the event giving rise to such claim or liability; (C) with respect to long-term disability benefits, upon the date of an individual's disability, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such claim or liability; and (D) with respect to a period of continuous hospitalization, upon the date of admission to the hospital, unless otherwise provided under the terms of the applicable NGES welfare plan.

(c) COBRA. ServCo shall not be responsible for extending COBRA continuation coverage to any employees and former employees of NGES, including Transitioned Employees, or to any qualified beneficiaries of such employees and former employees, who become or became entitled to COBRA continuation coverage on or before the Service Commencement Date, including those for whom the Service Commencement Date occurs during their COBRA election period, and those for whom the eligibility to COBRA continuation coverage occurs in connection with Service Provider's assuming responsibility for the T&D System.

(7) Post-Retirement Health and Life Insurance. Transitioned Employees who, immediately prior to the Service Commencement Date, could have become eligible to participate in the NGES post-retirement health and life insurance benefit plans upon

satisfaction of the applicable eligibility conditions of the NGES post-retirement health and life insurance plans shall be entitled to receive substantially equivalent post-retirement health and life insurance benefits under a post-retirement health and life insurance plan established by ServCo.

(8) Nothing in this Agreement is intended to amend any employee benefit plan, or affect the applicable plan sponsor's right, subject to LIPA's approval, to amend or terminate any employee benefit plan pursuant to the terms of such plan. Notwithstanding the foregoing, ServCo shall have the right to amend any ServCo Benefit Plan or Benefit without the approval of LIPA, provided that such amendment is required by Applicable Law or does not result in an increase or decrease in benefits, or does not result in an increase ServCo's cost of benefits provided to ServCo Employees.

(9) Disclosure. With respect to all Benefit Plans, ServCo will provide LIPA with copies of all plan documents, amendments, trust agreements, periodic statements of plan assets, annual reports on IRS Form 5500 with all schedules, audited plan financial statements and statements of plan assets, actuarial valuation reports and accounting reports (including any reports prepared in accordance with Topics ASC 715-30, ASC 715-60, ASC 715-20 and ASC 715-70), information regarding claims paid in accordance with welfare plans including plans providing post-retirement health and life benefits, and all other material reports, documents and agreements or other information reasonably requested by LIPA relating to the ServCo Benefit Plans. With respect to group health plans, information provided to LIPA shall be de-identified information (in accordance with the standards prescribed under HIPAA).

(10) For purposes of this Section 4.5, the term "Benefits" means any bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, accident, disability, worker's compensation or other insurance, severance, separation or other employee benefit plan, practice, policy or arrangement of any kind, whether written or oral, or whether for the benefit of a single individual or more than one individual including, but not limited to, any "employee benefit plan" within the meaning of Section 3(3) of ERISA.

SECTION 4.6 GOVERNANCE; JOINT OPERATING COMMITTEE.

(A) Governance. Not later than ninety (90) days prior to the Service Commencement Date, the Parties will form a Joint Operating Committee (the "JOC"), consisting of LIPA and the Service Provider representatives. As more fully described in the Contract Administration Manual, the JOC will have general responsibility for governance, oversight and coordination of the Service Provider's and ServCo's activities, including strategic direction, quality of services, rapid resolution of certain conflicts or issues, monitoring performance of Operations Services, changing Performance Metrics, approving the Work Plans (and any necessary modifications thereto) and adopting recommendations to amend or adjust the Operating Budget, the Capital Budget and the Energy Efficiency Budget as circumstances may from time to time warrant.

The rights and responsibilities of the JOC set forth above and in the Contract Administration Manual are not intended to, and shall in no way diminish or detract from, LIPA's rights and responsibilities under Section 4.4 hereof.

(B) Membership. The membership of the JOC shall consist of an equal number of senior representatives from each Party. Coincident with the establishment of the JOC, LIPA and the Service Provider shall each designate and notify each other of their JOC members and alternates. A Party may replace its JOC members and alternates at any time by written notice to the other Party.

(C) Subcommittees. The JOC may establish subcommittees as appropriate to focus on specific matters such as integrated resource planning, transmission and distribution planning and coordination, and information systems.

SECTION 4.7 [RESERVED].

SECTION 4.8 SAFETY.

The Service Provider shall maintain the T&D System at a safe level at least consistent with the Contract Standards. Without limiting the foregoing, the Service Provider shall: (1) take all reasonable precautions in the performance of Operations Services (a) for the safety of all employees working at the T&D System and all other persons who may be involved with the operation or maintenance of the T&D System, (b) to prevent damage, injury or loss to the T&D System and all materials and equipment under the care, custody or control of the Service Provider on the T&D System Site, and (c) to prevent damage, injury or loss to other property on the T&D System Site, including trees, shrubs, lawns, walks, pavements, roadways, structures and utilities; (2) establish and enforce all reasonable safeguards for safety and protection, including posting danger signs and other warnings against hazards and promulgating safety regulations; (3) give all notices and comply with all Applicable Laws relating to the safety of persons or property or their protection from damage, injury or loss; and (4) designate a qualified and responsible employee at ServCo whose duty shall be the supervision of plant safety, the prevention of fires and accidents and the coordination of such activities as shall be necessary with federal, State and local officials.

SECTION 4.9 COMPLIANCE WITH APPLICABLE LAW.

The Service Provider shall operate and maintain the T&D System and otherwise perform all of its obligations hereunder in accordance with Applicable Law. In the event that the Service Provider fails at any time to comply with any Applicable Law, then the Service Provider shall immediately remedy such failure and shall promptly notify LIPA in writing thereof. Notwithstanding whether a Governmental Body has undertaken a regulatory enforcement action, LIPA shall have an independent right to require the Service Provider to comply with all applicable Legal Entitlements and Applicable Law.

SECTION 4.10 OPERATING PERIOD INSURANCE.

(A) Required Operating Period Insurance. Throughout the Term, the Service Provider shall on LIPA's behalf obtain and maintain, or cause to be obtained and maintained, in

effect the insurance policies in LIPA's name with the types and amounts of coverage and deductible amounts as specified annually by LIPA in accordance with the annual election by LIPA made in such form as detailed in Appendix 10(A) hereto (the "Required Operating Period Insurance") to the extent that such insurance remains available on commercially reasonable terms; provided, however, that LIPA shall specify during the Term types and amounts of coverage and deductible amounts which are substantially consistent with those obtained for similar electric transmission and distribution systems and with Prudent Utility Practice. If, as a result of material changes in the market for insurance products, one or more Required Operating Period Insurance policies is or are not generally available or appears to be available only on terms not considered to be commercially reasonable, the Service Provider will promptly notify LIPA, in writing, but in no event less than sixty (60) days prior to the expiration of any Required Operating Period Insurance.

The Service Provider and the Service Provider Indemnified Parties shall be included as additional named insureds, where applicable, along with waivers of subrogation on any Required Operating Period Insurance policies, which policies shall require thirty (30) days prior written notice to LIPA prior to the effective date of any change in or non-renewal or cancellation of such policies. Insurance coverage required pursuant to this Section shall be maintained with generally recognized financially responsible insurers and qualified and authorized to insure risks in New York State.

(B) Required Service Provider Insurance. Throughout the Term, the Service Provider shall also obtain and maintain, or cause to be maintained in effect, the insurance policies in the name of the Service Provider and ServCo with the types and amounts of coverage and deductible amounts identified in Appendix 10(B) hereto or as otherwise specified by LIPA (the "Required Service Provider Insurance") to the extent that such insurance remains available on commercially reasonable terms; provided, however, that LIPA shall specify during the Term types and amounts of coverage and deductible amounts which are substantially consistent with those obtained for similar electric transmission and distribution systems and with Prudent Utility Practices. If, as a result of material changes in the market for insurance products, one or more Required Service Provider Insurance policies is or are not generally available or appears to be available only on terms not considered to be commercially reasonable, the Service Provider will promptly notify LIPA, in writing, but in no event less than sixty (60) days prior to the expiration of any Required Service Provider Insurance.

The LIPA Indemnified Parties shall be included as additional named insureds, where applicable, along with waivers of subrogation on all Required Service Provider Insurance policies. All such policies shall require thirty (30) days prior written notice to LIPA prior to the effective date of any change in or non-renewal or cancellation of such policies and shall be maintained with generally recognized financially responsible insurers qualified and authorized to insure risks in New York State.

SECTION 4.11 INSURANCE, THIRD PARTY PAYMENTS AND WARRANTIES.

(A) Insurance and Other Third Party Payments. To the extent that any costs or losses incurred under this Agreement can be recovered from any insurer providing the Required

Operating Period Insurance, Required Service Provider Insurance or from another third party, the Parties shall exercise with due diligence such rights as they may have to effect such recovery. The Service Provider or LIPA, as applicable, shall give prompt written notice to the other Party of the receipt of any such recovery which shall be applied to the incurred cost or loss, including as appropriate, to the restoration or reconstruction of the T&D System in accordance with the Bond Resolution. The Service Provider or LIPA, as applicable, shall provide the other Party with copies of all documentation, and shall afford the other Party a reasonable opportunity to participate in and, if the other Party so determines, to direct all conferences, negotiations and litigation, regarding insurance claims which materially affect the other Party's interest under this Agreement. All applicable insurance recoveries shall be applied to the cost or losses incurred under this Agreement, including as appropriate, to reducing the cost of restoration or reconstruction. The Service Provider shall be subrogated to any claim that LIPA may have against any insurer or other third party for any damages it suffers under this Agreement, including, as appropriate, to the T&D System which the Service Provider is obligated hereunder to repair to the extent the cost of such repair is not reimbursable by LIPA to the Service Provider hereunder or otherwise. LIPA agrees to waive and to cause the insurance companies providing any Required Operating Period Insurance to waive subrogation rights it or they may have under any Required Operating Period Insurance policies with respect to claims against the Service Provider Indemnified Parties.

(B) Warranties. The Service Provider shall maintain and enforce any warranties or guarantees on any facilities, vehicles, equipment or other items owned or leased by LIPA (to the extent made known to the Service Provider), or purchased or leased on behalf of LIPA and used by the Service Provider in performing Operations Services under this Agreement. The Service Provider shall not, by act or omission, negligently or knowingly invalidate in whole or part such warranties or guarantees without the prior approval of LIPA.

SECTION 4.12 INFORMATION.

(A) System Information and Computer Database. The Service Provider shall establish and maintain an information system to record, provide and, to the extent practicable, provide real time retrieval for LIPA's review and copying of T&D System operating data, including all information necessary to verify calculations made pursuant to this Agreement. Such information shall include information about the T&D System (including information in physical formats such as diagrams, flow charts, and schematics related to the T&D System), reports (and all supporting data) regarding the performance of the T&D System, and information regarding management (including planning, design, engineering, operation, maintenance, and customer contact) of the T&D System (collectively, "System Information"). The Service Provider shall also maintain for LIPA a computer database containing information related to customers served by the T&D System (the "Customer Database") which, at a minimum, specifies each customer served by the T&D System, the service classification applicable to each customer, and any special services provided to each customer. LIPA may direct the Service Provider to include further relevant customer information in the Customer Database. All System Information and the Customer Database shall constitute Intellectual Property of LIPA.

(B) Ownership of System Information and LIPA Personal Information. Any System Information or any LIPA Personal Information in existence as of the Effective Date of

this Agreement shall be considered LIPA Pre-Existing Intellectual Property (as defined in Section 9.3(B) hereof) and shall at all times remain the property of LIPA. Any System Information or any LIPA Personal Information created during the Term shall constitute Work Product (as defined in Section 9.3(A) hereof).

(C) Information Access. The Service Provider shall provide LIPA and its Representatives, with full, unrestricted and timely access to all information regarding the System Information and all LIPA Personal Information that is contained either in the Customer Database or any other database created by Service Provider at no additional expense to LIPA. To the extent that the Service Provider has developed, compiled, collected, prepared or archived information in the conduct of its services under this Agreement, the Service Provider shall provide LIPA with full and complete access to such information. LIPA's access to information pursuant to this subsection (C) shall be no less than the access afforded by the Service Provider to its employees and executives.

(D) Restrictions. The Service Provider may not use any System Information or LIPA Personal Information for non-LIPA related purposes without LIPA's prior written permission. Such permission, if granted, will be granted on a non-discriminatory basis. Unless required by Applicable Law or by a Governmental Body (in which case the Service Provider shall provide LIPA with such advance notice as is practicable), the Service Provider, a Service Provider Related Party, or any Affiliate shall not, and shall not authorize any third party to, (1) use the Customer Database or other customer information systems of LIPA to extract, sort or otherwise use any information related to customers of the T&D System (including, without limitation, name, address, telephone number and energy usage, or any other information contained in the Customer Database) or (2) use mechanisms for customer access (including, without limitation, meter reading, customer representatives and service call centers), available solely as a result of the Service Provider's role hereunder, to market any services to customers served by the T&D System. To the extent information related to customers of the T&D System is available from other sources, neither the Service Provider nor its Affiliates shall be precluded by this Agreement from using in its business such data obtained from other sources.

SECTION 4.13 INVENTORY CONTROL.

The Service Provider shall, consistent with the Contract Standards and this Agreement, in consultation with, and with approval of, LIPA: (a) maintain an inventory of equipment, spare parts, materials and supplies and shall maintain and document an inventory control program; (b) comply with the inventory policy provided in the Operations Manual; (c) purchase, maintain and store inventory in a manner also consistent with the System Policies and Procedures; and (d) complete, on an agreed-upon cycle count basis, a physical inventory of the equipment, spare parts, materials and supplies and reconcile the same with the inventory assets carried on the balance sheet and provide the information to LIPA.

SECTION 4.14 CAPITAL ASSET CONTROL.

In each Contract Year, the Service Provider shall conduct an audit of the Capital Improvements made in the prior Contract Year. Such audit shall measure the accuracy of the plant records, maps and maintenance databases concerning Capital Assets. Also, from time to

time, the Service Provider shall assist LIPA in completing a physical inventory of all Capital Assets. To the extent directed by LIPA, all vehicles and equipment shall be purchased or leased in the name of LIPA. Title to purchased vehicles and equipment shall be issued in LIPA's name. As vehicles or other equipment are acquired for LIPA, the Service Provider shall forward all title documents to LIPA within thirty (30) days after they are received by the Service Provider.

SECTION 4.15 TECHNICAL ASSISTANCE.

The Service Provider may contract for the services of outside consultants, suppliers, manufacturers, or experts in accordance with the Contract Standards, provided that the Service Provider shall remain responsible for the performance of Operations Services pursuant to the terms of this Agreement.

SECTION 4.16 SERVICE PROVIDER AS LIPA'S AGENT.

The Service Provider is hereby designated and appointed as LIPA's agent, and the Service Provider hereby accepts such designation and appointment, (a) to purchase and rent on behalf of and for the account of LIPA equipment, materials and supplies which are not otherwise purchased directly by LIPA or other items necessary to properly operate and maintain the T&D System and to maintain the records of LIPA, and to make such additions and extensions to the T&D System and (b) to enter into certain customer-related contracts under LIPA's tariff, all as may be required from time to time by LIPA. In this connection, any contracts let by the Service Provider as LIPA's agent shall be in conformity with competitive bidding laws or regulations applicable to the Service Provider and, without the prior authorization of such specific contract by LIPA, no such contract shall be for an amount greater than \$250,000 or extend for a term greater than one (1) year.

In such capacity as LIPA's designated agent, the Service Provider shall have full power and authority to act on LIPA's behalf and to legally bind LIPA for the purchase or rental of equipment, materials and supplies subject, however, to LIPA's control and the other conditions and limitations set forth in this Agreement, including those provided in this Section 4.16. The Service Provider and LIPA shall implement such policies and procedures as may be necessary or appropriate to effect the purchase and rental activities contemplated by this Section 4.16 and to separately identify and segregate the equipment, material, supplies and services which the Service Provider is purchasing as agent for LIPA from those the Service Provider may be purchasing for its own or another Person's account. Where necessary, appropriate or advisable, the Service Provider and LIPA shall execute and deliver such instruments, agreements, certificates or other evidence confirming the Service Provider's designation, appointment and authority to act as LIPA's agent as aforesaid, including, such certificates as may be required by the New York State Department of Taxation and Finance or other Governmental Body or Person.

SECTION 4.17 OTHER SERVICES.

(A) Bill Payments. The Service Provider shall timely pay all bills related to the T&D System which are proper, appropriate and not otherwise disputed and which it has authority to pay and shall assure that, to the extent within the Service Provider's control, no mechanic's or similar Liens are filed against any portion of the T&D System. In the event that

the Service Provider fails to pay any such bill timely and such failure is not due to LIPA Fault, LIPA shall have the right, but not the obligation, to pay such bill and deduct an administrative fee in an amount of \$500 from the Incentive Compensation (as defined below) otherwise due to the Service Provider.

(B) Attendance at Meetings. The Service Provider shall attend meetings of LIPA, with customers of LIPA, suppliers of LIPA and others as LIPA may reasonably request.

(C) Implied Services. If any services, functions, or responsibilities not specifically described in this Agreement are required for the proper performance and provision of the Operations Services, they shall be deemed to be implied by and included within the Scope of Services to the same extent and in the same manner as if specifically described in this Agreement.

SECTION 4.18 HAZARDOUS WASTE.

With respect to the performance of its obligations hereunder and to the extent required by the provisions of the System Policies and Procedures relating to unusual events in connection with the handling, transporting or disposing of Hazardous Waste, the Service Provider shall give notice to LIPA, and to any other Governmental Body as may be required by Applicable Law, of its intention to handle, transport or dispose of such Hazardous Waste. The Service Provider shall cause such Hazardous Waste to be handled, transported and disposed of at a Disposal Facility in accordance with the Contract Standards.

ARTICLE 5

COMPENSATION AND BUDGETS

SECTION 5.1 MANAGEMENT SERVICES COMPENSATION

(A) General. The Service Provider shall receive a service fee to compensate it for (i) Senior Management wages and benefits; (ii) the Service Provider's corporate overhead costs; and (iii) a fixed management fee or profit (collectively "Management Services Fee"). The Management Services Fee shall consist of a fixed component and an Incentive Compensation component as described below.

Index Series. Consumer Price Index for All Urban Consumers (CPI-U), New York - Northern New Jersey - Long Island (1982-84 = 100) (the "CPI").

Formula. (CPI for Current Period less CPI for January 2011 = 242.639) divided by CPI for January 2011 = 242.639 (result multiplied by 100 or percent change).

Application. A calculation will be performed at the beginning of each Contract Year (including the initial Contract Year) and the percent change will be applied to the Management Services Fee and the result of this adjustment would be the Management Services Fee to be charged for the current Contract Year. If the result of the percentage change is negative, there would be no change in the Management Services Fee from the previous Contract Year.

(B) Annual Fixed Compensation Component.

(1) The fixed component of the Management Services Fee expressed in 2011 Dollars, shall be \$36.3 million, annually, prorated as appropriate for a partial Contract Year. The annual fixed component of the Management Services Fee shall be subject to reduction, at LIPA's election, as provided in paragraph (D) below.

(2) The Management Services Fee shall be paid in twelve (12) equal monthly installments. The Service Provider shall submit an invoice for each monthly installment on the first Business Day of each month for which the monthly installment applies. LIPA shall pay the invoice for the monthly installment within ten (10) Business Days of receipt of such invoice from the Service Provider.

(3) Should any month be less than a full month, the monthly installment shall be prorated as provided for in the definition of Contract Year.

(C) Annual Incentive Compensation Component.

(1) An amount of \$5.44 million, annually, expressed in 2011 Dollars and prorated as appropriate for a partial Contract Year, shall comprise the "Incentive Compensation Pool" to be earned based on favorable performance relative to the Performance Metrics. The Performance Metrics are set forth in Appendix 8 hereto and may be modified from time to time by the JOC as provided elsewhere herein and updated as appropriate in the Contract Administration Manual. The annual Incentive Compensation Pool amount shall be subject to reduction, at LIPA's election, as provided in paragraph (D) below.

(2) The portion of the Incentive Compensation Pool to be paid to the Service Provider (the "Incentive Compensation") shall be determined annually based on performance during the prior Contract Year. No later than ninety (90) days following the end of a Contract Year, the Service Provider shall submit supporting performance data to LIPA for that Contract Year. Within ninety (90) days after its receipt thereof, LIPA shall notify the Service Provider of its acceptance or of any disagreement it may have with such data, and shall within thirty (30) days after providing such notice pay any undisputed amount due the Service Provider. In no circumstance shall the annual amount of Incentive Compensation earned by the Service Provider exceed the lesser of (i) the Incentive Compensation Pool, or (ii) 20% of the total Management Services Fee for such year.

(D) Adjustment to Compensation.

In the event that LIPA elects to change the amount of Credit Support pursuant to Section 6.1(B) hereof, the annual fixed component of the Management Services Fee and the annual Incentive Compensation Pool amount shall be adjusted as follows effective on the first day of the Contract Year to which the change in the Credit Support amount applies:

For each \$10 million reduction or increase in the amount of Credit Support, (1) the fixed component of the annual Management Services Fee (expressed in 2011 Dollars) for such Contract Year shall be reduced or increased, as the case may be, by \$400,000 and (2) the

Incentive Compensation Pool amount (expressed in 2011 Dollars) for such Contract Year shall be reduced or increased, as the case may be, by \$60,000.

SECTION 5.2 PASS-THROUGH EXPENDITURES.

(A) Pass-Through Expenditures Definition. “Pass-Through Expenditures” shall be those expenditures incurred by the Service Provider (without any mark-up or profit, including inter-company profit) in the course of providing the Operations Services including the following items:

(1) wages, salaries, benefits, pensions, other post-employment benefits and other labor and labor related costs of the General Workforce, including ServCo Benefit Plan Expenses incurred by ServCo in performing Operations Services, including Capital Improvements;

(2) costs incurred by ServCo in performing Operations Services, including the cost of Capital Improvements, for all goods and services (including, but not limited to all materials, supplies, spare parts, vehicles, purchased services, and other costs (and Subcontractor costs) and the costs and fees incurred or payable with respect to leases, easements, licenses, permits, consents and similar instruments;

(3) except as otherwise provided in Section 5.5 hereof and subject to Section 9.2 hereof, claims, lawsuits, litigations, losses, fines, penalties, costs and expenses, judgments, liens, settlements, appeals, disbursements and similar expense (including, without limitation, external attorney’s fees) (collectively, “Claims”), incurred in connection with each such Claim or related Claims;

(4) costs related to Storm Events (costs related to all events other than Storm Events shall be provided for in the annual Operating Budget, Capital Budget and Energy Efficiency Budget);

(5) real property taxes, special franchise taxes, other taxes and fees and any payments in lieu of taxes or fees related to LIPA-owned, leased or licensed assets or revenues (collectively, “Taxes”);

(6) customer refunds (including construction advances);

(7) transactions with Affiliates approved by LIPA, at the Affiliate’s cost, without profit or mark-up;

(8) costs to obtain and maintain in effect Required Operating Period Insurance and Required Service Provider Insurance;

(9) costs incurred in connection with Intellectual Property under Section 9.3; and

(10) costs incurred in connection with the Service Provider's performance of its obligations under Section 7.5(B) and each of the Back-End Transition Services as provided in Section 8.2 and the Exit Test as provided in Section 8.3.

(B) Annual Budget for Pass-Through Expenditures. (i) No later than 180 days prior to each Contract Year, the Service Provider shall provide in such detail and format as specified in the Contract Administration Manual a proposed Operating Budget, Capital Budget and Energy Efficiency Budget, including all Pass-Through Expenditures, for LIPA's review, revision and approval. Together therewith, the Service Provider shall also provide a proposed monthly Operating Budget, Capital Budget and Energy Efficiency Budget for such Contract Year, including a proposed drawdown schedule for funding payment of such Pass-Through Expenditures. Within ninety (90) days following its receipt of such Budgets, LIPA shall advise the Service Provider whether each such proposed Budget is acceptable or requires any modifications thereto.

(ii) Notwithstanding LIPA's approval rights under Section 4.4(A) hereof, the Parties acknowledge and agree that each annual Operating Budget, Capital Budget and Energy Efficiency Budget and the related ServCo staffing levels initially approved by LIPA for each Contract Year shall be designed to be adequate in both scope and amounts to reasonably assure that the Service Provider is able to carry out the related Operations Services in accordance with the Contract Standards and have a reasonable opportunity to earn Incentive Compensation under the Performance Metrics. In developing the proposed Budgets, the Service Provider shall provide LIPA with alternatives and plans designed to achieve the desired goals in a cost effective manner and shall demonstrate the cost effectiveness and the appropriateness of the proposed alternatives and plans to LIPA. The Service Provider will actively manage to the approved Budgets and related Work Plans and shall keep the JOC informed not less frequently than monthly on the spending levels against approved Budget amounts and Work Plan status and shall proactively offer cost reduction and cost reallocation recommendations to the JOC. The Parties further acknowledge and agree that it may, from time to time, be necessary or appropriate to amend or otherwise adjust the annual Operating Budget, Capital Budget or Energy Efficiency Budget as approved, or the related Work Plans thereunder, as well as the Performance Metrics, as a result of Force Majeure, LIPA Fault or other reasonably unanticipated events which have resulted in schedule delays or increased work scope or costs.

(iii) If and to the extent that the Service Provider following discussions with LIPA reasonably concludes that the annual Operating Budget, Capital Budget or Energy Efficiency Budget or any proposed modification or amendment thereto is not consistent with the foregoing criteria, the Service Provider may submit the Dispute for resolution pursuant to Section 7.6(I) hereof.

(iv) For the avoidance of doubt, notwithstanding anything contained in this Agreement to the contrary, the Parties acknowledge and agree that the Service Provider shall have no obligation or responsibility to incur or pay any costs that are not Pass-Through Expenditures incurred in providing Operations Services hereunder (subject to cost substantiation pursuant to Section 1.1(E) hereof and other than those costs for which the Service Provider is liable pursuant to Section 5.5 hereof).

SECTION 5.3 STORM COSTS.

(A) General. The Service Provider shall be entitled to withdraw funds from the Operating Account for weather-related costs that are not Storm Events in accordance with Section 5.4(A) hereof.

(B) Storm Events. The Service Provider shall be entitled to withdraw funds LIPA deposits in the Storm Reserve, which LIPA shall establish and replenish from time to time as provided in Appendix 9 and the Contract Administration Manual, to pay for costs it incurs in connection with a Storm Event. The Service Provider shall provide LIPA with an invoice for each such withdrawal promptly after it is made.

SECTION 5.4 LIPA'S PAYMENT OBLIGATIONS.

(A) Invoices; Source of Payments. Prior to the Service Commencement Date, LIPA will establish one or more operating accounts from which the Service Provider shall draw funds from time to time to pay for actual Pass-Through Expenditures incurred (collectively, the "Operating Account") other than for Storm Events for which the Service Provider shall be entitled to withdraw funds from the Storm Reserve as described in Section 5.3(B) hereof. Subject to the restrictions provided in this Section 5.4(A), the Service Provider shall be entitled to withdraw funds from the Operating Account from time to time as necessary to fund payment for actual Pass-Through Expenditures as and to the extent incurred. Simultaneous with each such withdrawal, the Service Provider shall provide LIPA with written notice of such withdrawal, including a summary of Pass-Through Expenditures being paid. Not later than ten (10) Business Days following each month end, the Service Provider shall furnish LIPA with a full accounting setting forth in reasonable detail (and in the format and with supporting documentation as specified in the Contract Administration Manual) the actual Pass-Through Expenditures incurred and paid during the prior month. In each Contract Year, the Service Provider shall be entitled to withdraw funds from the Operating Account for actual Pass-Through Expenditures incurred under the approved Operating Budget, Capital Budget and Energy Efficiency Budget for that Contract Year, as the case may be, plus up to a maximum of 2% in excess of the total amount of the Operating Budget, Capital Budget and Energy Efficiency Budget, as the case may be ("Excess Expenditures"); provided, however, that the Service Provider shall notify LIPA at least ten (10) Business Days in advance of any Excess Expenditure withdrawal, providing the details thereof and recommendations to mitigate any additional excess costs. Except for Excess Expenditures, in no event may the Service Provider withdraw funds from the Operating Account for Pass-Through Expenditures which are not included in the annual Operating Budget, Capital Budget and Energy Efficiency Budget (as the same may be amended or adjusted) without LIPA's prior written approval. On or before the Service Commencement Date, LIPA will fund the Operating Account with an initial amount based on the initial annual Operating Budget, Capital Budget and Energy Efficiency Budget, as the Parties shall agree. Thereafter, no later than the tenth (10th) Business Day of each month (beginning with the month in which the Service Commencement Date occurs), LIPA shall replenish the Operating Account with an amount equal to the subsequent month's portion of the Operating Budget, Capital Budget and Energy Efficiency Budget. LIPA shall be the owner of the Operating Account and shall be entitled to all interest earned on the amounts deposited in the Operating Account.

(B) Disputes. As provided in Section 1.1(E) hereof, if LIPA objects to any invoiced costs, it shall advise the Service Provider thereof, and all such disputes which the Parties are unable to resolve shall be submitted to the JOC for resolution as provided in Section 7.6 hereof.

(C) LIPA's Right to Review and Audit. At any time and from time to time during and until the expiration of six (6) years following the end of the Term, LIPA may, upon reasonable notice and at its own cost, audit (or cause to be audited) the Service Provider's and all Subcontractor books and records in connection with any requests for payment and cost reimbursement together with the supporting vouchers and statements, and the calculation of such payments and reimbursements. Each payment made by LIPA hereunder shall be subject to subsequent adjustment for amounts that do not constitute allowable cost or for additional amounts determined to be due to the Service Provider on the basis of such audit. Following the determination that any such payment adjustment is required, the Party required to make payment shall do so within thirty (30) days of the date of such determination.

SECTION 5.5 ALLOCATION OF RISK OF CERTAIN COSTS AND LIABILITIES.

(A) General. Subject to the liability assumption and limitation provisions of Sections 7.8 and 9.2 hereof and of paragraph (B) below, the Service Provider shall be responsible and liable to the LIPA Indemnified Parties, and shall not be entitled to payment from LIPA as a Pass-Through Expenditure or otherwise only to the extent of:

(1) any Loss-and-Expense incurred or suffered by a LIPA Indemnified Party attributable to a Third Party Claim, resulting from or arising out of any negligent act or omission or willful misconduct by the Service Provider during the Term in performing its obligations hereunder; and

(2) any Loss-and-Expense incurred or suffered by a LIPA Indemnified Party (other than with respect to any Third Party Claim for which the Service Provider is otherwise responsible hereunder) due to a breach of any representation, warranty or covenant, or Event of Default by the Service Provider.

(B) Limitations on Liability. Notwithstanding anything contained in this Agreement to the contrary:

(1) Under Section 5.5(A)(1) (other than for any Loss-and-Expense attributable to the Service Provider's gross negligence or willful misconduct for which there shall be no limitation on the Service Provider's liability), the Service Provider shall not be liable for any Loss-and-Expense attributable to Third Party Claims incurred or suffered by a LIPA Indemnified Party unless and until the aggregate amount of such Loss-and-Expense in a given Contract Year exceeds \$2,500,000, in which event the Service Provider shall then be liable for all such Loss-and-Expense in excess of \$2,500,000 up to a maximum aggregate amount of \$2,500,000 of such Loss-and-Expense incurred in any given Contract Year; and

(2) Under Section 5.5(A)(2) hereof, the Service Provider's liability shall be limited for each Contract Year to Loss-and-Expense incurred or suffered by a LIPA Indemnified Party (other than for (a) Third Party Claims outside the liability limitation amounts

in clause (1) above for which LIPA shall be responsible and (b) the Service Provider's willful or bad faith breach of this Agreement for which there shall be no limitation on the Service Provider's liability) to a maximum of (i) \$15 million for an Event of Default by the Service Provider which results in LIPA exercising its right to terminate this Agreement and (ii) \$5 million during a Contract Year for (x) each breach of a representation or warranty, (y) or for each breach of covenant; provided, however, that the Service Provider shall be liable for a breach of a covenant, relating to its performance of the Operations Services only if such breach arises out of or is attributable to the Service Provider's gross negligence or willful misconduct, or (z) for each Event of Default by the Service Provider; subject, however, to an annual limitation of \$15 million for all such Loss-and-Expense incurred or suffered in any given Contract Year.

(3) LIPA's liability for any Loss-and-Expense incurred or suffered by a Service Provider Indemnified Party (other than for (a) any Third Party Claim for which LIPA is otherwise responsible hereunder and (b) LIPA's willful or bad faith breach of this Agreement for which there shall be no limitation on LIPA's liability) shall be limited to (i) \$15 million for an Event of Default by LIPA which results in the Service Provider exercising its right to terminate this Agreement and (ii) \$5 million during a Contract Year for each breach of a representation, warranty or covenant or for an Event of Default by LIPA, subject, however, to an aggregate limitation of \$15 million for all such Loss-and-Expense incurred or suffered in any given Contract Year; provided, however, that the foregoing limitations on liability shall not apply with respect to the amount of any Management Services Fee or Incentive Compensation Payments earned by the Service Provider or for the payment of any Pass-Through Expenditures which LIPA is obligated to pay hereunder.

(C) Survival. Notwithstanding anything contained in this Section 5.5 or otherwise in this Agreement to the contrary, following the expiration or earlier termination of the Term, but subject to the monetary limitations set forth in Paragraph (B) above, any Loss-and-Expense arising following the Termination Date of this Agreement attributable to a Third Party Claim or breach of representation, warranty or covenant or Event of Default arising from or attributable to an act or omission occurring prior to the Termination Date shall be deemed to be a Loss-and-Expense incurred or suffered during the final Contract Year of the Term.

ARTICLE 6

CREDIT SUPPORT

SECTION 6.1 CREDIT SUPPORT.

(A) General. Effective not later than the Service Commencement Date, the Service Provider shall provide LIPA with the required Credit Support in the amount of \$60 million in the form of an irrevocable, unconditional guaranty in substantially the form attached hereto as Exhibit A (a "Guaranty") from the Service Provider's Parent Company or an Affiliate of the Service Provider meeting the creditworthiness standards set forth in Appendix 2 hereto (a "Guarantor").

(B) Change in Required Credit Support Amount. LIPA may in its sole discretion, elect from time to time during the Term to reduce or increase (but in no event in

excess of \$60 million) the amount of the Credit Support (the “Credit Support Amount”) by providing written notice to the Service Provider and Guarantor (a “Credit Support Notice”) not later than thirty (30) days prior to the commencement of a Contract Year. The Credit Support Notice shall state the new Credit Support Amount (subject to such \$60 million maximum), which may be adjusted in increments of \$10 million which shall be effective on the first day of the succeeding Contract Year. Such new Credit Support Amount shall remain in effect unless LIPA provides a further Credit Support Notice in the manner set forth above. Upon the effective date of any such change in the Credit Support Amount, the Service Provider shall cause the Guarantor to execute and deliver to LIPA an amended Guaranty Agreement providing for the new Credit Support Amount.

ARTICLE 7

DEFAULT, REMEDIES AND DISPUTE RESOLUTION

SECTION 7.1 EVENTS OF DEFAULT BY THE SERVICE PROVIDER.

(A) Events of Default. Each of the following shall constitute an Event of Default on the part of the Service Provider:

(1) Involuntary Bankruptcy. The filing of an involuntary petition under the Federal Bankruptcy Code against either the Service Provider, ServCo or the Guarantor which petition has not been either dismissed, discharged or stayed within forty-five (45) days after its filing;

(2) Voluntary Bankruptcy. The written admission by the Service Provider, ServCo or the Guarantor, that it is bankrupt, or the filing by the Service Provider, ServCo or the Guarantor of a voluntary petition under the Federal Bankruptcy Code, or the consent by the Service Provider, ServCo or the Guarantor to the appointment by a court of a receiver or trustee for all or a substantial portion of its property or business, or the making by the Service Provider, ServCo or the Guarantor of any arrangement with or for the benefit of its creditors involving an assignment to a trustee, receiver or similar fiduciary, regardless of how designated, of all or a substantial portion of the Service Provider’s, ServCo’s or the Guarantor’s property or business;

(3) Transition Services Agreement Termination. Termination by LIPA of the Transition Services Agreement due to a Service Provider Event of Default thereunder;

(4) Credit Support. Failure of the Service Provider to provide and maintain in full force and effect the required Credit Support in the Credit Support Amount as in effect from time to time, which failure has not been cured within ten (10) Business Days following its occurrence by providing LIPA with either (a) a Guaranty Agreement from a Guarantor for the then required Credit Support Amount or (b) a Letter of Credit for the Credit Support Amount then in effect in support of the existing Guaranty Agreement which in such case shall remain in full force and effect but without duplication;

(5) Failure Otherwise to Comply with this Agreement or Any Guaranty. Any failure or refusal by the Service Provider to perform any material obligation under this Agreement or of the Guarantor to perform any material obligation under the Guaranty (in each case other than a payment obligation as provided in clause (6) below) which failure or refusal is not otherwise excused by Force Majeure or LIPA Fault and has not been cured within thirty (30) days following receipt of written notice thereof from LIPA; provided, however, that as long as the Service Provider or the Guarantor, as the case may be, is diligently attempting in good faith to cure such failure or refusal and it is reasonably expected that such failure is subject to cure, then the Service Provider or the Guarantor, as the case may be, shall have an additional thirty (30) days to cure such default; and

(6) Failure to Pay or Credit. The failure of the Service Provider or the Guarantor to pay or credit undisputed amounts owed to LIPA under this Agreement or the Guaranty, as the case may be, within forty-five (45) days following the due date for such payment or credit.

(B) LIPA's Remedies for Service Provider Default.

(1) Upon the occurrence of an Event of Default by the Service Provider under paragraphs (A) (1), (2), or (3) of this Section 7.1, this Agreement shall immediately terminate without further action by LIPA.

(2) Upon the occurrence of an Event of Default by the Service Provider under paragraph (A)(4) or (A)(6) of this Section 7.1, LIPA may terminate this Agreement upon not less than fifteen (15) Business Days written notice to the Service Provider.

(3) Following any other Event of Default by the Service Provider, LIPA may terminate this Agreement upon not less than ninety (90) Business Days' written notice thereof to the Service Provider provided that the Service Provider or the Guarantor, as applicable, has neither challenged in an appropriate forum LIPA's conclusion that such failure or refusal to perform has occurred or constitutes a material breach of this Agreement nor corrected or diligently taken steps to correct such default within a reasonable period of time, but not more than sixty (60) days, from receipt of the notice given pursuant to this clause (3) (but if the Service Provider or the Guarantor shall have diligently taken steps to correct such default within a reasonable period of time, the same shall not constitute an Event of Default for as long as the Service Provider or the Guarantor cures such default within one hundred and twenty (120) days from its receipt of such notice).

SECTION 7.2 EVENTS OF DEFAULT BY LIPA.

(A) Events of LIPA Default. Each of the following shall constitute an Event of Default on the part of LIPA:

(1) Involuntary Bankruptcy. The filing of an involuntary petition under the Federal Bankruptcy Code against LIPA which petition has not been either dismissed, discharged or stayed within forty-five (45) days after its filing;

(2) Voluntary Bankruptcy. The written admission by LIPA that it is bankrupt, or the filing by LIPA of a voluntary petition under the Federal Bankruptcy Code, or the consent by LIPA to the appointment by a court of a receiver or trustee for all or a substantial portion of its property or business, or the making by LIPA of any arrangement with or for the benefit of its creditors involving an assignment to a trustee, receiver or similar fiduciary, regardless of how designated, of all or a substantial portion of LIPA's property or business;

(3) Transition Services Agreement Termination. Termination by the Service Provider of the Transition Services Agreement pursuant to the terms thereof;

(4) Failure to Pay. The failure of LIPA to pay (or provide sufficient funds in the Operating Account or Storm Reserve, as the case may be, to pay) undisputed amounts owed to the Service Provider under this Agreement within forty-five (45) days following the due date for such payment; and

(5) Failure to Comply with Agreement. A failure or refusal by LIPA to perform any material obligation (other than a payment obligation as provided in clause (4) above) under this Agreement which failure or refusal is not otherwise excused by Force Majeure and has not been cured within thirty (30) days following receipt of notice thereof from the Service Provider; provided, however, that as long as LIPA is diligently attempting in good faith to cure such failure or refusal and it is reasonably expected that such failure or refusal is subject to cure, then LIPA shall have an additional thirty (30) days to cure such default.

(B) Service Provider Remedies for LIPA Default.

(1) Upon the occurrence of an Event of Default by LIPA under paragraphs (A)(1), (2) or (3) of this Section 7.2, this Agreement shall immediately terminate without further action by the Service Provider.

(2) Upon the occurrence of an Event of Default under paragraph (A)(4) of this Section 7.2, the Service Provider may terminate this Agreement upon not less than fifteen (15) Business Days written notice to LIPA.

(3) Following any other Event of Default by LIPA, the Service Provider may terminate this Agreement upon not less than ninety (90) Business Days' written notice thereof to LIPA provided that LIPA has neither challenged in an appropriate forum the Service Provider's conclusion that such failure or refusal to perform has occurred or constitutes a material breach of this Agreement nor corrected or diligently taken steps to correct such default within a reasonable period of time, but not more than sixty (60) days, from receipt of the notice given pursuant to this clause (3) (but if LIPA shall have diligently taken steps to correct such default within a reasonable period of time, the same shall not constitute an Event of Default for as long as LIPA cures such default within one hundred and twenty (120) days from its receipt of such notice).

SECTION 7.3 ADDITIONAL REMEDIES FOR BREACH.

(A) General. Subject to the provisions of Sections 5.5, 7.1, 7.2, 7.6 and 7.8 hereof, the Parties agree that, in addition to the other remedies they may have hereunder, in the

event that either Party breaches any obligation under this Agreement or any representation or warranty made by either Party hereunder is untrue in any material respect, the other Party shall have the right to take any action at law or in equity it may have to enforce the payment of any damages recoverable in accordance with this Agreement or the specific performance of such obligation hereunder and such right to recover damages or to be reimbursed as provided herein will ordinarily constitute an adequate remedy for any breach of such other obligation or any material untruth in any such representation or warranty. Either Party may seek to enforce by an action for specific performance the other Party's obligations hereunder in the event a material breach thereof has occurred and is continuing.

(B) Continuing Payment Obligations. In the event LIPA terminates this Agreement under Section 7.1 hereof, the Service Provider shall be entitled to payment of any Management Service Fees and Incentive Compensation earned, as well as recoverable expenses under this Agreement for all Pass-Through Expenditures incurred through the Termination Date. Any such termination of this Agreement shall not affect any monies owing or obligations incurred hereunder by any of the Parties prior to the Termination Date.

(C) Transition Services Agreement. Notwithstanding anything contained in this Agreement to the contrary, in the event of a termination of this Agreement due to an Event of Default under Section 7.1 (A)(3) hereof, the Service Provider's sole liability to LIPA shall be as set forth in the Transition Services Agreement.

SECTION 7.4 ADDITIONAL LIPA TERMINATION RIGHTS.

(A) Change of Control. In the event a Change of Control of the Service Provider, the Guarantor or the Parent Company shall have occurred on or after the Service Commencement Date, LIPA may terminate this Agreement upon not less than thirty (30) days written notice to the Service Provider; provided, however, that such notice must be given not later than thirty (30) days following LIPA's receipt of written notice from the Service Provider of the occurrence of such Change of Control. If LIPA fails to give such notice to the Service Provider within such thirty (30) day period, LIPA's termination rights with respect to such Change of Control under this Section 7.4(A) (but not with respect to any other or future Change of Control) shall expire and be of no further force or effect.

(B) T&D System Sale or Transfer. LIPA shall have the further right to terminate this Agreement upon not less than six (6) months prior written notice to the Service Provider in the event (i) the T&D System is sold, transferred or assigned, in whole or in part, to a federal, state or municipal governmental entity or to a private entity (a "Privatization") or (ii) LIPA has determined to operate and maintain the T&D System with its own employees (a "Municipalization"). The Termination Date shall be (x) the closing date of any such sale, transfer or assignment, or (y) the effective date of LIPA's employment of the T&D System operating and maintenance personnel or LIPA's acquisition of the ServCo Membership Interests, whichever first occurs, as the case may be.

(C) Compensation Upon Termination.

(1) General. In the event of a termination of this Agreement pursuant to either Section 7.2, 7.4(A) or 7.4(B) hereof, the Service Provider shall be entitled to receive payment from LIPA for (i) its Wind-down Expenses, (ii) any Pass-Through Expenditures (including those incurred in satisfying the requirements of Section 7.5 hereof, subject to cost substantiation), (iii) its Management Services Fee and (iv) any Incentive Compensation earned, in each such case through the applicable Termination Date.

(2) Termination Fee. If LIPA exercises its option under Section 7.4(A) hereof to terminate this Agreement due to a Change of Control, the Service Provider shall pay or cause to be paid to LIPA on the Termination Date the applicable termination fee set forth on Appendix 11 hereto.

SECTION 7.5 CERTAIN OBLIGATIONS OF THE SERVICE PROVIDER UPON TERMINATION OR EXPIRATION.

(A) Termination by LIPA.

(1) Access. In the event an Event of Default by the Service Provider occurs or if LIPA exercises its right otherwise to terminate this Agreement pursuant to Section 7.4 hereof and LIPA issues a termination notice, from the date of such issuance until the Termination Date, LIPA shall have unrestricted access to all areas of, and all information, data and records concerning, the T&D System and to the Service Provider's personnel necessary to monitor the performance of the Service Provider and to ensure that the Service Provider complies with the provisions of this Agreement during such time period (the "Termination Notice Period").

(2) Assumption of Responsibilities. At LIPA's sole option, LIPA may elect at any time during the Termination Notice Period to direct the Service Provider and its employees in the day-to-day performance of the Service Provider's obligations under this Agreement. LIPA shall reimburse the Service Provider for its resulting substantiated incremental costs incurred, and the Service Provider shall neither be subject to the Performance Metrics nor eligible for Incentive Compensation thereunder, accruing from and after such date; provided that the Service Provider shall continue to be subject thereto for the period preceding such direction of day-to-day operations.

(B) Obligations on Termination or Expiration. Upon a termination of this Agreement under Section 7.1, Section 7.2 or Section 7.4 hereof or the expiration of this Agreement in accordance with its terms, the Service Provider shall perform the Back-End Transition Services as provided in Section 8.2 hereof and in the Contract Administration Manual and shall otherwise cooperate in the smooth transition to the successor service provider and, without limiting the generality of the foregoing:

(1) transfer all records (other than proprietary Service Provider financial information) relating to the provision of Operations Services hereunder (including employee records to the extent permitted by Applicable Law), customer lists and account information, the Operations Manual and Contract Administration Manual and personnel information to the successor service provider;

(2) transfer all documentation and material associated with work in progress and provide a comprehensive status report on each such item;

(3) sell all existing materials and supplies utilized by the Service Provider in the operation and maintenance of the T&D System to LIPA or the successor service provider, as LIPA shall direct, at the Service Provider's cost;

(4) stop the Operations Services on the date or dates and to the extent specified by LIPA, provided that in so doing the Service Provider shall cooperate and coordinate with LIPA and any successor service provider so as to assure an orderly and smooth transition and continued safe and reliable operation of the T&D System;

(5) promptly take all action as necessary to protect and preserve all materials, equipment, tools, facilities and other property;

(6) promptly remove from the T&D System Site all equipment, implements, machinery, tools, temporary facilities of any kind and other property owned or leased by the Service Provider which are not to be transferred to any successor service provider or LIPA, and repair any damage caused by such removal;

(7) leave the T&D System in a neat, safe, orderly and fully operational condition;

(8) promptly remove all employees of the Service Provider (other than ServCo employees) and, at LIPA's request, any Subcontractors and vacate the T&D System Site, subject to subsection (D) of this Section and further subject to the requirement that all employees of the Service Provider shall be permitted by the Service Provider to accept offers of employment with LIPA or a successor service provider;

(9) promptly deliver to the successor service provider or LIPA, as LIPA shall direct, copies of all Subcontracts, together with a statement of

(a) the items and services ordered and not yet delivered pursuant to each agreement,

(b) the expected delivery date of all such items and services,

(c) the total cost of each agreement and the terms of payment, and

(d) the estimated cost of canceling and assigning each agreement;

(10) deliver to the successor service provider or LIPA, as LIPA shall direct, promptly a list of:

(a) all special order items previously delivered or fabricated by the Service Provider or any Subcontractor but not yet incorporated in the Operations Services,

(b) all service contracts including detailed scope of work and progress reports, and

(c) all other supplies, materials, machinery, equipment and other property previously delivered or fabricated by the Service Provider or any Subcontractor but not yet incorporated in the Operations Services;

(11) advise LIPA promptly of any special circumstances which might limit or prohibit cancellation of any Subcontract;

(12) as LIPA directs, terminate or assign to the successor service provider or LIPA all Subcontracts and make no additional agreements with Subcontractors without the prior written approval of LIPA;

(13) as directed by LIPA, transfer to LIPA by appropriate instruments of title, and deliver to such place as LIPA may specify, all special order items;

(14) furnish to LIPA all information used in the preparation of reports and other data necessary for LIPA (or any successor service provider) to operate the T&D System, and use all commercially reasonable efforts to obtain the consent of any third party required to fulfill such obligation;

(15) notify LIPA promptly in writing of any Legal Proceedings against the Service Provider by any Subcontractor relating to the termination of the Operations Services (or any Subcontracts); and

(16) take such other actions, and execute such other documents, as may be necessary to effectuate and confirm the foregoing matters, or as may be otherwise necessary or desirable to minimize LIPA's costs, and take no action which will increase any amount payable by LIPA under this Agreement.

(C) Transfer Obligation. Immediately upon the expiration or any earlier termination of this Agreement, the Service Provider will transfer all the Membership Interests in ServCo and all ServCo corporate books and records to LIPA or, at LIPA's direction, its designee free and clear of all Liens and Encumbrances at no cost to LIPA or its designee. The Parties shall mutually agree upon such instruments, agreements and other documents as may be reasonably necessary to effect such transfer.

(D) Additional Obligations.

(i) The Service Provider shall cause its Affiliates then providing any of the Operations Services to provide technical advice and support to LIPA (or any successor service provider designated by LIPA). Such advice and support shall be for a period of six (6) months and shall include providing any plans, drawings, renderings, blueprints, operating and training manuals for all facilities, personnel information, specifications or other information useful or necessary for LIPA or any successor service provider designated by LIPA to perform the Operations Services. In addition, to the extent requested by LIPA, the Service Provider shall use reasonable efforts to retain any or all senior management employees and make

them available following termination or expiration of this Agreement to provide on-site, real-time consulting advice to a successor service provider for the T&D System or LIPA, such services to be made available for up to six (6) months. LIPA shall compensate the Service Provider for the provision of such services on the basis of the Service Provider's fully allocated time and materials charges;

(ii) Unless otherwise agreed by the Parties, upon expiration or the earlier termination of this Agreement, all licenses and sublicenses granted hereunder shall terminate and be of no further force or effect, except to the extent any such license or sublicense is required for the performance of the Service Provider's services pursuant to this Section 7.5, which license or sublicense shall then terminate upon completion of such services. If, upon termination hereof, LIPA is to perform the Service Provider's obligations under this Agreement, the Service Provider will reasonably cooperate, at LIPA's request and expense, to assist LIPA in obtaining such necessary licenses with such vendors or transferring the Service Provider's licenses to LIPA; provided, however, that the Service Provider shall have no further liability, obligation or cost with respect thereto except with respect to the period prior to the termination of this Agreement in accordance with the terms hereof. The Service Provider shall not agree with vendors providing services on its behalf under this Agreement that such vendors cannot contract directly with LIPA to provide such services.

SECTION 7.6 DISPUTE RESOLUTION.

(A) Dispute Resolution. Any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof (a "Dispute") shall be resolved in accordance with the procedures below, which shall constitute the sole and exclusive procedures for the resolution of such Disputes.

(B) Negotiation. The Parties shall attempt to resolve any Dispute promptly by first referring the Dispute to the JOC. Any Party may give the other Party written notice of any Dispute not resolved in the normal course of business. Within five (5) days after receipt of the notice, the receiving Party shall submit to the other Party a written response. The notice and response shall include a statement of that Party's position and a summary of arguments supporting that position. Within five (5) days after receipt of the initial notice, the JOC shall meet at a mutually acceptable time and place, and thereafter as often as it reasonably deems necessary, to attempt through diligent, good faith negotiations to resolve the Dispute. The JOC shall endeavor to complete the negotiation process within ten (10) days after the receipt of the Dispute notice. All negotiations and discussions pursuant to this Section 7.6(B) shall be confidential and shall be treated as compromise settlement discussions and negotiations for purposes of Federal Rule of Evidence 408 and any applicable New York state evidence rules and shall not be used or offered as evidence in any subsequent proceeding.

(C) Arbitration. Any Dispute which has not been resolved by negotiation as provided in subsection (B) within twenty (20) days after the receipt of the Dispute notice above shall be finally resolved by binding arbitration within sixty (60) days after the appointment of arbitrators (or as soon thereafter as practicable) in accordance with the CPR Rules for Non-Administered Arbitrations ("CPR Rules") then currently in effect, except to the extent such rules are inconsistent with the terms of this Agreement, in which case the provisions of this Agreement

shall govern. Either Party may commence arbitration of a Dispute by delivering written notice in accordance with the CPR Rules to the other Party which includes a statement of that Party's position and a summary of arguments supporting that position. The arbitration shall be conducted by three arbitrators (the "Arbitrators"). LIPA hereby designates Robert B. Davidson as its arbitrator or, in the event he is unavailable, Michael D. Young as its alternate arbitrator. The Service Provider hereby designates Sarkis Jebejian as its arbitrator or, in the event he is unavailable, Harold G. Levison as its alternate arbitrator. In the event that a Party's designee is no longer able or is unwilling to serve as an arbitrator for a Dispute, a Party may appoint a substitute or replacement arbitrator and shall promptly notify the other Party thereof. The Parties' designated arbitrators are hereinafter referred to as the "Party Appointed Arbitrators." The Party Appointed Arbitrators, within two (2) Business Days of receiving notice of their appointment will select a third arbitrator (the "Chair"), who will be one of the following individuals: Bud D. Holman; James Carter; John Bissell; and Patrick Hobbs. The Chair shall be the chairperson of the panel of Arbitrators. In the event that any one of the above-listed individuals is no longer able or is unwilling to continue to serve as the Chair, the Party Appointed Arbitrators will confer and agree on a replacement Chair within three (3) Business Days. In the event no such agreement can be reached, the CPR Rules shall govern the appointment of the Chair.

(D) Provisional Relief. Either Party may, without prejudice to any JOC negotiation or arbitration procedures commenced pursuant to subsections (B) or (C) above, proceed in the New York State Supreme Court, Nassau County, to seek to obtain provisional judicial relief if, in the such Party's sole discretion, such action is necessary to avoid imminent irreparable harm, to provide uninterrupted electrical and other services, or to preserve the status quo pending the conclusion of such negotiation or arbitration.

(E) Information Exchange. The Arbitrators shall have the discretion to order a prehearing exchange of information by the Parties, including production of requested documents, the exchange of witness statements of proposed witnesses, and the examination by deposition of Parties. The Parties hereby agree timely to produce all such information as ordered by the Arbitrators.

(F) Site of Arbitration. The site of any arbitration brought pursuant to the terms hereof shall be Uniondale, New York, or such other site as the Parties may agree.

(G) Awards. The Arbitrators shall have no authority to award damages other than the prevailing Party's damages specifically recoverable under and subject to the liability limitations provided in this Agreement plus interest at the Default Interest Rate from the date such damages were incurred. The Arbitrators may award reasonable attorneys' fees and costs of the arbitration. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§1-16 (the "FAA"), and judgment upon the award rendered by the Arbitrators may be entered by any court having jurisdiction thereof.

(H) Obligation to Repair; Termination Notice. The Parties will continue to perform their respective obligations hereunder, including the Service Provider's performance of the Operations Services in accordance with the terms hereof, notwithstanding the existence of any Dispute, including without limitation, responsibility for the costs thereof. Such performance

by the Parties shall in no case prejudice their rights thereafter to dispute their responsibility for the costs. During such arbitration process, any termination notice delivered pursuant to this Agreement shall be tolled and this Agreement shall not terminate until the later of (a) the end of the period provided in such termination notice, and (b) the issuance of a final, binding ruling by the Arbitrators that the termination of this Agreement was proper.

(I) Certain Expedited Matters. Any Dispute arising with respect to (i) alleged violations of the Naming Guidelines contained in Appendix 6 to this Agreement, (ii) Information Access under Section 4.12, (iii) any reporting requirements described in the Contract Administration Manual, (iv) the Exit Test under Section 8.3, (v) an IRS Ruling Dispute, (vi) the annual Operating Budget, Capital Budget or Energy Efficiency Budget or proposed amendment or modification thereto, and (vii) the right of a Party to terminate this Agreement pursuant to Section 7.1 or 7.2 hereof (such Disputes, collectively, the “Expedited Dispute Matters”), shall be immediately subject to arbitration pursuant to subsection (C) above and the following procedural rules shall apply:

(1) Within five (5) days after the Chair is appointed, the Arbitrators shall meet with the Parties in a first preliminary conference to (a) establish a schedule for the exchange of information, pre-hearing submissions, if any, and the date and location of the final hearing on the merits, and (b) consider any other issues relevant to the Dispute that the Parties or Arbitrators deem relevant;

(2) Unless the Parties agree otherwise, the final hearing on the merits shall be conducted on consecutive Business Days until concluded, but in no event shall the final hearing on the merits last more than five (5) Business Days. The final hearing of any Dispute shall be held within thirty (30) days after the first preliminary conference;

(3) The Arbitrators shall render their final award within fifteen (15) days after the close of the final hearing on the merits or, if a final hearing on the merits has been waived, within fifteen (15) days after receipt by the Arbitrators of all materials required by the Arbitrators;

(4) The Parties may agree to modify the time limits set out herein. The Arbitrators, on their own initiative, may not extend the time limits (except at the request of a Party due to the other Party’s failure to timely comply with the Arbitrators’ orders), but may shorten the time limits;

(5) Notwithstanding the above time limits, either Party may request the Arbitrators at any time to grant a temporary restraining order or other appropriate injunctive relief with respect to any Expedited Dispute Matter, and the Arbitrators may grant such relief, but only if the Party so requesting would be entitled to such relief from a court applying the applicable standards of the law of New York with respect to the granting of such relief.

(J) IRS Ruling Dispute. Regarding an IRS Ruling Dispute stemming from a failure of the Parties to agree under Section 2.2(B) hereof to revisions to this Agreement in response to IRS Objections, each Party shall submit to the Arbitrators its respective proposed resolution to address the specific IRS Objection in reasonable detail (being the last written

proposal submitted by one Party to the other, each a “Final IRS Proposal”). In resolving the Dispute, the Arbitrators shall be required to proceed as follows:

First: The Arbitrators shall select a Final IRS Proposal which is reasonably likely to overcome the IRS Objections and thus to protect the exemption of interest on tax-exempt bonds issued by LIPA to finance the T&D System.

Second: The Arbitrators shall select the Final IRS Proposal which best preserves, as nearly as possible and consistent with the First requirement, the full range of economic results, benefits and obligations to which the Parties agreed under this Agreement as first executed.

Third: The Arbitrators in rendering their award shall be limited to choosing in its entirety either the Service Provider's Final IRS Proposal or LIPA's Final IRS Proposal and shall have no discretion to revise or modify the positions of the Parties or render an award otherwise inconsistent with one or the other Party's submission to the Arbitrators. The Arbitrators' decision resolving such Dispute shall be incorporated in LIPA's supplemental IRS Ruling Request but shall not take effect until receipt of a favorable IRS Ruling.

(K) Grounds for Judicial Review. Any award made by the Arbitrators with respect to any Dispute pursuant to the dispute resolution procedures in this Section 7.6 may be vacated, modified or corrected by a court only on the grounds permitted under the provisions of Sections 10 and 11 of the FAA.

(L) Submission to Jurisdiction. Each Party hereto irrevocably submits to the exclusive jurisdiction of any New York State court located in Nassau County and the U.S. District Court for the Eastern District of New York for the purposes of any action to compel arbitration, in aid of arbitration or for provisional relief to prevent irreparable harm or preserve the status quo pending the appointment of the Arbitrators, and agrees to commence any such action only in such courts, except in the case of a termination due to a bankruptcy or insolvency which may be subject to the exclusive jurisdiction of the bankruptcy courts. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth herein shall be effective service of process for any such action. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any action arising out of this Agreement or the transactions contemplated hereby in such courts, and hereby irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action brought in any such court has been brought in an inconvenient forum. EACH PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY SUCH ACTION.

SECTION 7.7 WAIVER OF CERTAIN DEFENSES.

The Service Provider acknowledges that it is responsible for the Operations Services and agrees that, unless otherwise permitted pursuant to the provisions of this Agreement with respect to the occurrence of Force Majeure events, and without limiting such provisions, it shall not assert (i) impossibility or impracticability of performance, (ii) lack of fitness for use or operation of the T&D System, (iii) the existence, non-existence, occurrence or non-occurrence of any

foreseen or unforeseen fact, event or contingency that may be a basic assumption of the Service Provider, (iv) commercial frustration of purposes or (v) contract of adhesion, as a defense against any claim by LIPA against the Service Provider.

SECTION 7.8 LIABILITY LIMITATION FOR CERTAIN DAMAGES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER THE SERVICE PROVIDER INDEMNIFIED PARTIES NOR THE LIPA INDEMNIFIED PARTIES SHALL BE LIABLE, WHETHER IN CONTRACT, INDEMNITY, TORT (INCLUDING NEGLIGENCE, GROSS NEGLIGENCE, AND STRICT LIABILITY), OR OTHERWISE, FOR ANY SPECIAL, EXEMPLARY, PUNITIVE, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WHICH ARISE FROM, RELATE TO OR ARE CONNECTED WITH THIS AGREEMENT OR THE PERFORMANCE OF OR FAILURE TO PERFORM THEIR RESPECTIVE OBLIGATIONS HEREUNDER EXCEPT FOR SUCH DAMAGES PAYABLE TO A THIRD PARTY IN RESPECT OF A THIRD PARTY CLAIM, SUBJECT, HOWEVER, TO THE LIMITATIONS ON LIABILITY PROVIDED IN SECTIONS 5.5 AND 9.2 HEREOF.

SECTION 7.9 LIPA EMERGENCY POWERS.

Should the Service Provider, due to a Force Majeure event or any other reason whatsoever (other than a LIPA Fault), fail, refuse or be unable to provide any or all Operations Services contemplated hereby and LIPA or any Governmental Body finds that such failure endangers or menaces the public health, safety or welfare, then, in any of those events and to the extent of such failure, LIPA shall have the right, upon notice to the Service Provider, during the period of such emergency, to take possession and control of and use any or all of the Operating Assets necessary to transmit and distribute Power and Energy which the Service Provider would otherwise be obligated to transmit and distribute. The Service Provider agrees that in such event it will fully cooperate with LIPA to effect such a temporary transfer of possession of the Operating Assets for LIPA's use of the same. The Parties acknowledge that if LIPA takes emergency possession of the Operating Assets, any applicable cure period provided for in this Agreement for the Service Provider's benefit shall be tolled until such time as the Service Provider resumes possession of the Operating Assets. LIPA may operate the Operating Assets with LIPA employees, or cause the Operating Assets to be operated by subcontractors to LIPA or through the use of the Service Provider's or ServCo's employees, and the Service Provider shall make its employees and those of ServCo available for such purposes. It is further agreed that LIPA may at any time, at its discretion, relinquish possession of any or all of the Operating Assets to the Service Provider and thereupon demand that the Service Provider resume the operations as provided in this Agreement. It is specifically understood and agreed that:

- (1) LIPA's exercise of its rights under this Section does not constitute a taking of private property for which payment must be made other than as specifically provided for in this Section,
- (2) LIPA's exercise of its rights under this Section shall not create any liability on the part of LIPA to the Service Provider,
- (3) the indemnity provisions of Section 9.2 hereof covering LIPA and the Service Provider are meant to include circumstances arising under this Section;
- (4) LIPA's payment obligations to the Service Provider arising under this Agreement shall continue; and
- (5) the period that LIPA takes possession and control of and use of any or all of the Operating Assets under this Section 7.9 shall not be taken into account for any purpose in

calculating any Performance Metric. LIPA's right to retain temporary emergency possession of the Operating Assets and to operate the T&D System shall terminate at the earlier of: (1) the time when such services can, in the judgment of LIPA, be resumed by the Service Provider, or (2) the time when LIPA no longer reasonably requires such Operating Assets, as determined by LIPA.

ARTICLE 8

FUTURE SERVICE PROVIDERS; BACK-END TRANSITION SERVICES

SECTION 8.1 SELECTION OF FUTURE SERVICE PROVIDERS.

The Service Provider hereby acknowledges that LIPA may conduct a procurement for Operations Services to be provided following the expiration or earlier termination of this Agreement. The Service Provider shall have the right to submit a proposal in such procurement on the same basis as other proposers. The Service Provider shall fully cooperate with LIPA during any such procurement process.

SECTION 8.2 BACK-END TRANSITION SERVICES.

(A) General. Prior to the expiration or earlier termination of this Agreement, the Service Provider will be required to provide the Back-End Transition Services specified in the Contract Administration Manual. The Back-End Transition Plan and services shall include specific activities, budgets, schedules and milestones necessary to accomplish the back-end transition, including planning for the performance of the Exit Test under Section 8.3. Such activities shall include the following:

- (1) identification of the Service Provider's team, by position, for the Back-End Transition Services, including an overall transition manager responsible for managing all Back-End Transition Services;
- (2) cooperation with the successor service provider, including the provision of assistance familiarizing the successor service provider with any facilities, furnishings, material, supplies, and equipment owned by LIPA but used by ServCo in the delivery of Operations Services;
- (3) assistance familiarizing the successor service provider with Intellectual Property to be transitioned for its use;
- (4) assistance familiarizing the successor service provider with the records management program;
- (5) assistance familiarizing the successor service provider with the functional areas associated with the Operations Services;
- (6) preparation and delivery of information to the successor service provider relative to the staffing of ServCo as well as associated benefits programs, work rules and labor contracts;

(7) transfer of the Contract Administration Manual and the Operations Manual and any pertinent supporting information and records to the successor service provider;

(8) assistance familiarizing the successor service provider with the IT systems and infrastructure;

(9) assistance familiarizing the successor service provider with storm and emergency response plan developed in cooperation with LIPA;

(10) assistance familiarizing the successor service provider with all third-party contracts; and

(11) cooperation in the performance of the comprehensive Exit Test in accordance with the provisions of Section 8.3 hereof.

SECTION 8.3 EXIT TEST.

(A) Exit Test. An exit test (the “Exit Test”) will be commenced at least six (6) months prior to the expiration or, to the extent practicable, termination of this Agreement to confirm (1) that the Service Provider has performed or will perform the maintenance and Capital Improvement activities which were budgeted for the final year of this Agreement or as otherwise previously approved by LIPA, in such final year and (2) that the Service Provider has completed or will complete any remedial activities to cure maintenance deficiencies or Capital Improvements which were previously determined to be incomplete as noted by LIPA pursuant to the most recently conducted review of the condition of the T&D System which review shall be conducted annually. LIPA shall have the right and responsibility in consultation with the Service Provider to establish the specific requirements and parameters of the Exit Test which will be conducted in accordance with the policies and procedures mutually agreed to by the Parties. If, as a result of such Exit Test, an Independent Engineer selected by LIPA and reasonably acceptable to the Service Provider finds that maintenance, Capital Improvement, replacement, or remedial activities described in (1) and (2) above have not been performed in accordance with this Agreement, then the Service Provider shall perform such incomplete maintenance, Capital Improvement, replacement, or remedial activities prior to the expiration of this Agreement. Any Dispute arising under this Section 8.3 shall be subject to the dispute resolution procedures in Section 7.6(I).

ARTICLE 9

GENERAL

SECTION 9.1 FORCE MAJEURE GENERALLY.

(A) Performance Excused. Except as otherwise specifically provided in this Agreement, neither LIPA nor the Service Provider shall be liable to the other for any failure or delay in performance of any obligation under this Agreement (other than any payment at the time due and owing), including any obligation with respect to the Performance Metrics, to the extent due to the occurrence of a Force Majeure event.

(B) Notice, Mitigation. The Party claiming a Force Majeure event (the "Claiming Party") shall notify the other Party in writing, on or promptly after the date the Party experiencing such Force Majeure event first knew of the commencement thereof, followed within fifteen (15) days by a written description of (1) the Force Majeure event and the cause thereof (to the extent known), (2) the date the Force Majeure event began and the cause thereof, its estimated duration, the estimated time during which the performance of the Claiming Party's obligations hereunder will be delayed, and the impact, if any, on any scheduled completion dates for Capital Improvements, (3) its estimated impact on the other obligations of the Claiming Party under this Agreement and (4) potential mitigating actions which might be taken by the Claiming Party and any areas where costs might be reduced and the approximate amount of such cost reductions. The Claiming Party shall provide prompt written notice to the other Party of the cessation of such Force Majeure event. Whenever such act, event or condition shall occur, the Claiming Party shall, as promptly as reasonably possible, use its best efforts to eliminate the cause therefor, reduce costs and resume performance under this Agreement. While the Force Majeure event continues, the Claiming Party shall give notice to the other Party before the first day of each succeeding month updating the information previously submitted. The Claiming Party shall furnish promptly (if and to the extent available to it) any additional documents or other information relating to the Force Majeure event reasonably requested by the other Party.

(C) Conditions to Relief on Account of Force Majeure. If and to the extent a Force Majeure event interferes with or delays the Service Provider's performance of the Operations Services in accordance herewith, and the Service Provider has given timely notice and description as required by Section 9.1(B) hereof, the Service Provider shall be excused from performance (and also excused with respect to the achievement of any affected Performance Metrics) and be entitled to schedule relief and to recovery of the increased costs thereof as a Pass-Through Expenditure, subject, however, to cost substantiation. In the event that the Service Provider believes it is entitled to schedule or other performance relief hereunder on account of any Force Majeure event, it shall furnish LIPA written notice of the specific relief requested and detailing the event giving rise to the claim within forty-five (45) days after the giving of notice delivered pursuant to Section 9.1(B) hereof. Within forty-five (45) days after receipt of such a timely submission from the Service Provider, LIPA shall issue a written determination as to the extent, if any, it concurs with the Service Provider's claim for relief, and the reasons therefor.

SECTION 9.2 INDEMNIFICATION.

(A) Indemnification by the Service Provider.

(1) Subject to the limitations on liability provided in Sections 5.5, 7.8 and this Section 9.2, the Service Provider agrees that to the fullest extent permitted by law, it will defend, indemnify and hold harmless LIPA, the Authority, their Affiliates, and Subcontractors, and their respective Representatives, trustees, directors, officers, and employees (as applicable in the circumstances), (the "LIPA Indemnified Parties") from and against (and pay the full amount of) any Loss-and-Expense and will defend the LIPA Indemnified Parties in any suit, including appeals, for personal injury to, or death of, any person, or loss or damage to property and for any Loss-and-Expense arising out of (i) any breach by the Service Provider of any representation, warranty or covenant of the Service Provider in this Agreement, (ii) any Third Party Claims for which the Service Provider has assumed responsibility under this Agreement, (iii) the gross

negligence or willful misconduct of any Service Provider Indemnified Party, or (iv) any claim that LIPA's use of any Service Provider Pre-Existing Intellectual Property, provided by or on behalf of the Service Provider or the Service Provider Related Parties or Service Provider Licensed Intellectual Property, infringes or otherwise violates Intellectual Property rights of any third party. The Service Provider shall not, however, be required to reimburse or indemnify any LIPA Indemnified Party for any Loss-and-Expense to the extent any such Loss-and-Expense is due to (a) any matter for which LIPA is responsible under this Agreement, (b) the negligence or willful misconduct of any LIPA Indemnified Party, (c) any Force Majeure event or LIPA Fault, (d) any act or omission of any LIPA Indemnified Party determined to be responsible for or contributing to the Loss-and-Expense, (e) any act or omission with respect to the ownership, operation, maintenance or environmental condition of the T&D System occurring prior to the Service Commencement Date, (f) any customer claim brought by a retail or wholesale electric customer of LIPA, or (g) claims brought by ServCo employees or former employees with respect to entitlements or benefits under ServCo's pension or other employee benefit plans.

(2) A LIPA Indemnified Party shall promptly notify the Service Provider of the assertion of any Third-Party Claim against it for which it is entitled to be indemnified hereunder, shall give the Service Provider the opportunity to defend such claim, and shall not settle the claim without the approval of the Service Provider. The Service Provider shall be entitled to control the handling of any such Third-Party Claim and to defend or settle any such claim, in its sole discretion, with counsel of its own choosing that is acceptable to the LIPA Indemnified Parties; provided, however, that, in the case of any such settlement, the Service Provider shall also obtain written release of all liability of the LIPA Indemnified Parties, in form and substance reasonably acceptable to the LIPA Indemnified Parties. Notwithstanding the foregoing, each LIPA Indemnified Party shall have the right to employ its own separate counsel in connection with, and to participate in (but, except as provided below, not control) the defense of, such claim, but the fees and expenses of such counsel incurred after notice to the Service Provider of its assumption of the defense thereof shall be at the expense of such LIPA Indemnified Party unless:

(i) the employment of counsel by such LIPA Indemnified Party has been authorized by the Service Provider;

(ii) counsel to such LIPA Indemnified Party shall have reasonably concluded that there may be a conflict on any significant issue between the Service Provider and such LIPA Indemnified Party in the conduct of the defense of such claim; or

(iii) the Service Provider shall not in fact have employed counsel reasonably acceptable to the LIPA Indemnified Party to assume the defense of such claim within twenty (20) days following the receipt by the Service Provider of the notice from the LIPA Indemnified Party regarding the assertion of the applicable claim, in each case the fees and expenses of counsel for such LIPA Indemnified Party shall be at the expense of the Service Provider; provided, however, that, with respect to clauses (ii) and (iii) of this sentence, the Service Provider shall not be obligated to pay the fees and expenses of more than one law firm, plus local counsel if necessary in each relevant jurisdiction, for all such LIPA Indemnified Parties with respect to any claims arising out of the same events or facts or the same series of events or facts. The Service Provider shall not be entitled, without the consent of such LIPA

Indemnified Party, to assume or control the defense of any claim as to which counsel to such LIPA Indemnified Party shall have reasonably made the conclusion that there may be a conflict on any significant issue between the Service Provider and such LIPA Indemnified Party in the conduct of the defense of such claim as set forth in clause (ii) above, provided that the foregoing limitation shall apply only with respect to those issues for which there may be such a conflict. These indemnification provisions are for the protection of the LIPA Indemnified Parties only and shall not establish, of themselves, any liability to third parties. The provisions of this Section 9.2(A) shall survive termination of this Agreement.

(3) Direct Claims by LIPA Indemnified Parties. In the event that LIPA believes it has suffered or incurred Loss-and-Expense attributable to or arising out of a breach by the Service Provider of a representation, warranty or covenant for which the Service Provider has assumed liability pursuant to Section 5.5 hereof (a "LIPA Direct Claim"), LIPA shall provide written notice thereof to the Service Provider. Such notice shall include a description in reasonable detail of the claimed breach, together with the amount of the Loss-and-Expense incurred or suffered, to the extent then reasonably determinable. If the Parties are unable to resolve the claim following good faith negotiations, either Party may submit the matter for resolution pursuant to the dispute resolution provisions of Section 7.6 hereof.

(B) Indemnification by LIPA.

(1) Subject to the limitations on liability provided in Sections 5.5, 7.8 and this Section 9.2, LIPA agrees that to the fullest extent permitted by law, it will defend, indemnify and hold harmless the Service Provider, the Guarantor, the Parent Company and their respective Affiliates and Representatives, officers, directors, Subcontractors (as applicable in the circumstances) and employees (the "Service Provider Indemnified Parties") from and against (and pay the full amount of) any Loss-and-Expense, and will defend the Service Provider Indemnified Parties in any suit, including appeals, for personal injury to, or death of, any person, or loss or damage to property and for any Loss-and-Expense arising out of (i) any breach by LIPA of any representation, warranty or covenant of LIPA in this Agreement, (ii) any Third Party Claims for which LIPA has assumed responsibility under this Agreement, (iii) the gross negligence or willful misconduct of any LIPA Indemnified Party, (iv) any Loss-and-Expense to the extent attributable to actions or omissions with respect to the ownership, operation, maintenance or environmental condition of the T&D System occurring prior to the Service Commencement Date, (v) any customer claim brought by a retail or wholesale electric customer of LIPA, (vi) claims brought by ServCo employees or former employees with respect to benefits under ServCo's pension or other employee benefit plans, and (vii) any claim that (x) the Service Provider's use of any LIPA Pre-Existing Intellectual Property, provided by or on behalf of LIPA or LIPA's Related Parties or LIPA Licensed Intellectual Property, except LIPA Licensed Intellectual Property procured by or selected based upon the recommendation of the Service Provider in accordance with this Agreement, or (y) the Service Provider's use of the LIPA Marks in accordance with this Agreement, infringes or otherwise violates Intellectual Property rights of any third party. LIPA shall not, however, be required to reimburse or indemnify any Service Provider Indemnified Party for any Loss-and-Expense to the extent any such Loss-and-Expense is due to (A) any matter for which the Service Provider is responsible under this Agreement, (B) the negligence or willful misconduct of any Service Provider Indemnified Party, (C) any

Force Majeure event, or (D) any act or omission of any Service Provider Indemnified Party determined to be responsible for or contributing to the Loss-and-Expense.

(2) A Service Provider Indemnified Party shall promptly notify LIPA of the assertion of any Third Party Claim against it for which it is entitled to be indemnified hereunder, shall give LIPA the opportunity to defend such claim, and shall not settle the claim without the approval of LIPA. LIPA shall be entitled to control the handling of any such Third Party Claim and to defend or settle any such claim, in its sole discretion, with counsel of its own choosing that is reasonably acceptable to the Service Provider Indemnified Party; provided, however, that, in the case of any such settlement, LIPA shall obtain written release of all liability of the Service Provider Indemnified Parties, in form and substance reasonably acceptable to the Service Provider Indemnified Parties. Notwithstanding the foregoing, each Service Provider Indemnified Party shall have the right to employ its own separate counsel in connection with, and to participate in (but, except as provided below, not control) the defense of, such claim, but the fees and expenses of such counsel incurred after notice to LIPA of its assumption of the defense thereof shall be at the expense of such Service Provider Indemnified Party unless:

(i) the employment of counsel by such Service Provider Indemnified Party has been authorized by LIPA;

(ii) counsel to such Service Provider Indemnified Party shall have reasonably concluded that there may be a conflict on any significant issue between LIPA and such Service Provider Indemnified Party in the conduct of the defense of such claim; or

(iii) LIPA shall not in fact have employed counsel reasonably acceptable to the Service Provider Indemnified Party to assume the defense of such claim within twenty (20) days following the receipt by LIPA of the notice from the Service Provider Indemnified Party regarding the assertion of the applicable claim, and in each case the fees and expenses of counsel for such Service Provider Indemnified Party shall be paid by LIPA; provided, however, that, with respect to clauses (ii) and (iii) of this sentence, LIPA shall not be obligated to pay the fees and expenses of more than one law firm, plus local counsel if necessary in each relevant jurisdiction, for all such Service Provider Indemnified Parties with respect to any claims arising out of the same events or facts or the same series of events or facts. LIPA shall not be entitled, without the consent of such Service Provider Indemnified Party, to assume or control the defense of any claim as to which counsel to such Service Provider Indemnified Party shall have reasonably made the conclusion that there may be a conflict on any significant issue between LIPA and such Service Provider Indemnified Party in the conduct of the defense of such claim as set forth in clause (ii) above, provided that the foregoing limitation shall apply only with respect to those issues for which there may be such a conflict. These indemnification provisions are for the protection of the Service Provider Indemnified Parties only and shall not establish, of themselves, any liability to third parties.

(3) Direct Claims by Service Provider Indemnified Parties. In the event that the Service Provider believes it has suffered or incurred Loss-and-Expense attributable to or arising out of a breach by LIPA of a representation, warranty or covenant for which LIPA has assumed liability pursuant to Section 5.5 hereof (a “Service Provider Direct Claim”), the

Service Provider shall provide written notice thereof to LIPA. Such notice shall include a description in reasonable detail of the claimed breach, together with the amount of the Loss-and-Expense incurred or suffered, to the extent then reasonably determinable. If the Parties are unable to resolve the claim following good faith negotiations, either Party may submit the matter for resolution pursuant to the dispute resolution provisions of Section 7.6 hereof.

SECTION 9.3 INTELLECTUAL PROPERTY.

(A) LIPA Owned Intellectual Property. The Parties hereby acknowledge and agree that, as between them, and whether or not specifically recognized or perfected under any Applicable Law, LIPA shall own all right, title, and interest in and to all Intellectual Property (other than Service Provider or Subcontractor Pre-Existing Intellectual Property), and derivatives thereof, regardless of format, first created or produced under this Agreement by Service Provider and Service Provider Related Parties and, to the extent the applicable third party contracts so provide, any of their Subcontractors (“Work Product”), all of which shall to the fullest extent under Applicable Law be considered works made for hire. The Service Provider shall use commercially reasonable efforts to ensure that relevant third-party contracts with Subcontractors properly reflect LIPA’s ownership of Work Product pursuant to the preceding sentence. If any Subcontractor refuses to include such a provision in a relevant third-party contract, the Service Provider shall notify LIPA and, at LIPA’s request, the Service Provider shall not use such Subcontractor for the provision of Operations Services. Whether or not any Work Product constitutes a work made for hire, all Work Product shall be the Intellectual Property of LIPA, which shall have the sole right to obtain or claim Patent (pursuant to Section 9.3(C)), Copyright Rights, Trademark and any other Intellectual Property rights therein, and to otherwise preserve its rights in and to the Work Product.

(B) Pre-Existing Intellectual Property. Any Intellectual Property that is not first created or produced under this Agreement and is embedded in or otherwise necessary for the Work Product shall remain the Intellectual Property of the owner, contributing party (and shall be referred to as “LIPA Pre-Existing Intellectual Property”, “Service Provider Pre-Existing Intellectual Property” or “Subcontractor Pre-Existing Intellectual Property”, as the case may be). For purposes of any LIPA representation, warranty or indemnification made under this Agreement, LIPA Pre-Existing Intellectual Property shall not include any Transition Services Work Product, as defined in the Transition Services Agreement, created by the Service Provider under the Transition Services Agreement. LIPA and the Service Provider hereby grant to each other, to the extent sublicenseable, non-exclusive, royalty-free, worldwide licenses to make, have made, use, import, copy, and modify such Pre-Existing Intellectual Property in connection with the T&D System and related facilities or any successors thereto. The foregoing licenses are granted solely as necessary for the Parties to perform their obligations pursuant to this Agreement and shall continue throughout the Term. The license from the Service Provider to LIPA shall be perpetual and irrevocable and shall survive termination or expiration of this Agreement so long as such Intellectual Property is used solely in connection with the T&D System and related facilities for the benefit of LIPA and its successors.

(C) Assignment of Work Product. To the extent that ownership in any Work Product does not automatically vest in LIPA, then the Service Provider shall transfer and assign and shall cause the Service Provider Related Parties to transfer and assign and shall use

commercially reasonable efforts to cause any of their Subcontractors to transfer and assign, and the Service Provider does hereby assign all right, title and interest (including all Intellectual Property rights, including any related Copyright Rights) in and to such Work Product to LIPA. The Service Provider shall, and shall cause the Service Provider Related Parties and shall use commercially reasonable efforts to cause any applicable Subcontractors to, execute all documents and take all actions requested by LIPA to transfer such ownership and otherwise assist LIPA to register, patent and otherwise maintain and protect LIPA's Intellectual Property rights in and to such Work Product anywhere in the world. The Service Provider shall promptly and fully disclose in writing to LIPA all patentable Work Product created during the Term of this Agreement. Upon notification, LIPA shall have the right, in its sole discretion and at its sole cost and expense, to patent such Work Product (the resulting Patents shall be "LIPA Patents"). Pursuant to this Section 9.3(C), the Service Provider shall provide all necessary assistance for LIPA to obtain, sustain, and, from time to time, enforce such LIPA Patents. Such assistance shall be at LIPA's sole cost and expense. LIPA shall not assert LIPA Patents against the Service Provider or Service Provider Related Parties or their Subcontractors in connection with the operation of their business operations or the performance of services for the Service Provider or Service Provider Related Parties or LIPA. If LIPA notifies the Service Provider of its intent not to patent any particular patentable Work Product, the Service Provider shall have the right, in its sole discretion and at its sole cost and expense, to patent such Work Product (the resulting Patents shall be "Service Provider Patents"). The Service Provider shall not assert Service Provider Patents against LIPA or LIPA Related Parties or their Contractors or Subcontractors in connection with the operation of their / business operations or the performance of services for LIPA or LIPA Related Parties. The Parties agree to enter into license agreements as appropriate consistent with the foregoing.

(D) License of Work Product and LIPA Licensed Intellectual Property.

Subject to the terms and conditions of this Agreement, LIPA hereby grants, and shall cause its Affiliates to grant, to the Service Provider and Service Provider Related Parties a fully paid-up, royalty-free, non-exclusive, non-transferable, sub-licensable (to Subcontractors) limited license during the Term, including for purposes of performing services under Section 7.5, to make, have made, use, import, copy, and modify the Work Product, and to the extent sublicenseable, the LIPA Licensed Intellectual Property, solely as necessary to perform their obligations pursuant to this Agreement. The use of LIPA Licensed Intellectual Property shall be subject to the license terms governing such use of third-party Intellectual Property to the extent the Service Provider can reasonably ascertain such terms. LIPA shall notify the Service Provider of all such license terms, to the fullest extent permitted by the applicable contract. To the extent any LIPA Licensed Intellectual Property cannot be licensed to the Service Provider or Service Provider Related Parties or their Subcontractors for any reason, or the relevant contract cannot be disclosed to the Service Provider, then the Service Provider or Service Provider Related Parties or their Subcontractors must promptly obtain their own third party license for the relevant Intellectual Property at LIPA's sole cost and expense.

(E) Prohibitions on Registration or Changes to Markings. The Service Provider shall not and shall ensure that Service Provider Related Parties do not register, attempt to register, patent, or assist any third party to register or patent (except as provided in Section 9.3(C)), any of the LIPA Owned Intellectual Property anywhere in the world, or otherwise take any action that may jeopardize LIPA's proprietary rights or cause the Service Provider or Service

Provider Related Parties to acquire any rights in the LIPA Owned Intellectual Property (including any translations, derivations, modifications, or updates thereof), except for the limited use rights specified in this Agreement. The Service Provider shall not and shall cause Service Provider Related Parties not to remove, change, or obliterate any copyright, confidential, or proprietary notices incorporated in, marked on, or fixed to the LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property.

(F) Service Provider Restricted Uses. The Service Provider shall not and shall ensure that Service Provider Related Parties do not sublicense, rent, lease, distribute or otherwise authorize the use of the LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property to or by or on behalf of anyone other than the Service Provider and Service Providers' Related Parties, and the Subcontractors, for purposes of this Agreement, and otherwise shall not use LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property for any other purpose.

(G) Reverse Engineering. The Service Provider shall not and shall ensure that Service Provider Related Parties and the Subcontractors do not decompile, disassemble, or reverse engineer any Software that is part of any LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property without LIPA's advance written consent, which may be withheld in LIPA's sole discretion.

(H) Service Provider Sublicensee Approval. The Service Provider shall be responsible for compliance by all of the Service Provider Related Parties and Subcontractors with the terms and conditions of this Section 9.3. Any sublicensee of the Service Provider or any Service Provider Related Parties with respect to LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property must be approved in advance in writing by LIPA, and such consent shall not be unreasonably withheld or delayed. LIPA may require a sublicensee to expressly agree in writing to be bound by any applicable terms of this Agreement.

(I) Third Party Beneficiary. The Service Provider agrees to enforce, and shall cause all of the Service Provider Related Parties to enforce, the terms of the sublicense agreement with respect to LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property against the sublicensee. It is understood and agreed, however, that LIPA shall be a third party beneficiary of all sublicense agreements relating to LIPA Owned Intellectual Property and LIPA Licensed Intellectual Property, with the power to enforce relevant terms against any sublicensee. Each sublicense will include a provision that, in the event the sublicense agreement terminates, at LIPA's option, the sublicense shall become a direct license with LIPA or LIPA's designees.

(J) Intellectual Property Enforcement Cooperation. If the Service Provider or any of the Service Provider Related Parties learns of any infringement or unauthorized use of the LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property, then the Service Provider will promptly notify and shall cause Service Provider Related Parties to promptly notify LIPA thereof in writing and will provide commercially reasonable assistance and cooperation as may be requested by LIPA, but at LIPA's sole cost and expense. Any sublicense entered into between the Service Provider or any Service Provider Related Party and a Subcontractor

pursuant to this Agreement with respect to LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property shall contain a notification provision consistent with the foregoing.

(K) Third-Party Intellectual Property. To the extent the Service Provider wishes to use any Intellectual Property of any third party in the provision of the Operations Services, to the extent LIPA may need to use such Intellectual Property, the Service Provider shall identify in writing in advance any such Intellectual Property to LIPA and whether or not the Service Provider has a right to sublicense same to LIPA under the same terms as the Service Provider licenses the Service Provider Pre-Existing Intellectual Property to LIPA pursuant to Section 9.3(B). If the Service Provider does not have that sublicense right, it will use all commercially reasonable efforts to promptly secure such right. If the Service Provider cannot secure such sublicense rights with thirty (30) days of first request, or such extended time as LIPA may grant in writing, then the Service Provider will (at LIPA's option) (i) assist LIPA to obtain any necessary license directly from such third party, or (ii) not use such Intellectual Property (to the extent LIPA may also need to use it) and instead use or create a non-infringing alternative capable of accomplishing the same purpose in substantially the same manner. In no event will the Service Provider's inability to obtain a right to sublicense any Intellectual Property excuse the Service Provider's inability to perform or meet any deadline under this Agreement. To the extent permitted by the terms of such license, LIPA may examine any applicable license of the Service Provider or Service Provider Related Parties in connection with any third party Intellectual Property relevant to the provision of Operations Services hereunder. To the extent LIPA or LIPA Related Parties or their subcontractors sublicense any Intellectual Property from the Service Provider or Service Provider Related Parties, LIPA, LIPA Related Parties, or their subcontractors' use of such third-party Intellectual Property shall be subject to the license terms governing such third-party Intellectual Property to the extent LIPA can reasonably ascertain such terms.

(L) LIPA Restricted Uses. LIPA and the LIPA Related Parties shall not register, attempt to register, patent, or assist any third party to register or patent, any of the Service Provider or Subcontractor Pre-Existing Intellectual Property anywhere in the world, or otherwise take any action that may jeopardize the Service Provider's or Subcontractors' proprietary rights or cause LIPA or the LIPA Related Parties to acquire any rights in the Service Provider or Subcontractor Pre-Existing Intellectual Property (including any translations, derivations, modifications, or updates thereof), except the limited use rights specified in this Agreement. LIPA and the LIPA Related Parties shall not remove, change, or obliterate any copyright, confidential, or proprietary notices incorporated in, marked on, or fixed to the Service Provider or Subcontractor Pre-Existing Intellectual Property or any Service Provider or Subcontractor Licensed Intellectual Property.

(M) LIPA Sublicensee Approval. LIPA and LIPA Related Parties shall not sublicense, rent, lease, distribute or otherwise authorize the use of the Service Provider or Subcontractor Pre-Existing Intellectual Property or Service Provider or Subcontractor Licensed Intellectual Property to or by or on behalf of anyone other than LIPA and LIPA Related Parties or their subcontractors.

(N) Return of Intellectual Property. The Service Provider shall return and shall cause Service Provider Related Parties to return LIPA Owned Intellectual Property and

LIPA Licensed Intellectual Property to LIPA at the end of the Term and shall have no rights with respect to LIPA Owned Intellectual Property or LIPA Licensed Intellectual Property thereafter. Except for any Service Provider or Subcontractor Pre-Existing Intellectual Property that is embedded in or otherwise necessary for the Work Product for which LIPA's license shall survive termination of this Agreement, LIPA shall return Service Provider or Subcontractor Pre-Existing Intellectual Property to the Service Provider at the end of the Term and shall have no rights thereafter with respect to Service Provider Pre-Existing Intellectual Property.

(O) Trademark License Grant. Subject to the terms and conditions of this Agreement, LIPA hereby grants to the Service Provider a fully paid-up, royalty-free, non-exclusive, non-transferable, sub-licensable (to the Service Provider Related Parties and Subcontractors), limited license during the Term of this Agreement to use the LIPA Marks to perform its obligations hereunder in accordance with the terms and conditions of the Naming Guidelines and this Agreement. Such license shall be subject to the following:

(1) The LIPA Marks are owned solely and exclusively by LIPA, and all use of the LIPA Marks by the Service Provider, Service Provider Related Parties and any Subcontractor, and all goodwill associated with the LIPA Marks, shall inure to the benefit of LIPA.

(2) The Service Provider shall use all commercially reasonable efforts, and shall cause Service Provider Related Parties and Subcontractors to use all commercially reasonable efforts, to adhere to all quality control standards as established from time to time by LIPA. The Service Provider shall and shall cause the Service Provider Related Parties and Subcontractors to: (a) comply with Applicable Law in performing the services under the LIPA Marks; and (b) not modify the LIPA Marks.

(3) The Service Provider shall, and shall cause the Service Provider Related Parties to, police any sublicensee's use of the LIPA Marks, promptly notify LIPA of any noncompliance, and enforce the terms of the sublicense agreement relating to the LIPA Marks against the sublicensee at the Service Provider's own expense. It is understood and agreed, however, that LIPA shall be a third party beneficiary of all sublicense agreements relating to LIPA Marks, with the power to enforce the terms of this Subsection (O) directly against any sublicensee.

(4) If the Service Provider or any of Service Provider's Related Parties learns of any infringement or unauthorized use of the LIPA Marks, then the Service Provider shall promptly notify LIPA in writing and shall provide commercially reasonable assistance and cooperation as may be requested by LIPA, but at LIPA's sole cost and expense.

SECTION 9.4 PROPRIETARY INFORMATION.

(A) Confidential Information. The Parties hereby acknowledge that they may have a proprietary interest in certain information that may be furnished pursuant to the provisions of this Agreement, including, but not limited to, any non-public Know-How, System Information, and LIPA Personal Information ("Confidential Information"). Subject to the terms of this Agreement (including the permitted disclosures described below), each Party shall

maintain in confidence all Confidential Information provided by the other Party, and shall not disclose such Confidential Information to any third party except to those related parties (as applicable, the LIPA Related Parties and Service Provider Related Parties) and subcontractors as are necessary to the disclosing Party's activities under this Agreement, and strictly on a need-to-know basis. In maintaining confidentiality of another Party's Confidential Information, each Party shall exercise the same degree of care that it exercises with its own confidential information and in no event less than a reasonable degree of care.

(B) Service Provider Requests and LIPA Non-Disclosure. The Service Provider acknowledges that LIPA may be required to disclose information upon request under Applicable Law. The Service Provider shall have the right to request LIPA in writing not to publicly disclose any information which the Service Provider believes to be Confidential Information and not subject to public disclosure under Applicable Law, any such request to be accompanied by an explanation of its reasons for such belief. Any information which is the subject of such a request shall be clearly marked on all pages, shall be bound, and shall be physically separate from all non-proprietary information. At the Service Provider's request, LIPA and its Representatives given access to such information shall execute and comply with the terms of a confidentiality agreement in a mutually acceptable form, subject to Applicable Law.

In the event LIPA receives a request from the public for the disclosure of any information designated as Confidential Information by the Service Provider pursuant to subsection (A) of this Section, LIPA (1) shall use reasonable efforts, consistent with Applicable Law, to provide notice to the Service Provider of the request prior to any disclosure, and (2) shall use reasonable efforts, consistent with Applicable Law, to keep in confidence and not disclose such information unless it is entitled to do so pursuant to the provisions of subsection (B) of this Section. The Service Provider shall indemnify, hold harmless and defend LIPA against all Loss-and-Expense incurred from the withholding from public disclosure of information designated as Confidential Information by the Service Provider or otherwise requested by the Service Provider to be withheld.

(C) Permitted Disclosures. Notwithstanding any confidential or proprietary designation thereof by a Party, a Party may disclose the following: (1) information which is known to that Party without any restriction as to disclosure or use at the time it is furnished, (2) information which is or becomes generally available to the public without breach of any agreement, (3) information which is received from a third party without limitation or restriction on such third party or at the time of disclosure, or (4) following notice to the disclosing Party pursuant to subsection (B) of this Section, information which, in the opinion of counsel, is required to, be or may be disclosed under any Applicable Law, including the New York Freedom of Information Law, an order of a court of competent jurisdiction, or a lawful subpoena.

(D) Customer Information. Notwithstanding anything contained in this Section 9.4 or otherwise in this Agreement to the contrary, the Parties agree that the Service Provider shall not, and shall ensure that the Service Provider Related Parties do not, use or disclose any LIPA Personal Information except as directed by LIPA or as may be required by Applicable Law.

(E) Security. The Service Provider shall comply with and shall cause all Service Provider Related Parties and all Subcontractors to comply with any safety and security policies and procedures of LIPA that LIPA has previously disclosed or made available to the Service Provider in writing and all requirements of Applicable Law, regarding data security, cyber security and information security, including notification of security breaches or attempted breaches, with respect to LIPA Personal Information and the Confidential Information of LIPA or LIPA Related Parties. The Service Provider shall immediately notify, and shall cause all Service Provider Related Parties and Subcontractors to immediately notify, LIPA (if possible, in writing) of any breaches in security or attempted breaches in security or any breach of data security of which it has knowledge, and at LIPA's direction shall perform an analysis of the cause, shall use commercially reasonable efforts to remedy such breach and shall cooperate fully with any civil or criminal authority in any investigation or action relating to such breach or attempted breach.

SECTION 9.5 RELATIONSHIP OF THE PARTIES.

Except as otherwise expressly provided in this Agreement, nothing in this Agreement shall be deemed to constitute either Party a partner, agent or legal representative of the other Party or to create any fiduciary relationship between the Parties.

SECTION 9.6 ASSIGNMENT AND TRANSFER.

This Agreement may be assigned by either Party hereto only with the prior written consent of the other Party, except that (a) without the consent of the Service Provider (1) LIPA may make such assignments, create such security interests in its rights hereunder and pledge such monies receivable hereunder as may be required in connection with issuance of Revenue Bonds; and (2) LIPA may assign its rights, obligations and interests hereunder, or transfer such rights and obligations by operation of law, to any other governmental entity or to a subsidiary of LIPA or the Authority provided that the successor entity gives reasonable assurances to the Service Provider that it will be able to fulfill LIPA's obligations hereunder, and (b) LIPA hereby consents to an assignment of this Agreement by the Service Provider to an Affiliate thereof which is a wholly-owned direct or indirect subsidiary of the Parent Company who assumes in writing all of the Service Provider's obligations hereunder.

SECTION 9.7 INTEREST ON OVERDUE OBLIGATIONS.

All amounts due hereunder, whether as damages, credits, revenue or reimbursements, that are not paid when due shall bear interest at the Default Interest Rate on the amount outstanding from time to time, on the basis of a 365-day year, counting the actual number of days elapsed, and all such interest accrued at any time shall, to the extent permitted by law, be deemed added to the amount due, as accrued. The Parties agree that the Default Interest Rate will apply to payments under this Agreement as specified herein in lieu of any different rate that would otherwise apply generally to late payments by LIPA.

SECTION 9.8 NON-DISCRIMINATION.

The Service Provider shall not discriminate nor permit discrimination by any of its officers, employees, agents and representatives against any person because of age, race, color,

religion, national origin, sex or, with respect to otherwise qualified individuals, disability. The Service Provider will take all actions reasonably necessary to ensure that applicants are employed, and that employees are treated during employment, without regard to their age, race, color, religion, sex, national origin or, with respect to otherwise qualified individuals, disability. Such action shall include, recruitment and recruitment advertising; layoff or termination; upgrading, demotion, transfer, rates of pay or other form of compensation; and selection for training, including apprenticeship. The Service Provider shall impose the non-discrimination provisions of this Section 9.8 by contract on all Subcontractors hired to perform work related to the T&D System and shall take all reasonable actions necessary to enforce such provisions. The Service Provider will post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this Section 9.8.

SECTION 9.9 APPROVAL OF SUBCONTRACTORS.

(A) General. LIPA shall have the right to approve all Subcontractors engaged to perform any work related to the Operations Services which approval shall not be unreasonably withheld or delayed. For contracts where it is anticipated that an aggregate of at least \$250,000 would be paid to a Subcontractor in a Contract Year LIPA shall have the right to approve such Subcontractors which approval shall not be unreasonably withheld or delayed. Prior to the beginning of each Contract Year, the Service Provider shall propose a list of recommended Subcontractors for LIPA's review and approval, which shall specify the proposed categories of potential work under contracts pursuant to which it is anticipated that less than \$250,000 would be paid for such Contract Year. The Service Provider also shall furnish LIPA, along with such list, with all information requested by LIPA to the extent reasonably available to the Service Provider pertaining to the proposed Subcontractors and categories of subcontracts in the following areas: (1) the qualification and experience of the proposed Subcontractors for the services to be performed or for the supplies or equipment to be furnished, (2) any conflicts of interest, (3) any record of felony criminal convictions or pending felony criminal investigations, (4) any final judicial or administrative finding or adjudication of illegal employment discrimination, and (5) any known final judicial or administrative finding or adjudication of non-performance in contracts with LIPA or the State of New York. In its sole discretion, LIPA may approve any proposed Subcontractor for such Contract Year or for a designated shorter period or for a specific subcontract. If a Subcontractor is approved for a Contract Year or shorter period, such Subcontractor shall be deemed to be approved for the specified categories of potential work for the duration of such Contract Year or shorter period unless LIPA otherwise notifies the Service Provider. The approval or withholding thereof by LIPA of any proposed Subcontractor shall not create any liability of LIPA to the Service Provider, such Subcontractor, third parties or otherwise.

(B) Approval of Lockheed Martin. LIPA hereby approves Lockheed Martin Services, Inc. as a Subcontractor of the Service Provider under this Agreement to perform certain Operations Services during the Term as set forth in a subcontract between the parties which shall be substantially in the form of the draft subcontract attached hereto as Exhibit B (the "LM Subcontract"). During the Term, the Service Provider agrees that it shall not terminate or make any material amendment or modification to the LM Subcontract (i) unless it shall first provide LIPA with not less than thirty (30) days prior written notice of such proposed amendment, modification or termination and (ii) if LIPA reasonably objects in writing to such proposed

amendment, modification or termination. Notwithstanding the foregoing, the Service Provider may amend or modify the compensation arrangements as set forth in the LM Subcontract so long as the LM Subcontract continues to provide for meaningful revenue sharing between the parties thereto.

(C) Service Provider Obligations.

(i) The Service Provider shall, subject to appropriate or applicable confidentiality restrictions, provide LIPA not later than ninety (90) days prior to the Service Commencement Date with a list in electronic format of vendor agreements of the Service Provider or Service Provider's Related Parties material to the Service Provider's performance under this Agreement and provide copies of any such agreement upon request if permitted under the terms of such agreement, or if not so permitted, information with respect to such agreement to the extent permitted by the confidentiality terms thereof.

(ii) The Service Provider shall, and shall cause Service Provider's Related Parties to, use commercially reasonable efforts to ensure that all agreements with third parties entered into after the Contract Date which are material to the Service Provider's performance of its obligations hereunder, grant LIPA the right to own or license the goods and services to be provided thereunder. The Service Provider shall also use its commercially reasonable efforts to insure that all material vendor agreements be assignable to LIPA upon expiration or termination of this Agreement, if such provision can be obtained from the applicable party for no additional charge to the Service Provider (or if such charge is reimbursed by LIPA), and provided that upon any such assignment, the Service Provider shall have no further liability obligation or cost with respect to any such agreements (other than for periods prior to such assignment). The Service Provider shall use commercially reasonable efforts to include provisions in any future agreement with a sublicensee requiring such sublicensee to notify the Service Provider and LIPA if the grant of a sublicense to such sublicensee would create a conflict of interest for LIPA or any of LIPA's Related Parties due to the disclosure of LIPA Owned Intellectual Property to the sublicensee. In such event, the Parties shall agree upon a course of action to avoid such conflict of interest. The Service Provider shall further require the sublicensees to be bound by the license terms and related confidentiality restrictions.

SECTION 9.10 AMENDMENTS.

Neither this Agreement nor any provision hereof may be changed, modified, amended or waived except by written agreement duly executed by all Parties. Any such amendment hereto shall not be effective until approved by the Office of State Comptroller and the New York State Attorney General.

SECTION 9.11 NOTICES.

Any notices or communications required or permitted hereunder shall be in writing and shall be sufficiently given if sent by registered or certified mail return receipt requested, postage prepaid, by nationally recognized overnight delivery service, signature required upon signed receipt or by facsimile transmission to the following:

If to Service Provider: PSEG Long Island LLC
80 Park Plaza – T20
Newark, NJ 07102
Attention: President
Facsimile No: 973-643-8349

With copy to: PSEG Services Corporation
80 Park Plaza T-5
Newark, NJ 07102
Attention: General Corporate Counsel
Facsimile No: 973-642-5033

If to LIPA: Long Island Power Authority
333 Earle Ovington Boulevard
Uniondale, New York 11553
Attention: Chief Operating Officer
Facsimile No: 516-719-9818

With copy to: Long Island Power Authority
333 Earle Ovington Boulevard
Uniondale, New York 11553
Attention: General Counsel
Facsimile No: 516-719-9812

Changes in the respective addresses to which such notices may be directed may be made from time to time by any Party by written notice to the other Party. Notices and communications given by mail hereunder shall be deemed to have been given five (5) days after the date of dispatch; all other notices shall be deemed to have been given upon receipt.

SECTION 9.12 ENTIRE AGREEMENT.

This Agreement, together with the appendices, annexes and exhibits attached hereto, constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes any and all prior oral or written agreements, understandings, proposals, representations or warranties relating to this Agreement.

SECTION 9.13 FURTHER ASSURANCES.

Each Party agrees to execute and deliver any instruments and to perform any acts as may be necessary or reasonably requested by the other Party in order to give full effect to this Agreement. LIPA and the Service Provider, in order to carry out this Agreement, each shall use all reasonable efforts to provide such information, execute such further instruments and documents and take such actions as may be reasonably requested by the other and not inconsistent with the provisions of this Agreement and not involving the assumption of obligations or liabilities different from or in excess of or in addition to those expressly provided for herein.

SECTION 9.14 NO WAIVERS.

No exercise of rights or failure to exercise rights by a Party hereunder shall be construed as such Party's acceptance of any performance that is defective, incomplete, or otherwise not in compliance with this Agreement, as a release of the other Party from any obligation under this Agreement, as an estoppel, or as acceptance of any claim by the other Party. No action of LIPA or the Service Provider pursuant to this Agreement (including, any investigation or payment), and no failure to act, shall constitute a waiver by either Party of the other Party's compliance with any term or provision of this Agreement. No course of dealing or delay by LIPA or the Service Provider in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof or otherwise prejudice such Party's rights, powers and remedies. No single or partial exercise of (or failure to exercise) any right, power or remedy of LIPA or the Service Provider under this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

SECTION 9.15 NO THIRD PARTY BENEFICIARIES.

Unless specifically set forth herein, neither Party to this Agreement shall have any obligation to any third party other than Indemnified Parties as a result of this Agreement.

SECTION 9.16 STATE LAW REQUIREMENTS.

The provisions set forth in Appendix 3 relate to requirements imposed upon and/or applicable to LIPA and the Service Provider by New York State law and policies. These provisions are hereby deemed incorporated in this Agreement at this place. To the extent of any conflict between any other provision of this Agreement and Appendix 3, Appendix 3 shall control. The Service Provider shall comply with such terms and conditions during the Term.

ARTICLE 10

REPRESENTATIONS AND WARRANTIES

SECTION 10.1 REPRESENTATIONS AND WARRANTIES OF LIPA.

LIPA represents and warrants to the Service Provider that:

(A) Existence and Power. LIPA is a corporation duly organized and validly existing under the laws of the State of New York and a wholly-owned subsidiary of the Authority. On and after the Effective Date, LIPA will have full legal right, power and authority to enter into and perform its obligations under this Agreement.

(B) Due Authorization and Binding Obligation. LIPA has duly authorized the execution and delivery of this Agreement. This Agreement has been duly executed and delivered by LIPA and on and after the Effective Date, will constitute a legal, valid and binding obligation of LIPA, enforceable against LIPA in accordance with its terms except insofar as such enforcement may be affected by bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally.

(C) No Conflict. Neither the execution nor the delivery by LIPA of this Agreement nor the performance by LIPA of its obligations hereunder nor the consummation by LIPA of the transactions contemplated hereby (1) as of the date hereof, conflicts with, violates or results in a breach of any law or governmental regulation applicable to LIPA or as of the Effective Date will conflict with, violate or result in a breach thereof, or (2) as of the date hereof conflicts with, violates or results in a breach of any term or condition of LIPA's certificate of incorporation or by-laws or of any judgment, decree or material contract, agreement or instrument (including, without limitation, LIPA's organizational documents) to which LIPA is a party or by which LIPA or any of its properties or assets are bound, or constitutes a default under any such judgment, decree or material contract, agreement or instrument.

(D) No Litigation. As of the date hereof, there is no action, suit or other proceeding, at law or in equity, before or by any court or Governmental Body pending against LIPA or the Authority or to LIPA's knowledge, threatened against LIPA or the Authority, which if adversely determined to LIPA or the Authority would materially and adversely affect the validity or enforceability of this Agreement, or which would materially and adversely affect the performance by LIPA or the Authority of its obligations hereunder.

(E) No Legal Prohibition. There is no Applicable Law in effect on the date hereof which would prohibit the execution, delivery or performance by LIPA of this Agreement and the transactions contemplated hereby.

(F) No Consent. No consent or authorization of, filing with, notice to, or other act by or in respect of any Governmental Body or any other Person is required in connection with the execution and delivery by LIPA or, as of the date hereof the performance by LIPA of its obligations hereunder except for (i) approval of the New York State Attorney General and (ii) approval of the New York State Comptroller.

(G) Intellectual Property. LIPA and the LIPA's Related Parties have good title to all LIPA Marks and LIPA Owned Intellectual Property provided by, or on behalf of LIPA, or LIPA's Related Parties, or all rights necessary to grant to the Service Provider and the Service Provider's Related Parties the licenses and other rights as provided herein and to perform their obligations hereunder.

SECTION 10.2 REPRESENTATIONS AND WARRANTIES OF SERVICE PROVIDER.

The Service Provider hereby represents and warrants to LIPA that:

(A) Existence and Power. The Service Provider is duly organized and validly existing as a limited liability company under the laws of the State of New York, with full legal right, power and authority to enter into and perform its obligations under this Agreement.

(B) Due Authorization and Binding Obligation. The Service Provider has duly authorized the execution and delivery of this Agreement. This Agreement has been duly executed and delivered by the Service Provider and constitutes the legal, valid and binding obligation of the Service Provider, enforceable against the Service Provider in accordance with

its terms except insofar as such enforcement may be affected by bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally.

(C) No Conflict. Neither the execution nor the delivery by the Service Provider of this Agreement nor the performance by the Service Provider of its obligations hereunder (1) as of the date hereof conflicts with, violates or results in a breach of any law or governmental regulation applicable to the Service Provider or as of the Effective Date will conflict with, violate or result in a breach thereof, (2) as of the date hereof conflicts with, violates or results in a breach of any term or condition of the Service Provider's organizational documents or of any judgment, decree or material contract, agreement or instrument to which the Service Provider is a party or by which the Service Provider or any of its properties or assets are bound, or constitutes a default under any such judgment, decree, material contract, agreement or instrument or (3) will result in the creation or imposition of any Encumbrance of any nature whatsoever upon any of the properties or assets of the Service Provider.

(D) No Litigation. As of the date hereof, there is no action, suit or other proceeding, at law or in equity, before or by any court or Governmental Body, pending or, to the Service Provider's knowledge, threatened against the Service Provider which, if determined adversely to the Service Provider, would materially and adversely affect the validity or enforceability of this Agreement, or which would materially and adversely affect the performance by the Service Provider of its obligations hereunder.

(E) No Legal Prohibition. There is no Applicable Law in effect on the date hereof which would prohibit the execution, delivery or performance by the Service Provider of this Agreement and the transactions contemplated hereby.

(F) No Consent. No consent or authorization of, filing with, notice to, or other act by or in respect of any Governmental Body or any other Person is required in connection with the execution and delivery by the Service Provider or, as of the date hereof, the performance by the Service Provider of its obligations hereunder.

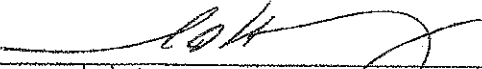
(G) Intellectual Property. The Service Provider and the Service Provider Related Parties own the entire right, title and interest to, or possess or otherwise have all necessary rights in and to all Service Provider Pre-Existing Intellectual Property and Service Provider Licensed Intellectual Property and all rights necessary to grant to LIPA and LIPA Related Parties the licenses and other rights as provided herein and to perform their obligations hereunder. The Service Provider Pre-Existing Intellectual Property and any Work Product is not and will not be subject to any agreements containing any covenant or other provision that in any way limits or restricts the ability of LIPA or any LIPA Related Parties to use or exploit any Service Provider Pre-Existing Intellectual Property or the Work Product anywhere in the world for use in connection with providing the Operations Services hereunder. Except as scheduled on Annex I (Third Party Infringements), as of the Effective Date, to the Service Provider's knowledge, no third party has infringed, misappropriated, diluted or otherwise violated, or is infringing, misappropriating, diluting or otherwise violating, any Service Provider Pre-Existing Intellectual Property or the Work Product. None of the Service Provider Pre-Existing Intellectual Property, the Work Product, or the provision of Operation Services shall infringe, misappropriate, dilute, or otherwise violate any Intellectual Property rights of any third party.

Except as set forth on Annex II (Open Source Software), as of the Service Commencement Date, no Open Source Software (i) forms part of any Service Provider Pre-Existing Intellectual Property or Work Product; (ii) was, or is, used in connection with the operation of any Service Provider Pre-Existing Intellectual Property or Work Product; or (iii) was, or is, incorporated or distributed, in whole or in part, in conjunction with any Service Provider Pre-Existing Intellectual Property or Work Product.

(H) T&D System Familiarity. As of the Service Commencement Date: (1) the Service Provider will be sufficiently familiar with, and will continue throughout the Term to remain sufficiently familiar with, the entire T&D System in order to perform the Operations Services hereunder in accordance with the Contract Standards; and (2) the Service Provider will be familiar with local conditions which may be material to the Service Provider's performance of its obligations under this Agreement.

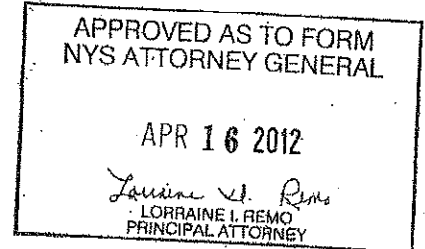
IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their duly authorized officers or representatives as of the date first above written.

LONG ISLAND LIGHTING COMPANY d/b/a LIPA

By 
Name: Michael Hervey
Title: Chief operating officer

PSEG LONG ISLAND LLC

By _____
Name:
Title:

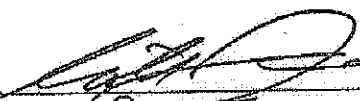


IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their duly authorized officers or representatives as of the date first above written.

LONG ISLAND LIGHTING COMPANY d/b/a LIPA


By _____
Name:
Title:

PSEG LONG ISLAND LLC

By  _____
Name: *Scott Jennings*
Title: *President*

STATE OF New Jersey)
) ss:
COUNTY OF Essex)

On this 28th day of December, 2011 before me personally appeared Scott S. Jennings, to me known, who, being by me duly sworn did depose and say that he resides at 80 Park Plaza, Newark, New Jersey; that he is the President of PSEG Long Island LLC, the Corporation described in the foregoing instrument and has the authority to execute the instrument on the Corporation's behalf.


NOTARY PUBLIC
Robert L. Giblin
Attorney at Law of the
State of NJ

DEFINITIONS

“Act” means the Long Island Power Authority Act, N.Y. Pub. Auth. Law §1020 et seq.

“Affiliate” means any person, corporation or other entity directly or indirectly controlling or controlled by another person, corporation or other entity or under direct or indirect common control with such person, corporation or other entity. A person shall be deemed to control another person if the first person possesses, directly or indirectly, the power to direct, or to cause the direction of, the management and policies of such other person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Law” means any law, rule, regulation, condition or requirement, guideline, ruling, ordinance or order of, or any Legal Entitlement issued by, any Governmental Body and applicable from time to time to the performance of the obligations of the Parties hereunder.

“ARRA” means the American Relief and Recovery Act of 2009.

“Authority” means Long Island Power Authority, a corporate municipal instrumentality of the State of New York and a body corporate and politic and a political subdivision of the State of New York.

“Back-End Transition Plan” has the meaning described in the Contract Administration Manual.

“Back-End Transition Services” means services provided under this Agreement to complete the Back-End Transition Plan, including but not limited to those services listed in Section 8.2(A).

“Benefit Plan Expense” means for any Contract Year, ServCo’s costs of creating, maintaining, administering and funding the ServCo Benefit Plans, specifically including, but not limited to, ServCo contributions during the year to ServCo “Thrift Plans,” ServCo payments during the year relating to welfare plan expenses such as the employer’s share of insurance premiums and payments of self-insured benefits to the extent not covered by employee contributions, amounts contributed during the year to ServCo Pension Plans, after consulting with LIPA, which shall not be less than the minimum required contributions, determined in accordance with section 430 of the Code; provided that ServCo will be required to fund over the minimum contribution amount to the extent necessary to avoid any plan being in “at risk” status (at least 80% funded), non-qualified deferred compensation plan payments made during the year, payments during the year relating to severance benefits, and amounts paid during the year with respect to post-retirement health and life insurance benefits, including amounts contributed, after consulting with LIPA, to a trust or trusts qualified under section 501(c)(9) of the Code. Benefit Plan Expenses, with respect to a Contract Year, shall be calculated by taking into account the net effects, if any, of any income, deductions or credits recognized by ServCo, Service Provider or any Affiliate in such year for purposes of any federal, state or local income tax, and any other

surcharges, reimbursements, subsidies or similar amounts paid or received in accordance with Applicable Law, by ServCo, Service Provider or any Affiliate in such year, in respect of Benefit Plan Expenses and/or the treatment of such Benefit Plan Expenses as Pass Through Expenses hereunder.

“Bond Resolution” means the bond resolutions adopted by the Authority, pursuant to which the Authority issued the Revenue Bonds or other indebtedness described therein to finance certain costs of the T&D System and other purposes of the Authority.

“Business Days” means any day other than a Saturday, Sunday or a day on which banks in New York, New York are authorized or obligated by law or executive order to close.

“Capital Improvement” means any repair, replacement, improvement, removal and retirement, alteration and addition which constitutes a capital property unit in accordance with LIPA’s capitalization policy, consistently applied (other than any repair, replacement, improvement, removal and retirement, alteration and addition constituting repair or maintenance of the T&D System) contained in the approved Capital Budget, including all Public Works Improvements that have an expected useful service life of more than one year from the date of installation.

“Capital Budget” means the required annual, two year and five year Capital Budget concerning planned Capital Improvement projects approved by LIPA as the same may be amended or adjusted from time to time by LIPA in accordance with the terms and conditions of this Agreement.

“CERCLA” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

“Change in Law” means any of the following events or conditions having, or which may reasonably be expected to have, a material and adverse effect on the performance by the Parties of their respective obligations under this Agreement (other than payment obligations), or on the operation or maintenance of the T&D System:

(1) the adoption, promulgation, issuance, modification or written change in administrative or judicial interpretation on or after the Contract Date of Applicable Law, unless such Applicable Law was on or prior to the Contract Date duly adopted, promulgated, issued or otherwise officially modified or changed in interpretation, in each case in final form, to become effective without any further action by any Governmental Body or governmental official having jurisdiction;

(2) the order or judgment of any Governmental Body, issued on or after the Contract Date, to the extent such order or judgment is not the result of willful misconduct or negligent action or omission or lack of reasonable diligence of the Service Provider or of LIPA, whichever is asserting the occurrence of a Change in Law; provided, however, that the contesting in good faith or the failure in good faith to contest any such order or judgment shall not constitute or be construed as such a willful misconduct or negligent action or omission or lack of reasonable diligence; or

(3) the denial of an application for, delay in the review, issuance or renewal of, or suspension, termination, interruption, imposition of a new condition in connection with the issuance, renewal or failure of issuance or renewal on or after the Contract Date of any Legal Entitlement to the extent that such denial, delay, suspension, termination, interruption, imposition or failure interferes with the performance of this Agreement, and to the extent that such denial, delay, suspension, termination, interruption, imposition or failure is not the result of willful misconduct or negligent action or omission or a lack of reasonable diligence of the Service Provider or of LIPA, whichever is asserting the occurrence of a Change in Law; provided, however, that the contesting in good faith or the failure in good faith to contest any such denial, delay, suspension, termination, interruption, imposition or failure shall not be construed as such a willful misconduct or negligent action or omission or lack of reasonable diligence.

A “Change in Law” shall not include a change in any tax or similar law regarding taxes or similar charges not chargeable to or reimbursable by LIPA under Article 5: Compensation and Budgets hereof.

“Change of Control” means (i) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “1934 Act”)) of 50% or more of the outstanding shares of securities or membership interests the holders of which are generally entitled to vote for the election of directors of the Service Provider, the Guarantor or the Parent Company, as the case may be (including securities convertible into, or exchangeable for, such securities or rights to acquire such securities or securities convertible into, or exchangeable for such securities, “Voting Stock”), on a fully diluted basis, by any Person or group of Persons (within the meaning of Section 13 or 14 of the 1934 Act), other than, with respect to the Service Provider, by an Affiliate of the Service Provider which is a direct or indirect subsidiary of the Parent Company; (ii) any sale, transfer or other disposition of beneficial ownership of 50% or more of the outstanding shares of Voting Stock, on a fully diluted basis, of the Service Provider, the Guarantor or the Parent Company, as the case may be, other than, with respect to the Service Provider, to an Affiliate of the Service Provider which is a direct or indirect subsidiary of the Parent Company; (iii) any sale, lease, assignment, transfer or other disposition of the beneficial ownership in 50% or more of the property, business or assets of Service Provider, the Guarantor or the Parent Company, as the case may be, other than, with respect to the Service Provider, to an Affiliate of the Service Provider which is a direct or indirect subsidiary of the Parent Company; (iv) a Person other than the current shareholders or members of Service Provider, the Guarantor or the Parent Company, as the case may be, obtains, directly or indirectly, the power to direct or to cause the direction of the management or policies of the Service Provider, the Guarantor or the Parent Company, as the case may be, whether through the ownership of capital stock, by contract or otherwise; (v) during any period of twelve (12) consecutive calendar months, when individuals who were directors or members of Service Provider, the Guarantor or the Parent Company, as the case may be, on the first day of such period cease to constitute a majority of the board of directors of the Service Provider, the Guarantor or the Parent Company, as the case may be; or (vi) any liquidation, dissolution or winding up of the Service Provider, the Guarantor or the Parent Company, as the case may be.

“Code” means the Internal Revenue Code of 1986, as amended.

“Compensation” means the amounts payable to the Service Provider for provision of Operations Services hereunder as provided in Article 5 hereof.

“Contract Administration Manual” means the manual provided by the Service Provider that sets forth documentation, reporting and other procedures for all aspects of the administration of this Agreement, including but not limited to, the JOC operation and procedures, measurement and reporting of administrative information as required by this Agreement, protocols and similar matters, substantially consistent with Appendix 4 to this Agreement.

“Contract Date” means the date of delivery of this Agreement as executed by the Parties hereto.

“Contract Standards” means the terms, conditions, requirements, methods, techniques, standards and practices of (1) Applicable Law, (2) the System Policies and Procedures, (3) the substantive requirements and standards and guidelines established by the NYSPSC from time to time that apply to the operation and maintenance of the electric transmission and distribution systems, except to the extent LIPA directs the Service Provider not to follow any such requirement, standard or guideline, (4) Prudent Utility Practice, (5) the Operations Manual, (6) applicable equipment manufacturer’s specifications and reasonable recommendations, (7) applicable insurance requirements under any insurance procured pursuant to this Agreement, (8) applicable provisions of LIPA’s or the Authority’s financing agreements relating to the tax exemption of the Authority’s or LIPA’s bonds under the Code, as in effect from time to time, copies of which shall be furnished by LIPA to the Service Provider, and (9) any other term, condition or requirement specifically provided in this Agreement to be observed by the Service Provider.

“Contract Year” means the period from January 1 through December 31 for each year during the Term; provided, however, that the initial Contract Year shall commence on the Service Commencement Date. Any computation made on the basis of a Contract Year shall be adjusted on a pro rata basis to take into account any Contract Year of less than 365/366 days.

“Credit Support” means (a) an irrevocable, unconditional guaranty in substantially the form attached hereto as Exhibit A from a qualified guarantor having at all times during the Term (i) tangible net assets of not less than \$500 Million and (ii) not less than the following credit rating from two of the three specified rating agencies: BBB from Standard & Poor’s and from Fitch Ratings and Baa2 from Moody’s Investors Services, and (b) in the event that the Guarantor no longer satisfies the creditworthiness standards set forth in (i) and (ii) above, a Letter of Credit.

“Credit Support Amount” has the meaning set forth in Section 6.1(B) hereof.

“Credit Support Notice” has the meaning set forth in Section 6.1(B) hereof.

“Credit Support Provider” means the Guarantor and any Letter of Credit Provider.

“Customer Database” has the meaning set forth in Section 4.12 hereof.

“Default Interest Rate” means the rate established from time to time as the “overpayment rate” pursuant to Subsection (e) of Section 1096 of the New York State Tax Law by the New York State Commission of Taxation and Finance, as applicable to LIPA under Section 2880(7)(c) of the New York State Public Authorities Law and the related guidelines adopted by LIPA.

“Disposal Facility” means either a sanitary Hazardous Waste landfill or other Hazardous Waste disposal or management facility, selected by the Service Provider which (1) is operated in accordance with prudent industry practices (as applicable to Hazardous Waste disposal facilities) and the applicable Contract Standards and (2) is being operated at the time of disposal or delivery in accordance with Applicable Law as evidenced by the absence of any regulatory sanctions, notices of violations or other significant enforcement actions with respect to material environmental matters.

“Effective Date” has the meaning set forth in Section 2.2(A) of this Agreement.

“Electric Resource Plan” means LIPA's Electric Resource Plan for the Service Area as published from time to time.

“Encumbrances” means any Lien, lease, mortgage, security interest, charge, judgment, assessment, judicial award or encumbrance whether created by operation of law or otherwise (other than those associated with any retainage holdback on construction materials, supplies and equipment).

“Energy Efficiency Budget” means the annual budget of Pass-Through Expenditures related to Energy Efficiency Programs.

“Energy Efficiency Programs” means the LIPA customer energy efficiency programs and customer-sited renewable energy programs, as well as any other customer incentive programs that are intended to promote (i) customer adoption of energy and/or capacity saving measures; and/or (ii) customer-sited green and/or alternative generation or storage technologies.

“Excess Expenditures” has the meaning set forth in Section 5.4(A) hereof.

“Expedited Dispute Matters” has the meaning set forth in Section 7.6(I) of this Agreement.

“Fees-And-Costs” means reasonable fees and expenses of employees, attorneys, architects, engineers, accountants, expert witnesses, contractors, consultants and other persons, and costs of transcripts, printing of briefs and records on appeal, copying and other reimbursed expenses, and expenses of any Legal Proceeding.

“FERC” means the Federal Energy Regulatory Commission.

“FMLA” has the meaning set forth in Section 4.5(C) hereof.

“Force Majeure” means any act, event or condition, whether affecting the T&D System, the System Power Supply, LIPA, the Service Provider, or any of LIPA’s subcontractors or the

Service Provider's Subcontractors to the extent that it materially and adversely affects the ability of either Party to perform any obligation under the Transition Services Agreement or this Agreement (except for payment obligations), as the case may be, if such act, event or condition is beyond the reasonable control and is not also the result of the misconduct or negligent action or omission or failure to exercise reasonable diligence on the part of the Party relying thereon as justification for not performing an obligation or complying with any condition required of such Party under the Transition Services Agreement or this Agreement, as the case may be; provided, however, that the contesting in good faith or the failure in good faith to contest such action or inaction shall not be construed as willful or negligent action or a lack of reasonable diligence of either Party.

(A) Inclusions. Subject to the foregoing, a Force Majeure may, but not necessarily will, include and shall not be limited to, the following acts, events or conditions:

(1) an act of God (but not including reasonably anticipated weather conditions for the geographic area of the T&D System, other than major storms and extreme weather events that constitute Storm Events), landslide, lightning, earthquake, fire, explosion, flood, sabotage or similar occurrence, computer sabotage or virus, acts of a public enemy or terrorist events, extortion, war, blockade or insurrection, riot or civil disturbance;

(2) a Change in Law;

(3) the failure of any appropriate Governmental Body or private utility having operational jurisdiction in the area in which the T&D System is located, to provide and maintain Non-Electric Utilities to any facility comprising part of the T&D System which are required for the performance of this Agreement and which failure directly results in a delay or curtailment of the performance of any of the services provided by the Service Provider under this Agreement;

(4) any failure of title to any portion of the T&D System Site or any enforcement of any Encumbrance on the T&D System Site or on any improvements thereon not consented to in writing by, or arising out of any action or agreement entered into by, the Party adversely affected thereby;

(5) the preemption of materials or services by a Governmental Body in connection with a public emergency or any condemnation or other taking by eminent domain of any portion of the T&D System;

(6) the presence of archeological finds, endangered species, Hazardous Waste or Hazardous Substances at the T&D System Site, except to the extent the Service Provider knew or should have known of such presence; and

(7) the failure to obtain cooperation from NGES (including reasonable access to relevant facilities, books, records, reports and personnel) necessary in order to enable the Service Provider to perform the Front End Transition Services during the Transition Period.

(B) Exclusions. It is specifically understood that none of the following acts, events or conditions shall constitute a Force Majeure:

- (1) general economic conditions, interest or inflation rates, or currency fluctuations, changes in LIPA's rates or exchange rates;
- (2) the financial condition of LIPA, the Service Provider, the Credit Support Provider, any of their Affiliates or any Subcontractor;
- (3) the consequences of error, neglect or omissions by the Service Provider, any Subcontractor, any of their Affiliates or any other person in the performance of any work hereunder;
- (4) any increase for any reason in premiums charged by the Service Provider's insurers or the insurance markets generally for the required insurance;
- (5) the failure of the Service Provider to secure Patents or licenses in connection with the technology necessary to perform its obligations under this Agreement;
- (6) equipment malfunction or failure (unless caused by an event that would otherwise constitute a Force Majeure);
- (7) union work rules, requirements or demands which have the effect of increasing the number of employees employed at the T&D System, reducing the operating flexibility of the Service Provider or otherwise increase the cost to the Service Provider of operating and maintaining the T&D System;
- (8) any impact of prevailing wage laws on the Service Provider's operation and maintenance costs with respect to wages and benefits;
- (9) the failure of any Subcontractor or supplier to furnish labor, materials, services or equipment for any reason (unless caused by an event that would otherwise constitute a Force Majeure); or
- (10) strikes, work stoppages or other labor disputes or disturbances with respect to the Service Provider's workforce.

"Front End Transition Plan" means those services to be provided by the Service Provider pursuant to the Transition Services Agreement.

"GAAP" means generally accepted accounting principles, as in effect in the United States of America from time to time applied on a consistent basis.

"GASB" means the Governmental Accounting Standards Board.

"General Workforce" means management, professional, and union personnel employed by ServCo (excluding Senior Management even if employed by ServCo).

“Governmental Body” means any federal, State or local legislative, executive, judicial or other governmental board, agency, authority, commission, administration, court or other body (including independent system operators, RTOs and FERC-designated Electric Reliability Organizations such as NERC) other than LIPA or the Authority, or any official thereof having jurisdiction with respect to any matter which is a subject of this Agreement.

“Guarantor” means PSEG Power LLC, and any subsequent guarantor named by the Service Provider who satisfies the creditworthiness standards for a Guarantor set forth in Appendix 2 hereto.

“Guaranty Agreement” or “Guaranty” means the document attached hereto as Exhibit A.

“Hazardous Waste” means any waste which by reason of its composition or characteristics is defined or regulated as a hazardous waste, toxic substance, hazardous chemical substance or mixture, or asbestos under Applicable Law, as amended from time to time, including, but not limited to, “Hazardous Substances” as defined in CERCLA and the regulations promulgated thereunder.

“IBEW CBA(s)” has the meaning set forth in Section 4.5(C) hereof.

“Incentive Compensation” has the meaning set forth in Section 5.1(C) hereof.

“Intellectual Property” means all (a) patents (including utility and design patents), patent applications, PCT filings, patent disclosures and all related extensions, continuations, continuations-in-part, divisions, reissues, and reexaminations, utility models, certificates of invention and design patents, and all extensions thereto (“Patents”), (b) trademarks, service marks, trade dress, brand names, certification marks, logos, slogans, rights in designs, industrial designs, corporate names, trade names, business names, geographic indications and other designations of source, origin, sponsorship, endorsement or certification, together with the goodwill associated with any of the foregoing, in each case whether registered or unregistered, and all applications and registrations therefor, including the trademarks listed in Appendix 7 (“Trademarks”), (c) domain names, URLs and any other addresses for use on the Internet or any other computer network or communication system, (d) copyrights and registrations and applications therefor, together with all renewals, extensions, translations, adaptations, derivations and combinations therefor, works of authorship, publications, documentation, website content, rights in fonts and typefaces, and database rights (“Copyright Rights”), (e) rights of publicity, rights of privacy, royal warrants and moral rights, (f) know-how, trade secrets, confidential and proprietary information, concepts, ideas, knowledge, rights in research and development, financial, marketing and business data, pricing and cost information, plans (including business and marketing plans), algorithms, formulae, inventions, processes, techniques, technical data, designs, drawings (including engineering and auto-cad drawings), specifications, databases, blue prints, and customer and supplier lists and information, in each case whether or not known to the public, whether patentable or not and whether or not reduced to practice (“Know-How”), (g) computer programs, proprietary software, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code, operating systems, design documents, website code and specifications, flow-charts, user manuals and

training materials relating thereto and any translations thereof (“Software”), (h) other intellectual property or similar corresponding or equivalent right to any of the foregoing or other proprietary or contract right relating to any of the foregoing (including remedies against infringements thereof and rights of protection of interest therein under the laws of all jurisdictions), and (i) copies and tangible embodiments thereof, in each case whether or not the same are in existence as of the date of this Agreement or developed after such date and in any jurisdiction throughout the world.

“**IRS Ruling**” has the meaning set forth in Section 2.2 of this Agreement.

“**ISO-NE**” means ISO New England, Inc.

“**JOC**” means the Joint Operating Committee formed pursuant to Section 4.6 of this Agreement.

“**Legal Entitlement**” means any permit, license, approval, authorization, consent and entitlement of whatever kind and however described which is required under Applicable Law to be obtained or maintained by any person with respect to the performance of any obligation under this Agreement.

“**Legal Proceeding**” means every action, suit, litigation, arbitration, administrative proceeding, and other legal or equitable proceeding having a bearing upon this Agreement.

“**Letter of Credit**” means an irrevocable standby bank letter of credit reasonably acceptable to LIPA in the amount of [Sixty] Million Dollars (\$[60,000,000]) issued by a Letter of Credit Provider.

“**Letter of Credit Provider**” means any letter of credit provider named by the Service Provider who satisfies the creditworthiness standards for a Letter of Credit Provider set forth in Appendix 2 hereto.

“**Lien**” means any and every lien against the T&D System, the T&D System Site, the Operations Services or against any monies due or to become due from LIPA to the Service Provider under this Agreement, for or on account of the Operations Services.

“**LIPA Fault**” means any breach, failure of compliance, or nonperformance by LIPA with its obligations hereunder or any negligence or willful misconduct by LIPA under this Agreement or the Transition Services Agreement, as the case may be, (whether or not attributable to any officer, trustee, member, agent, employee, representative, contractor, subcontractor of any tier, or independent contractor of LIPA other than the Service Provider and its Subcontractors) that materially and adversely affects the Service Provider’s performance or the Service Provider’s rights or obligations under this Agreement or the Transition Services Agreement, as the case may be.

“**LIPA Indemnified Parties**” has the meaning set forth in Section 9.2(A)(1) of this Agreement.

“LIPA Licensed Intellectual Property” means any Intellectual Property licensed by LIPA from a third party not a party to this Agreement.

“LIPA Marks” means LIPA Trademarks listed in Appendix 7 attached hereto, as may be revised by LIPA from time to time.

“LIPA Owned Intellectual Property” means any Work Product and LIPA Pre-Existing Intellectual Property.

“LIPA Personal Information” means any and all personally identifiable information, in any form, provided by or to the Service Provider, Service Provider Related Parties, or Subcontractors, that alone, or in combination with other information uniquely identifies a current, former or prospective director, trustee, officer, employee, supplier, retiree of LIPA, LIPA Related Party, or the Authority or a LIPA customer (e.g., names, addresses, telephone numbers, other information in the Customer Database, or any other personally identifiable information as otherwise defined under Applicable Law) including (i) copies of such information or materials to the extent containing such information and (ii) such information LIPA notifies the Service Provider in advance in writing is subject to a duty of confidence or secrecy that LIPA owes to LIPA’s customers or pursuant to contracts of LIPA or LIPA Related Parties [excluding Service Provider Pre-Existing Intellectual Property?].

“LIPA Related Parties” means LIPA, its Affiliates and any of their respective employees, directors, trustees and officers.

“Loss-and-Expense” means any and all losses, liabilities, obligations, damages, delays, fines, penalties, judgments, deposits, costs, claims, demands, charges, assessments, taxes, or expenses, including all Fees-And-Costs.

“MSA” means that certain Amended and Restated Management Services Agreement, dated as of January 1, 2006, as amended, between LIPA and National Grid Electric Services LLC pursuant to which NGES is, among other things, providing operation and maintenance services for LIPA’s T&D System.

“Municipalization” has the meaning set forth in Section 7.4(B) of this Agreement.

“Naming Guidelines” means the guidelines specified in Appendix 6 to this Agreement.

“NERC” means the North American Electric Reliability Corporation.

“NGES” means National Grid Electric Services LLC.

“Nine Mile Point 2” or “NMP2” means LIPA’s 18 percent ownership interest in Unit No. 2 of the Nine Mile Point Nuclear Power Generating Station located in Scriba, New York and operated pursuant to a joint operating agreement by Nine Mile Point Nuclear Station LLC.

“NPCC” means Northeast Power Coordinating Council.

“NYISO” means the New York Independent System Operator, Inc.

“NYSPSC” means the Public Service Commission of the State of New York.

“New Employees” has the meaning set forth in Section 4.5(C) hereof.

“Non Union Employees” has the meaning set forth in Section 4.5(C) hereof.

“Open Source Software” means any Software that contains, or is derived in any manner (in whole or in part) from, any software that is distributed as free software, open source software or similar licensing or distribution models, including software licensed or distributed under any licenses or distribution models similar to GNU’s General Public License or Lesser/Library General Public License or any other open source license listed by the Open Source Initiative at <http://www.opensource.org/licenses/alphabetical>

“Operating Assets” means the T&D System and all of the assets of LIPA and the Service Provider used in the operation and maintenance of the T&D System and the performance of the Service Provider’s obligations under this Agreement.

“Operating Budget” means the annual budget of Pass-Through Expenditures, exclusive of (i) costs of Capital Improvements, (ii) costs related to Storm Events, and (iii) costs related to Energy Efficiency Programs required to perform the Operations Services approved by LIPA as the same may be amended or adjusted from time to time by LIPA in accordance with the terms and conditions of this Agreement.

“Operation Period” means the period commencing on the Effective Date and ending on the date this Agreement expires in accordance with its terms, or if earlier, on the Termination Date.

“Operations Manual” means the manual provided by the Service Provider which contains provisions consistent with the terms and provisions of this Agreement, provides for the operation and maintenance of the T&D System and the training of employees in accordance with the Contract Standards, and is otherwise sufficiently detailed to permit the T&D System to be operated and maintained by a third party, reasonably experienced in electricity transmission and distribution operations.

“Operations Services” means services provided under this Agreement for the operation, maintenance, repair and expansion of the T&D System, including all services listed in Sections 4.2(A) and 4.8 through 4.18, customer care and related services, and the management of LIPA’s ownership interest in NMP2.

“Parent Company” means PSEG Holdings, L.L.C., as holder of not less than a majority of the outstanding membership interests of the Service Provider, and any successor thereto permitted pursuant to the terms of this Agreement.

“Performance Metrics” has the meaning set forth in Section 4.3 hereof.

“Person” or **“Persons”** means words importing persons include firms, companies, associations, general partnerships, limited partnerships, limited liability companies, trusts,

business trusts, corporations and other legal entities, including public bodies, as well as individuals.

“PJM” means PJM Interconnection LLC.

“Power and Energy” means the electrical energy, capacity and ancillary services available from the System Power Supply.

“Privatization” has the meaning set forth in Section 7.4(B) of this Agreement.

“Prudent Utility Practice” at a particular time means any of the practices, methods, and acts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto), which, in the exercise of reasonable judgment in light of the facts and the characteristics of the T&D System and System Power Supply known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition and good customer relations. Prudent Utility Practice is not intended to be limited to the optimum or minimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

“Public Works Improvements” means Capital Improvements performed as a result of requirements or requests of a Governmental Body.

“Representatives” means with respect to a Party, such Party’s officers, directors, trustees, employees, agents, attorneys, accountants and other consultants and advisers, employees and agents.

“Required Operating Period Insurance” has the meaning set forth in Section 4.10(A) of this Agreement.

“Required Service Provider Insurance” has the meaning set forth in Section 4.10(B) of this Agreement.

“Revenue Bonds” means any bonds, notes or other obligations issued or secured under the Bond Resolution.

“RFP” has the meaning set forth in the Recitals.

“RTO” means any transmission operator or organization which is approved by the FERC pursuant to applicable FERC orders, which may administer associated wholesale capacity and energy markets in New York, New England, New Jersey or Pennsylvania.

“Ruling Request” has the meaning set forth in Section 2.2(B) of this Agreement.

“SAIDI” means System Average Interruption Duration Index.

“Senior Management” means the senior management level personnel employed by the Service Provider responsible for and dedicated to ServCo.

“Service Area” means the counties of Suffolk and Nassau and that portion of the County of Queens constituting the Authority’s franchise area as of the effective date of the Act. “Service Area” does not include the Villages of Freeport, Greenport and Rockville Centre.

“Service Provider” has the meaning set forth in the first paragraph of this Agreement.

“Service Provider Indemnified Parties” has the meaning set forth in Section 9.2(B)(1) of this Agreement’.

“Service Provider Licensed Intellectual Property” means any Intellectual Property licensed by the Service Provider from a third party not a party to this Agreement.

“Service Provider Related Parties” means the Service Provider, ServCo, their Affiliates and any of their respective employees, directors and officers.

“ServCo” has the meaning set forth in Section 4.5(A) hereof.

“ServCo Employees” has the meaning set forth in Section 4.5(C) hereof.

“Storm Event” has the meaning assigned thereto in Appendix 9 of this Agreement.

“Storm Reserve” has the meaning assigned thereto in Appendix 9 of this Agreement.

“Subcontractor” means every person (other than employees of the Service Provider) employed or engaged by the Service Provider or any person directly or indirectly in privity with the Service Provider (including every sub-subcontractor of whatever tier) for any portion of the Operations Services, whether for the furnishing of labor, materials, supplies, equipment, services, or otherwise.

“System Information” has the meaning set forth in Section 4.12 hereof.

“System Policies and Procedures” means the system policies and procedures adopted from time to time by LIPA in accordance with Prudent Utility Practices and provided in writing to the Service Provider.

“System Power Supply” means electric capacity, energy and ancillary services from all power supply sources owned by or under contract to LIPA, LIPA’s rights and interests with respect to the Nine Mile Point 2, and LIPA’s interest in any future generating facilities, spot market capacity, energy and ancillary services purchases made by or on behalf of LIPA, and any load control programs or measures adopted by LIPA.

“T&D System” means LIPA’s transmission and distribution systems and related facilities in which LIPA has an ownership or leasehold interest including NMP2 and other assets and systems related to the provision of all customer service functions to LIPA’s retail and wholesale electric customers, and related matters.

“T&D System Site” means the real property and interests therein upon which the components of the T&D System are and will be located.

“Term” has the meaning set forth in Section 2.1 of this Agreement.

“Termination Date” means the date at which this Agreement terminates pursuant to its terms or the effective date of termination specified in a notice of termination as provided by this Agreement.

“Third Party Claim” means any claim, including Claims, brought against a Party by a third party other than claims made by a third party attributable to breach of a representation, warranty or covenant made herein with respect to Intellectual Property.

“Transitional Employees” has the meaning set forth in Section 4.5(C) hereof.

“Transitioned Non-Union Employees” has the meaning set forth in Section 4.5(C) hereof.

“Transitioned Union Employees” has the meaning set forth in Section 4.5(C) hereof.

“Union Employees” has the meaning set forth in Section 4.5(C) hereof.

“Wind-down Expenses” means expenses incurred by the Service Provider directly related to the provision of the Back-End Transition Services.

“Work Plan” means the required annual planned operating and Capital Improvement projects proposed by the Service Provider, including the two-year and five-year Capital Plan concerning planned long-term Capital Improvement projects.

“Work Product” has the meaning set forth in Section 9.3(A) of this Agreement.

APPENDIX 2

CREDITWORTHINESS STANDARDS FOR GUARANTORS AND LETTER OF CREDIT PROVIDERS

Standards for Guarantors:

Minimum tangible net worth of \$500 Million and
Minimum credit rating from two of the following credit rating agencies of: “BBB” from Fitch Ratings, “Baa2” from Moody’s Investors Services, and “BBB” from Standard & Poor’s; or

Standards for Letter of Credit Providers:

A U.S. commercial bank or foreign bank with a U.S. branch;
Net assets of not less than \$1 Billion; and
Minimum credit rating from two of the following credit rating agencies of: “A□” from Fitch Ratings, “A3” from Moody’s Investors Services, and “A□” from Standard & Poor’s

STANDARD CLAUSES FOR LIPA CONTRACTS

For the purposes of this Appendix, the Long Island Power Authority and its operating subsidiary the Long Island Lighting Company d/b/a LIPA are hereinafter referred to as “LIPA.”

The parties to the attached contract, license, lease, amendment or other agreement of any kind (hereinafter, “the contract” or “this contract”) agree to be bound by the following clauses which are hereby made a part of the contract (the word “Contractor” herein refers to any party other than LIPA, whether a contractor, consultant, licensor, licensee, lessor, lessee or other party):

NON-ASSIGNMENT CLAUSE. In accordance with Section 138 of the State Finance Law, other than as provided in Section 9.6(b), this Agreement may not be assigned by Contractor or its right, title or interest therein assigned, transferred, conveyed, sublet or otherwise disposed of without the previous consent, in writing, of LIPA, and any attempts to assign the contract without LIPA's written consent are null and void. Contractor may, however, assign its right to receive payment without LIPA's prior written consent unless this contract concerns Certificates of Participation pursuant to Article 5-A of the State Finance Law.

COMPTROLLER’S APPROVAL. In accordance with Section 112 of the New York State Finance Law (the “State Finance Law”), this Agreement shall not be valid, effective or binding upon LIPA until it has been approved by the State Comptroller and filed in his office.

WORKER’S COMPENSATION BENEFITS. In accordance with Section 142 of the State Finance Law, this Agreement shall be void and of no force and effect unless Contractor provides and maintains coverage during the life of this Agreement for the benefit of such employees as are required to be covered by the provisions of the Workers’ Compensation Law.

NON-DISCRIMINATION REQUIREMENTS. In accordance with Article 15 of the Executive Law (also known as the Human Rights Law) and all other New York State and Federal statutory and constitutional non-discrimination provisions, Contractor shall not discriminate against any employee or applicant for employment because of race, creed, color, sex, national origin, age, disability, marital status, sexual orientation, genetic predisposition or carrier status. Furthermore, in accordance with Article 220-e of the New York Labor Law, and to the extent that this Agreement shall be performed within the State of New York, Contractor agrees that neither it nor its subcontractors shall, by reason of race, creed, color, disability, sex, national origin, sexual orientation, genetic predisposition or carrier status; (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee for the performance of work under this Agreement.

WAGE AND HOURS PROVISIONS. If this is a public work contract covered by Article 8 of the Labor Law or a building service contract covered by Article 9 thereof, neither Contractor’s employees nor the employees of its subcontractors may be required or permitted to work more than the number of hours or days stated in said statutes, except as otherwise provided in the Labor Law and as set forth in prevailing wage and supplement schedules issued by the State

Labor Department. Furthermore, Contractor and its subcontractors must pay at least the prevailing wage rate and pay or provide the prevailing supplements, including the premium rates for overtime pay, as determined by the State Labor Department in accordance with the Labor Law and shall comply with all requirements set forth in Article 8 or Article 9 of the Labor Law whichever Article applies.

NON-COLLUSIVE BIDDING CERTIFICATION. In accordance with Section 2878 of the Public Authorities Law, if this contract was awarded based upon the submission of bids, Contractor warrants, under penalty of perjury, that its bid was arrived at independently and without collusion aimed at restricting competition. Contractor further warrants that, at the time Contractor submitted its bid, an authorized and responsible person executed and delivered to LIPA a non-collusive bidding certification on Contractor's behalf.

INTERNATIONAL BOYCOTT PROHIBITION. In accordance with Section 220-f of the Labor Law and Section 139-h of the State Finance Law, if this contract exceeds \$5,000, Contractor agrees, as a material condition of the contract, that neither Contractor nor any substantially owned or affiliated person, firm, partnership or corporation has participated, is participating, or shall participate in an international boycott in violation of the federal Export Administration Act of 1979 (50 USC app. Sections 2401 et seq.) or regulations thereunder. If such Contractor, or any of the aforesaid affiliates of Contractor, is convicted or is otherwise found to have violated said laws or regulations upon the final determination of the United States Commerce Department or any other appropriate agency of the United States subsequent to the contract's execution, such contract, amendment or modification thereto shall be rendered forfeit and void. Contractor shall so notify the State Comptroller within five (5) business days of such conviction, determination or disposition of appeal (2NYCRR 105.4).

SET-OFF RIGHTS. LIPA shall have all of its common law, equitable and statutory rights of set-off. These rights shall include, but not be limited to, LIPA's option to withhold for the purposes of set-off any moneys due to Contractor under this contract up to any amounts due and owing to LIPA with regard to this contract, any other contract with LIPA, including any contract for a term commencing prior to the term of this contract, plus any amounts due and owing to LIPA for any other reason including, without limitation, tax delinquencies, fee delinquencies or monetary penalties relative thereto. LIPA shall exercise its set-off rights in accordance with normal State practices including, in cases of set-off pursuant to an audit, the finalization of such audit by LIPA, its representatives, or the State Comptroller.

RECORDS. Contractor shall establish and maintain complete and accurate books, records, documents, accounts and other evidence directly pertinent to performance under this contract (hereinafter, collectively, "the Records"). The Records must be kept for six (6) years following the expiration or earlier termination of the contract. The State Comptroller, the Attorney General and any other person or entity authorized to conduct an examination, as well as the agency or agencies involved in this contract, shall have access to the Records during normal business hours at an office of Contractor within the State of New York or, if no such office is available, at a mutually agreeable and reasonable venue within the State, for the term specified above for the purposes of inspection, auditing and copying. LIPA shall take reasonable steps to protect from public disclosure any of the Records which are exempt from disclosure under Section 87 of the Public Officers Law (the "Statute") provided that: (i) Contractor shall timely inform LIPA in

writing, that said records should not be disclosed; and (ii) said records shall be sufficiently identified; and (iii) designation of said records as exempt under the Statute is reasonable. Nothing contained herein shall diminish, or in any way adversely affect, the State's right to discovery in any pending or future litigation.

DISCLOSURE OF LIPA RECORDS OR INFORMATION. If any third party requests that Contractor disclose LIPA records or information, as defined in subdivision 4 of Section 86 of the Public Officers Law, Contractor shall notify LIPA of such request and LIPA shall determine, in accordance with Chapter 39 of the Laws of 2010, whether such LIPA records or information may be disclosed.

EQUAL EMPLOYMENT FOR MINORITIES AND WOMEN. In accordance with Section 312 of the New York Executive Law: (i) Contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability, marital status, sexual orientation, genetic predisposition or carrier status and shall undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination. Affirmative action shall mean recruitment, employment, job assignment, promotion, upgradings, demotion, transfer, layoff, or termination and rates of pay or other forms of compensation; (ii) at the request of LIPA, Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability, marital status, sexual orientation, genetic predisposition or carrier status and that such union or representative will affirmatively cooperate in the implementation of Contractor's obligations herein; and (iii) Contractor shall state, in all solicitations or advertisements for employees, that, in the performance of this Agreement, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability, marital status, sexual orientation, genetic predisposition or carrier status. Contractor shall include the provisions of (i), (ii) and (iii) above, in every subcontract over twenty-five thousand dollars (\$25,000.00) for the construction, demolition, replacement, major repair, renovation, planning or design of real property and improvements thereon (the "Work") except where the Work is for the beneficial use of Contractor. Upon request, Contractor shall submit within ten (10) days of such request an equal employment opportunity program statement and compliance report.

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES. It is the policy of the Authority to provide Minority and Women-Owned Business Enterprises (M/WBEs) the greatest practicable opportunity to participate in the Authority's contracting activity for the procurement of goods and services. To effectuate this policy, Contractor shall comply with the provisions of Article 15-A of the New York Executive Law, the provisions of this Appendix 3 and the provisions relating to M/WBEs as set forth in the Contract Administration Manual.

The Contractor will employ good faith efforts to achieve the M/WBE Goals established for this contract including, but not limited to, inspecting the current New York State Certification Directory of Minority and Women Owned Businesses, prepared for use by state agencies and contractors in complying with Executive law Article 15-A, (the Directory) which is available at

the same location where the Authority's bid document or request for proposals may be obtained or inspected and also at the Authority's office at 333 Earle Ovington Boulevard, Suite 403, Uniondale, NY 11553.

For the purposes of the competitive procurement to select a Service Provider, the following goals have been established and upon which a preliminary utilization will be prepared:

Minority-Owned Business Enterprise (MBE) Subcontracting Goal 3.0 %

Women-Owned Business Enterprise (WBE) Subcontracting Goal 1.5%

Six months prior to the first year of operation and annually thereafter, the Authority shall establish M/WBE subcontracting goals and which shall be set forth in the Contract Administration Manual.

Waivers shall only be considered in accordance with the provisions of Article 15-A of the Executive Law.

Upon request, Contractor shall submit within ten (10) days of such request, a complete Utilization Plan, which shall include identification of the M/WBEs which the Contractor intends to use; the estimated dollar amount of business with each such M/WBE; the Contract Scope of Work which the Contractor intends to have performed by such M/WBEs; the commencement and end dates of such performance and other information required by 5 NYCRR 142.4. The Authority will review the plan and, within twenty (20) days of its receipt, issue a written acceptance of the plan or comments on deficiencies in the plan. Following execution of the contract, the Contractor's preliminary utilization plan based on the goals set forth above will be posted on the Authority's website. Three months prior to the first year operation and annually thereafter, Contractor shall submit a utilization plan based on the goals set forth in the Contract Administration Manual. Upon approval by the Authority, the annual utilization plans will be posted on the Authority website.

The Contractor shall include in each Subcontract, in such a manner that the provisions will be binding upon each Subcontractor, all of the provisions herein including those requiring Subcontractors to make a good faith effort to solicit participation by M/WBEs.

The Contractor shall cooperate in any efforts of the Authority, or any government agency which may have jurisdiction, to monitor and assist Contractor's compliance with the Authority's M/WBE program. Such cooperation shall include, but is not limited to, submission of Contractor compliance reports as required by 5 NYCRR 142.11. Reports are due on the first business day of each month, beginning thirty (30) days after Contract award.

The Contractor shall not use the requirements of this section to discriminate against any qualified company or group of companies.

Any contractor or subcontractor who willfully and intentionally fails to comply with the M/WBE participation requirements of Executive Law Article 15-A and as such requirements are set forth in the contract shall be liable to the Authority for liquidated damages or other appropriate damages.

CONFLICTING TERMS. In the event of a conflict between the terms of the contract (including any and all attachments thereto and amendments thereof) and the terms of this Appendix, the terms of this Appendix shall control.

GOVERNING LAW. This contract shall be governed by the laws of the State of New York except where the Federal supremacy clause requires otherwise.

LATE PAYMENT. Timeliness of payment and any interest to be paid to Contractor for late payment shall be governed by Section 2880 of the Public Authorities Law and the guidelines adopted by LIPA thereto.

PROHIBITION ON PURCHASE OF TROPICAL HARDWOODS. Contractor certifies and warrants that all wood products to be used under this contract award will be in accordance with, but not limited to, the specifications and provisions of State Finance Law §165 (Use of Tropical Hardwoods) which prohibits purchase and use of tropical hardwoods, unless specifically exempted, by the State or any governmental agency or political subdivision or public benefit corporation. Qualification for an exemption under this law will be the responsibility of Contractor to establish to meet with the approval of the State. In addition, when any portion of this contract involving the use of woods, whether supply or installation, is to be performed by any subcontractor, Contractor will indicate and certify in the submitted bid proposal that the subcontractor has been informed and is in compliance with specifications and provisions regarding use of tropical hardwoods as detailed in §165 State Finance Law. Any such use must meet with the approval of the State; otherwise, the bid may not be considered responsive. Under bidder certifications, proof of qualification for exemption will be the responsibility of Contractor to meet with the approval of the State.

MACBRIDE FAIR EMPLOYMENT PRINCIPLES. In accordance with the MacBride Fair Employment Principles (Chapter 807 of the New York Laws of 1992), Contractor hereby stipulates that Contractor either (i) has no business operations in Northern Ireland, or (ii) shall take lawful steps in good faith to conduct any business operations in Northern Ireland in accordance with the MacBride Fair Employment Principles (as described in Article 165 of, the New York State Finance Law), and shall permit independent monitoring of compliance with such principles.

OMNIBUS PROCUREMENT ACT OF 1992. It is the policy of New York State to maximize opportunities for the participation of New York State business enterprises, including minority and women-owned business enterprises as bidders, subcontractors and suppliers on its procurement contracts. Information on the availability of New York State subcontractors and suppliers is available from:

NYS Department of Economic Development
Division for Small Business
One Commerce Plaza
Albany, New York 12245.

A directory of certified minority and women-owned business enterprises is available from:

NYS Department of Economic Development
Minority and Women's Business Development Division
One Commerce Plaza
Albany, New York 12245

The Omnibus Procurement Act of 1992 requires that by signing this Agreement, Contractor certifies that:

Contractor has made commercially reasonable efforts to encourage the participation of New York State Business Enterprises as suppliers and subcontractors, including certified minority and woman-owned business enterprises, on this Project, and has retained the documentation of these efforts to be provided upon request to the State;

Contractor has complied with the Federal Equal Opportunity Act of 1972 (P.L. 92-261), as amended; and

Contractor agrees to make commercially reasonable efforts to provide notification to New York State residents of employment opportunities on this Project through listing any such positions with the Job Service Division of the New York State Department of Labor, or providing such notification in such manner as is consistent with existing collective bargaining contracts or agreements. Contractor agrees to document these efforts and to provide said documentation to the State upon request.

Contractor acknowledges that the State may seek to obtain offset credits from foreign countries as a result of this contract and agrees to cooperate with the State in these efforts.

RECIPROCITY AND SANCTIONS PROVISIONS. Contractor is hereby notified that if its principal place of business is located in a state that penalizes New York State vendors, and if the goods or services it offers are substantially produced or performed outside New York State, the Omnibus Procurement Act 1994 amendments (Chapter 684, Laws of 1994) require that Contractor be denied contracts which it would otherwise obtain.

PURCHASES OF APPAREL. In accordance with State Finance Law 162 (4-a), LIPA shall not purchase any apparel from any Contractor unable or unwilling to certify that: (i) such apparel was manufactured in compliance with all applicable labor and occupational safety laws, including, but not limited to, child labor laws, wage and hours laws and workplace safety laws, and (ii) Contractor will supply, with its bid (or, if not a bid situation, prior to or at the time of signing a contract with LIPA), if known, the names and addresses of each subcontractor and a list of all manufacturing plants to be utilized by the bidder.

CONTRACTOR AFFIRMATION OF COMPLIANCE AND CERTIFICATION OF DISCLOSURE. Contractor affirms that it understands and agrees to comply with the procedures of the Governmental Entity relative to permissible contacts as required by the State Finance Law § 139-j (3) and § 139-j (6)(b). Furthermore, Contractor certifies that the information disclosed pursuant to State Finance Law § 139-k (5) is complete true and accurate.

OPTIONAL TERMINATION BY THE AUTHORITY. LIPA reserves the right to terminate this contract in the event it is found that the certification filed by Contractor in accordance with New York State Finance Law § 139-k was intentionally false or intentionally incomplete. Upon such finding, LIPA may exercise its termination right by providing written notification to Contractor in accordance with the written notification terms of the contract.

CONTINGENT FEES. Contractor hereby certifies and agrees that (a) Contractor has not employed or retained and will not employ or retain any individual or entity for the purpose of soliciting or securing any LIPA contract or any amendment or modification thereto pursuant to any agreement or understanding for receipt of any form of compensation which in whole or in part is contingent or dependent upon the award of any such contract or any amendment or modification thereto; and (b) Contractor will not seek or be paid an additional fee that is contingent or dependent upon the completion of a transaction by LIPA.

NONPUBLIC PERSONAL INFORMATION. Contractor shall comply with the provisions of the New York State Information Security Breach and Notification Act (General Business Law Section 899-aa; State Technology Law Section 208). Contractor shall be liable for the costs associated with such breach if caused by Contractor's negligent or willful acts or omissions, or the negligent or willful acts or omissions of the Contractor's agents, officers, employees or subcontractors.

**Illustrative Contract Administration Manual
Topical Outline¹**

Contract Administration Manual (CAM) Overview
Purpose and Scope of CAM
CAM Preparation, Review and Approval
Operations Services Organization
Service Provider Senior Management, Responsibilities and Delivery Organization
LIPA Management Organization and Responsibilities
Key Contact List – Service Provider, LIPA, Third Parties

Joint Operating Committee
JOC Membership, Structure, Responsibilities and Governance
Dispute Resolution
Other
Replacement of JOC members
JOC Meetings
Frequency, Agenda, Minutes, etc.
JOC Communications
JOC Sub-committees
Other
Staffing
Recruiting
ServCo Staff Appointments
Appointment and Replacement of Service Provider Senior Management
Managing ServCo Staffing levels
Benefits Management
Succession Planning
Training
Time and Expense Reporting
Payroll
ServCo Employee Performance Evaluation
ServCo Employee Compensation
Other
Continuous Improvement

¹ This preliminary outline is designed to set forth the items expected to be contained in the Contract Administration Manual. The outline is not intended, nor should it be deemed by proposers to be an exclusive list, but rather representative of the matters LIPA intends the Manual to address. The actual provisions of the Manual will be developed and agreed upon by LIPA and the Service Provider.

Performance Metrics and Incentive Goals Monitoring, Reporting, and Updating
Problem Identification, Analysis, Resolution and Prevention
Employee Engagement
Internal Communications
Process Optimization
Change Management
Other
Contract Management
Contract Change Control
Contract Benchmarking
LIPA Service Satisfaction
Contract Auditing
Intellectual Property Control
Subcontractor Approval Process
Other
Insurance and Risk Management
Risk Identification and Mitigation
Operating Period Insurance Validation
Notification of changes or cancellation of Required Operating Period Insurance
Claim Management
Reporting Requirements
Other
Business Continuity and Disaster Planning Recovery
Backup Power in Key Facilities
Alternate Facilities and Systems
Integrated and common communication systems
Backup Communications
Backup Records
Physical Security
Other

Asset Strategy and Objectives
Procurement of Goods and Services
Competitive Solicitation
Approval Authorization
Other

Communications

Security

Legal Services

General Record Keeping and Reporting

Service Provider Obligations Upon Termination or Expiration

Back-End Transition Services Requirements

Back-End Transition Reporting Requirement

Exit Test

Other Service Provider Obligations

Transfer of the Contract Administration Manual and Operations Manual Upon Termination or Expiration

Procedure to transfer to Successor Service Provider

Procedure to transfer to LIPA

Other

Other

Illustrative Operations Manual Topical Outline

Operations Manual Overview

Purpose and Scope of Operations Manual

T&D Systems Operations and Maintenance

Customer Service Operations

Financial Operations

Operations Policies

Preparation, Review, Approval and Control of Operations Manual Procedures

T&D System Operations and Maintenance

Operations and Maintenance²

Component

Operations

System Operations

Meter Reading

Connect/Disconnect

Dispatch

Records and Reports

Outage

Management

Storm Response

Predictive

Maintenance

Connect/Disconnect

Dispatch

Load Forecasting

Environmental,

Health and Safety

Nine Mile 2

Oversight

Capital Projects

Communications

Other

Construction Standards

Design and Application Standards

Testing Instructions

Work Methods including Project Management

Records and Reports

Other

Customer Services Operations

Customer Satisfaction

Customer Contact - Call Centers Walk-ins, etc.

Inbound and Outbound Communications

Marketing and Sales

Billing, Collection and Revenue Cycle

Rates, Tariffs and Load Forecasting

Records and Reports

² The level of detail depicted in Section 2a applies to all sections of this outline.

Other

Finance, Accounting, Budgeting and Financial Forecasting and Treasury Operations

Accounting Structure

Records and Reports

Budgeting and Financial Forecasting

Auditing

Treasury Operations

Financial Risk Management

Other Procedures

Information Systems Architecture and Shop Manual

Information Technology Operations and Maintenance

Emergency Response and Reporting

Regulatory Compliance and Reporting

Asset Strategies

Power Supply and Energy Markets Interface

Fleet Management and Refueling Operations

Facilities Management

Other

Naming Guidelines

LIPA places a strong emphasis on maintaining its brand identity and spends significant financial resources to sustain its brand position. It is imperative that LIPA's brand identity in the marketplace be maintained so that customers clearly understand, or have the opportunity to clearly understand, the nature of the primary services and products provided by LIPA. The traditional utility business model provides the opportunity for an investor-owned utility, or a non-profit municipal utility, to control the development and execution of a strategic marketing plan that would build brand identity in the minds of existing and prospective customers.

The ServCo business model is not a traditional utility business model but rather a public/private partnership whereby LIPA, through the Service Provider, delivers electric transmission and distribution services and products to LIPA's customers. To assure that LIPA has the unfettered ability to maintain its brand identity under this public/private partnership and to avoid confusion in the minds of LIPA's customers and prospective customers whether LIPA or the Service Provider is ultimately responsible for the provision of the particular services and products, a clear and unambiguous branding communications policy must be established and followed.

Consequently, this document sets forth the naming guidelines that the Service Provider will follow in providing the Operations Services under this Agreement. In adhering to these guidelines, the Service Provider understands and agrees that LIPA must pre-approve the use of its brand including, but not limited to, each of the areas cited in this Appendix 6.

LIPA's Electric Business

For purposes of these Naming Guidelines, the term LIPA's "Electric Business" shall have the same meaning as Operations Services.

Oral Communications

Media: Any and all media communication pertaining to any aspect of LIPA's Electric Business will be managed by LIPA's Office of Communications. Any employee of the Service Provider, Service Provider Related Parties or Subcontractor who responds to any media inquiry related to LIPA and/or its Electric Business shall clearly identify his or herself as responding as LIPA's representative on its behalf.

Service Provider, Service Provider Related Parties and Subcontractor employees are expressly prohibited from communicating with any media representative, including but not limited to, oral, print or electronic (which for the purpose of providing Operation Services hereunder includes internet-based and/or social media channels), without the express prior authorization from LIPA's Office of Communications.

Public Events: Any and all public events, including speaking engagements, involving or relating to LIPA's Electric Business ("Public Events") shall be identified as LIPA events,

and will be conducted without any reference whatsoever to the Service Provider. Accordingly, Service Provider, Service Provider Related Parties and Subcontractor employees shall clearly identify themselves at Public Events as LIPA representatives. Banners, displays, collateral material, slide presentations, etc. utilized or deployed at Public Events shall contain no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractors and shall only utilize LIPA-approved logos.

Speakers Bureau: All speaking engagements performed on behalf of LIPA shall conform to the principles outlined for Public Events.

Employee Representations: Any and all oral communications with LIPA's electric customers shall be clearly portrayed as a LIPA customer communication. Accordingly, Service Provider, Service Provider Related Party and Subcontractor employees shall clearly identify themselves as LIPA representatives, and shall make no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractors in either oral, written or visual form including, but not limited to, apparel bearing the Service Provider, Service Provider Related Parties or Subcontractor logos or branding messages.

Call Waiting/TVR/Audex Messaging: Any and all messaging for functions relating to the provision of electric transmission and distribution services to LIPA's customers and potential customers and to which the public has access, will be clearly portrayed as LIPA functions only and shall contain no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractor.

Written Communications

Correspondence: Any and all written correspondence (including electronic) with LIPA's electric customers will utilize LIPA letterhead only and shall contain no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractors.

Signature Representations: Signatures on written correspondence to LIPA's electric customers will present themselves by title, and as representatives of LIPA, and shall contain no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractors.

Checks: Check stock utilized for any payment to LIPA's electric customers and vendors will prominently display LIPA's logo. It is recognized that since the Service Provider performs this function on LIPA's behalf, the financial institutions managing these accounts may require ServCo's name on the check. As such, and only if required, the display of the ServCo name is permitted; provided, however, that such display shall be discreet and minimized to the point necessary to satisfy the requirements of the financial institution.

Bill Inserts: Any and all bill inserts will be strictly dedicated to LIPA purposes only and shall contain no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractors.

Electronic Customer Services: Any and all electronic customer services including, but not limited to, the internet and/or social media based channels, will be accessed through a LIPA's approved channels only and such channels shall contain no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractors.

Business Cards: Business cards for Service Provider, Service Provider Related Parties and/or Subcontractor employees representing LIPA will utilize LIPA's logo only and shall contain no reference whatsoever to the Service Provider, Service Provider Related Parties or Subcontractors. The title will reflect the appropriate position that the individual holds in the Service Provider, Service Provider Related Party or Subcontractor organization with the designation as representative of the Long Island Power Authority.

Use of Company Brands on Employee Clothing

Uniformed Employees: Uniformed employees of the Service Provider, ServCo or of their Subcontractor, when providing Operations Services or representing LIPA's Electric Business, shall wear a uniform, hard hat, foul-weather gear or any other apparel displaying a LIPA approved logo only and any such apparel shall not display the logo or name of the Service Provider ServCo or Subcontractor.

Non-Uniformed Employees: Service Provider, Service Provider Related Party and Subcontractor employees who do not wear, or are not otherwise required to wear a uniform when providing Operations Services shall wear appropriate apparel with a LIPA logo (e.g. golf shirt; foul weather gear) when meeting the public as LIPA representatives (e. g. trade shows; storm response) and at other events as directed by LIPA.

Vehicles/Equipment



Vehicles/Equipment: Any and all vehicles and equipment owned or leased by LIPA or ServCo and any and all vehicles and equipment owned or leased by Service Provider that is used to provide Operations Services, except such Supplemental Assets and Services as agreed upon by the Parties will, as LIPA may direct, be emblazoned with LIPA-approved decal logos only and shall contain no reference whatsoever to the Service Provider, ServCo, Service Provider Related Parties or their Subcontractors. Notwithstanding the preceding, the Parties acknowledge that placing a LIPA logo on certain select vehicles (e. g. Service Provider executive cars) may not be appropriate and agree to work cooperatively to identify such instances. In addition, all vehicles and equipment used to provide Operations Services which utilize clean fuel technology shall, as LIPA may direct, contain nomenclature designating the vehicle or equipment as a LIPA Clean Fuel Technology vehicle/equipment, and shall include only those decals as are strictly required by Federal/State agencies. Additional promotional decals, materials or messages shall be emblazoned or otherwise displayed on LIPA vehicles/equipment as requested by LIPA. Non-LIPA promotional decals, materials or messages (other than the names or logos or similar insignia of the vehicle/equipment manufacturer) on vehicles/equipment used to provide Operations Services are prohibited without the express written prior approval of LIPA.

Subcontractor Vehicles/Equipment: Any and all Subcontractor vehicles and/or equipment when used to provide Operations Services on behalf of LIPA must include nomenclature on the vehicle/equipment clearly identifying the Subcontractor as a LIPA Subcontractor. Use of Subcontractor logos on vehicles/equipment used to provide service on behalf of LIPA are permitted but only for the purpose of identifying the Subcontractor and shall contain no other promotional nomenclature.

Facilities

Facilities/Property: Facilities and/or property owned or leased by LIPA or ServCo and facilities and/or property owned or leased by Service Provider that are used to provide Operations Services, except such Supplemental Assets and Services as agreed upon by the Parties, shall only display LIPA-approved signage and such signage will contain no reference whatsoever to the Service Provider, ServCo or Service Provider Related Parties except to the extent reasonably necessary for delivery of mail or as may be required by an applicable lease or applicable law.

APPENDIX 7

Trademark	Serial/Registration Number	Federal or State Registration	Current Status of Trademark
	3404585	Federal	<p>Status:</p> <p>Registered on April 1, 2008</p> <p>Next Filing:</p> <p>Combined Section 8/15 due between April 1, 2013 and April 1, 2014</p>
	3404572	Federal	<p>Status:</p> <p>Registered on April 1, 2008</p> <p>Next Filing:</p> <p>Combined Section 8/15 due between April 1, 2013 and April 1, 2014</p>
<i>LIPAedge</i>	3671418	Federal	<p>Status:</p> <p>Registered on August 25, 2009</p> <p>Next Filing:</p> <p>Combined Section 8/15 due between August 25, 2014 and August 25, 2015</p>

LIPA	2329492	Federal	<p>Status:</p> <p>Registered on March 14, 2000</p> <p>Combined 8/15 filed on: March 2, 2006 (granted May 24, 2006)</p> <p>Combined 8/9 filed on: August 20, 2009 (granted September 3, 2009)</p> <p>Next Filing:</p> <p>Second ten-year renewal due between March 14, 2019 and March 14, 2020</p>
The Power of Change	S17446	NYS	Expires 3/30/11
The Power of Commitment	S17889	NYS	Expires 4/19/12
More Choice...Better Service	S19509	NYS	Expires 2/13/16
Energywise	S17445	NYS	Expires 3/30/11
LIPA	S16316 (renewal S20709)	NYS	Expires 10/27/18
LIPAedge	S18343	NYS	Expires 4/16/13

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**Utility Management Services
Performance Metrics Plan**

(A) General. For each Contract Year, the Service Provider shall be eligible to earn Incentive Compensation based on Service Provider's performance during the Contract Year as measured against the Performance Goals for the Operations Services as set forth in the Performance Metrics.

(B) Performance Categories. To ensure the Performance Goals are appropriately weighted, the Incentive Compensation Pool shall be allocated among several key areas of performance ("Performance Categories") as set forth in Table 1. No portion of the Incentive Compensation Pool is allocated to the Cost Management Category because the Service Provider must achieve the Cost Management Performance Metrics to be eligible for Incentive Compensation in the other Performance Categories (see Section (C)(2)).

Table 1: Summary of Performance Categories

Performance Category	Performance Goal	Allocation of Incentive Compensation Pool
1. Cost Management	Achieve the spending levels at or below the Capital Budget while completing the Capital Work Plan in all material respects, and achieve the spending levels at or below the Operating Budget while completing the Operating Work Plan in all material respects.	Not Applicable (NA)
2. Customer Satisfaction	Achieve high levels of end use customer satisfaction.	40%
3. Technical and Regulatory Performance	Provide safe, reliable power supply in a manner compliant with applicable safety, environmental and other regulations.	30%
4. Financial Performance	Meet LIPA's financial performance needs.	30%

(C) Measurement of Performance.

(1) For each Contract Year, the level of performance in each Performance Category shall be measured based on actual results achieved for the Contract Year. For this purpose, one or more Performance Metrics shall be associated with each Performance Category. All Performance Metrics will be set forth in the Contract Administration Manual and are subject to revision as described in Section (G).

(2) The Service Provider must achieve both Performance Metrics associated with the Cost Management Performance Category to be eligible for 100% of Incentive Compensation in the other Performance Categories for a Contract Year. If, in any Contract Year, the Service Provider achieves only one of the Cost Management Performance Metrics, the Service Provider will be eligible for a maximum of 50% of the Incentive Compensation for that year. If, in any Contract Year, the Service Provider achieves neither of the Cost Management Performance Metrics, the Service Provider will not be eligible for any Incentive Compensation for that year. If the Service Provider fails to achieve a Performance Metric in the Cost Management Performance Category for two consecutive Contract Years, the Service Provider will not be eligible for any Incentive Compensation for the second Contract Year.

(3) For all Performance Categories other than Cost Management, the Service Provider performance shall be determined by the level of achievement of the Performance Objective for each Performance Metric under a Performance Category as described in Section (C)(4). Such level of achievement will determine the portion of the allocated Incentive Compensation Pool earned by the Service Provider as described in Section (D).

(4) As a general standard for metrics and where appropriate, the Target Performance Level will be First Quartile performance. Any benchmark source used to establish First Quartile values and any adjustments to a Target Performance Level must reflect local and regulatory considerations and will be subject to JOC or Transition Committee, as appropriate, for approval.

(5) Each Performance Metric, other than those contained in the Cost Management Category, will have an assigned point weighting ("Base Points") and shall be designated as either (i) a Maintenance Metric, or (ii) an Improvement Metric.

(a) Maintenance Metrics are those Performance Metrics for which satisfactory performance levels are currently being achieved. The general goal of Maintenance Metrics is to incent continued satisfactory performance (generally First Quartile).

Each Maintenance Metric will have a specified "Minimum Performance Level," a "Points Earned Threshold," and an "Above Target Performance Threshold." The Minimum Performance Level is that level of

performance below which potential Incentive Compensation may be reduced as set forth in Section (D)(4). The Points Earned Threshold Performance Level is that level of achieved performance at or above which the Service Provider shall be awarded the Base Points assigned to that Performance Metric. The Above Target Performance Threshold is that level of achieved performance at or above which the Service Provider shall be awarded points at a specified multiple of the Base Points.

Maintenance Metrics incorporate award of points in varying amounts (percentages of Base Points) based on actual performance relative to several ranges of performance illustrated in Figure 1 and listed below.

- Target Range: The range of performance for which the Service Provider will earn 100% of the Base Points. The Target Range of Performance for each Maintenance Metric shall be established by the Transition Committee before the Service Commencement Date or the JOC after the Service Commencement Date, as per Section (G), as appropriate, considering actual historical performance or other relevant data and described in Section (L).
- Below Target Range: A range between the Points Earned Threshold (exclusive) and the Minimum Performance Level (inclusive), in which the Service Provider will earn no points. Although the Service Provider will not earn points for performance in the Below Target Range, such level of performance shall not constitute a failure to perform to the Minimum Performance Level for the subject Performance Metric.
- Below Minimum Range: A range comprised of all levels of performance that are unfavorable in comparison to the Minimum Performance Level. The Service Provider will not earn points for performance in the Below Minimum Range.
- Above Target Range: A range of performance that is considered to be in excess of Above Target Performance Threshold and is in excess of performance of the Target Range. The Service Provider shall be awarded a multiple of the Base Points for performance in the Above Target Range.

The levels of performance and associated point multipliers that define each range for each Maintenance Metric are set forth in the description is contained in Section (L).

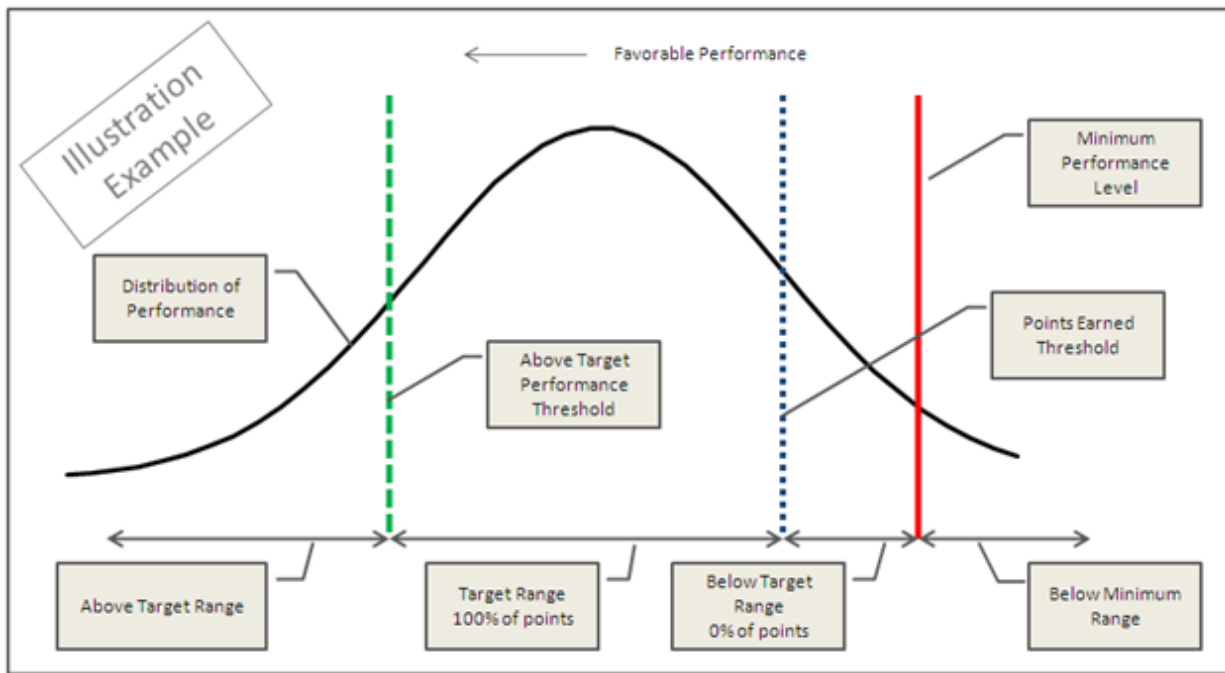


Figure 1. Example Maintenance Metric

(b) Improvement Metrics are those Performance Metrics for which current performance is unsatisfactory. The goal of Improvement Metrics (generally First Quartile) is to incent improved performance over time. These metrics provide for the award of Base Points in varying degrees (percentages) based on the Service Provider’s actual performance relative to several ranges of performance that vary annually. Figure 2 illustrates a generic design for an Improvement Metric.

Improvement is measured relative to a “Baseline Performance Level” that represents the starting level of performance, e.g., the level of performance at Handover, typically 2013 performance. For Performance Metrics that are not currently tracked, Baseline Performance Level may be an average of performance measured during the Transition Period. Baseline Performance Level for each Improvement Metric shall be established by the Transition Committee before the Service Commencement Date or the JOC after the Service Commencement Date as per Section (G), as appropriate, considering actual historical performance and other relevant factors. The Minimum Performance Level for Improvement Metrics is determined by a straight line between the Baseline Performance Level and Target Performance Level in Contract Year 10.

Performance ranges for determination of Base Points earned shall be based on achieving performance improvement from the Baseline Performance Level to the Target Performance Level over a specified period of time (e.g., five years) ending in the “Target Year.” The straight line between the Baseline Performance Level and the Target Performance Level achieved in the Target Year shall determine the performance levels necessary to earn 100% of the Base Points in each Contract Year. The performance levels necessary to earn greater or lesser percentages, the “Base Point Multipliers,” of Base Points in each Contract Year shall be established by

the straight lines between the Baseline Performance Level and the Target Performance Level achieved in one-year increments or decrements to the Target Year. For example, if the Target Year is 2018, the straight line between the Baseline Performance Level at 2013 and 2017 shall establish the performance levels to earn 125% of the Base Points in a given Contract Year.

The levels of performance and associated Base Point Multipliers for each Improvement Metric are set forth in Section (L).

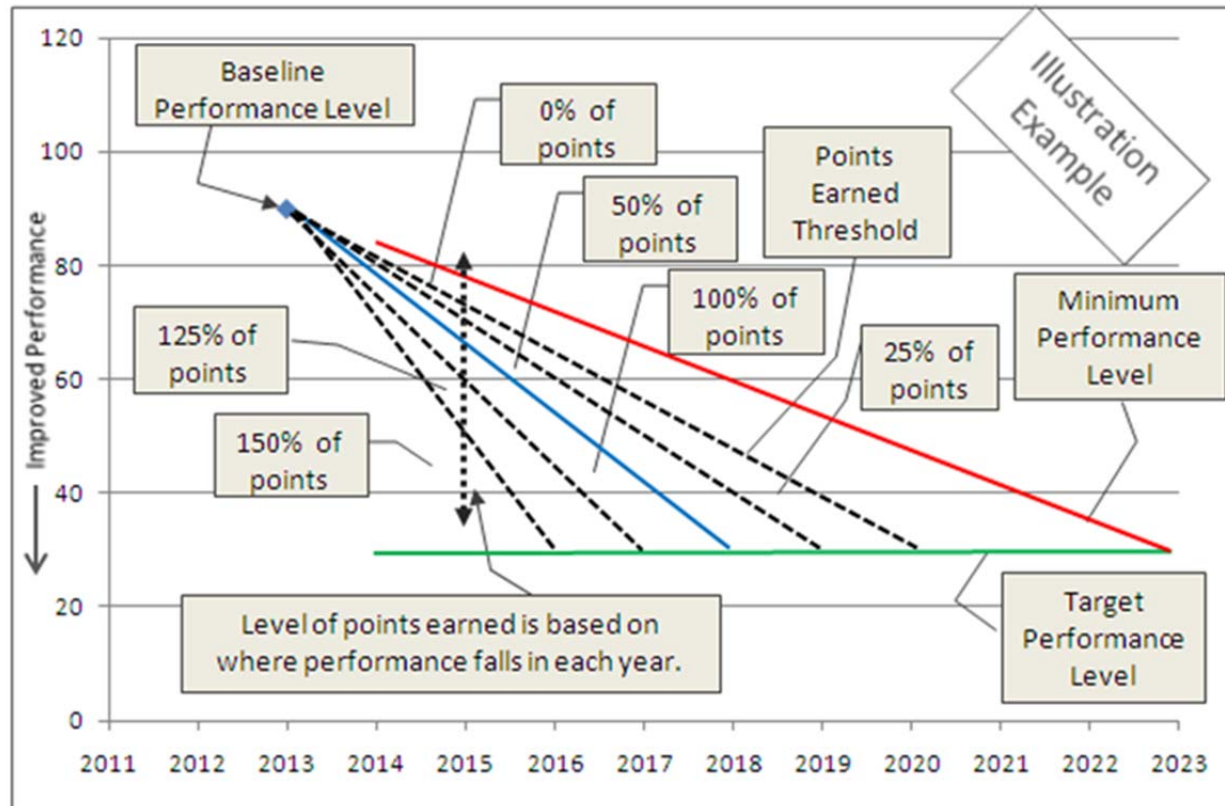


Figure 2.

Example Improvement Metric

(D) Incentive Compensation.

(1) Eligibility. The Service Provider shall be eligible to earn Incentive Compensation for a Contract Year only to the extent that the Cost Management Category Performance Metrics are achieved as described in Section (C)(2).

(2) Allocation of Incentive Compensation Pool. The annual Incentive Compensation Pool shall be allocated among the Performance Categories as set forth in Table 1.

(3) Determination of Incentive Compensation. If the Service Provider is eligible to earn Incentive Compensation for a Contract Year, the Incentive Compensation shall be determined as follows:

(a) For each Performance Category, the points earned for meeting or exceeding the Performance Levels of the associated Performance Metrics (as set forth in each Performance Metric) shall be aggregated.

(b) The point total earned for each Performance Category shall be divided by the maximum possible total Base Points for the Performance Category to produce a fraction (the “Performance Score”) for each Performance Category. (Example: If the points earned total 10 and the maximum possible Base Points for that Performance Category are 25, then the Performance Score would be 0.4 (10 divided by 25)).

(c) The Service Provider’s Incentive Compensation for each Performance Category shall be the product of (i) the potential Incentive Compensation Pool and (ii) the Performance Score for the Performance Category. (Example: If the Performance Score is 0.4 and the allocated Incentive Compensation Pool is \$2 million for the subject Performance Category, then the Service Provider would earn \$800,000 for that Performance Category (\$2,000,000 times 0.4)).

(d) The total annual Incentive Compensation paid to the Service Provider shall be the sum of the Incentive Compensation earned for all Performance Categories, adjusted in accordance with Section (D)(4); provided, however, that total annual Incentive Compensation may not exceed the limitation set forth in Section 5.1(C)(2) of the Agreement.

(4) Incentive Compensation Adjustment. The annual Incentive Compensation for a Performance Category for any Contract Year shall be reduced by (i) 50% for any Contract Year in which the Service Provider has failed to achieve the Minimum Performance Level for the same Performance Metric in that Performance Category for any two Contract Years of a consecutive three-Contract year period, unless the Minimum Performance Level for such metric has been met in the current Contract Year, or (ii) 100% for any year in which the Service Provider has failed to achieve the Minimum Performance Level for two or more of the same Performance Metrics in that Performance Category for any two Contract Years of a consecutive three-Contract Year period, unless the Minimum Performance Level for such metric has been met in the current Contract Year; provided, however, that such failure shall be excused to the extent of a Force Majeure event or LIPA Fault, but only to the extent that such event prevents or delays the Service Provider’s achievement of such metric. Further, for the purposes of this adjustment, the Performance Metrics in the Customer Satisfaction Category; 2.1 and 2.2, JD Power Influencer Subsets (Residential and Business) 2.3 and 2.4 After Call Survey (Residential and Business) and 2.5 Personal Contact Survey will operate as a single performance metric, the Customer Survey Performance Metric. Failure of the Customer Survey Performance Metric is defined as the

Service Provider achieving less than 70% of the total points assigned to the Customer Survey Performance Metric.

(E) Penalties. Notwithstanding the provisions above for determination of adjustments to Incentive Compensation, failure of the Service Provider to (i) earn at least [70]% of the total points assigned to the Customer Survey Performance Metric, or (ii) meet the Minimum Performance Level for SAIDI, in either case for any two Contract Years of a consecutive three-year Contract Year period unless the Minimum Performance Level for such metric has been met in the current Contract Year, shall result in (a) forfeiture of 100% of Incentive Compensation for the Contract Year, and (b) payment to LIPA of a penalty of 5% of the fixed component of the Management Services Fee; provided, however, that such failure shall be excused to the extent of a Force Majeure event or LIPA Fault, but only to the extent that such event prevents or delays the Service Provider's achievement of such metric.

(F) Performance Metric Tiers. In addition to the Performance Metrics that are subject of the annual Incentive Compensation provisions of this Section, LIPA and the Service Provider shall establish and track other Performance Metrics to assist in managing the Operations Services. All Performance Metrics shall be arranged in Tiers as summarized in Table 2. All Performance Metrics, regardless of tier assignment, shall be defined in the Contract Administration Manual and adjusted by the JOC, as appropriate, to reflect evolving business conditions.

Table 2: Summary of Performance Metric Tiers

Tier	Description
1	Tied to Incentive Compensation: Performance Metrics subject to the annual Incentive Compensation provisions of the Agreement.
2	Subject to Active Performance Management: Performance Metrics that are subject to active performance management programs as determined by the JOC and set forth in the Contracts Administration Manual, and not included in Tier 1.
3	Business Management Indicators: Performance Metrics that are routinely monitored and reported, and not included in Tiers 1 or 2.

(G) Adjustments to Performance Metrics. The JOC may revise Performance Metrics from time-to-time based on changes in LIPA's business conditions, the desire to re-focus performance on other aspects of operations, actual levels of performance achieved, timing considerations, capital investments, major system implementations, staffing considerations or other reasons. For example, such revisions may include modification of the Minimum Performance Level, the Target Performance Level, or change in the points assigned to the subject Performance Metric. Revisions may also include reassignment of Performance Metrics

among the designated Performance Categories and tiers, creation of new Performance Metrics, or elimination of existing Performance Metrics. In particular, the JOC may modify the parameters of a Maintenance Metric if business or technical conditions indicate a need, or move a Maintenance Metric to Tier 2. Also, after performance of an Improvement Metric reaches the established Target Level, the Performance Metric may be (i) modified to establish a new improvement Target Level; (ii) switched to the Maintenance Metric design with appropriate parameters; or (iii) assigned to Tier 2 at the discretion of the JOC.

(H) Monitoring and Reporting. In addition to the Service Provider's other reporting obligations as set forth in this Agreement, during the Term, the Service Provider will monitor actual performance relative to all Performance Metrics and industry peer benchmarks, and provide a comprehensive annual report to LIPA with respect to such performance in accordance with Section 5.1(C) of the Agreement. LIPA shall have full access to all records necessary to verify the reported performance.

(I) Continuous Improvement. It is the intent of the Parties to seek continuous improvement in the performance of the overall operation of the T&D System where appropriate to achieve the Performance Objectives.

(1) Subject to JOC review, the Service Provider shall develop and implement performance management programs for each Tier 1 and Tier 2 Performance Metric. Such plans shall include identification of related processes, key drivers of performance, methods to improve or maintain performance (depending on the Performance Objective of the subject Performance Metric), implementation steps and schedule.

(2) The JOC may agree to (i) increase the Minimum Performance Levels and Target Performance Levels to reflect improved performance capabilities associated with advances in the proven processes, technologies and methods available to perform the Operations Services, (ii) add new Performance Metrics to permit further measurement or monitoring of the accuracy, quality, completeness, timeliness, responsiveness, cost-effectiveness, or productivity of the Services, (iii) modify the Minimum Performance Levels and Target Performance Levels to reflect changes in the processes, architecture, standards, strategies, needs or objectives defined by the JOC, and (iv) modify the Minimum Performance Levels and Target Performance Levels to reflect agreed upon changes in the manner in which the Operations Services are performed by the Service Provider.

(J) Corrective Action. If the Service Provider fails to achieve the Minimum Performance Level for a Tier 1 Performance Metric in any year, the Service Provider shall prepare within 30 days of the date

upon which the Parties become aware of the failure, and provide to the JOC a Corrective Action Report, which includes an analysis of the root cause of the failure, including technical, process and resource evaluations, and a Corrective Action Plan including a detailed schedule for implementation of the actions to remediate the failure. The JOC shall regularly monitor the Service Provider's progress on improving its performance in accordance with the Corrective Action Plan. If JOC review of Tier 2 Performance Metrics indicates trending towards a repeated failure, the Service Provider will develop Corrective Action Reports and Plans as the JOC may direct.

(K) Summary of Performance Metrics. The Performance Metrics that form the basis for Incentive Compensation (Tier 1) are summarized in Table 3. Details of these Performance Metrics are described in the text following Table 3.

Table 3: Summary of Initial Tier 1 Performance Metrics

Performance Category/Metric			Description	Base Points
1. Cost Management				
1.1	Operating Budget and Work Plan		All tasks comprising the annual Operating Work Plan, as amended from time to time if applicable, established for each Contract Year are Completed in all Material Respects. Actual total cost for Operating Work Plan, as amended from time to time if applicable, does not exceed the annual Operating Budget, as amended from time to time if applicable, and approved by LIPA for the Contract Year.	NA
1.2	Capital Budget and Work Plan		All capital projects and programs comprising the annual Capital Work Plan, established for each Contract Year are Completed in all Material Respects. Actual total cost associated with Capital Work Plan, as amended from time to time if applicable, does not exceed the annual Capital Budget, as amended if applicable, and approved by LIPA for the Contract Year.	NA
2. Customer Satisfaction				
2.1	JD Power Influencer Subset (Residential)		This metric comprises several specific component questions from the JD Power Residential Customer Satisfaction Survey that: (a) Service Provider exerts significant influence, (b) there is improvement potential, and (c) there are strong links to LIPA's customer satisfaction improvement goals.	
	2.1(a)	Power Quality & Reliability: Q. 42 Keep you informed about an outage		2
	2.1(b)	Price: Q. 31 Ability of your utility to help you reduce your monthly bill		2

Performance Category/Metric			Description	Base Points
	2.1(c)	Billing & Payment: Q. 15 Usefulness of the information available on your bill		2
	2.1(d)	Communications: Q. 104 Keeping you informed about what the utility is doing to keep overall energy costs low		2
	2.1(e)	Customer Service: Q. 75 Time needed to answer your question		2
2.2	JD Power Influencer Subset (Business)		This metric comprises several specific component questions from the JD Power Business Customer Satisfaction Survey that: (a) Service Provider exerts significant influence, (b) there is improvement potential, and (c) there are strong links to LIPA's customer satisfaction improvement goals.	
	2.2(a)	Power Quality & Reliability: Q. 40 Provide accurate information about an outage		1
	2.2(b)	Price: Q. 28 Effort of your utility company to help you manage your monthly usage		1
	2.2(c)	Power Quality & Reliability: Q. 37 Avoiding brief interruptions of 5 minutes or less		1
	2.2(d)	Communications: Q. 104 Frequency of updates and notices of new developments		1
	2.2(e)	Customer Service: Q. 62 Ease of navigating phone system		1
2.3	After Call Survey - Residential		Survey immediately after call to the Residential Call Center to measure customer satisfaction, call center performance, and call performance, including first call resolution and if problem was solved.	5
2.4	After Call Survey - Business		Survey immediately after call to the Business Call Center to measure customer satisfaction, call center performance, and call performance, including first call resolution, and if problem was solved.	5

Performance Category/Metric		Description	Base Points
2.5	Personal Contact Survey	This survey is to measure the satisfaction of LIPA customers that have contact in person with a Service Provider employee. Measurements include satisfaction with the contact timeliness, knowledge, and problem solving. Examples of transactions to be surveyed include four types: 1. walk in offices 2. field personnel such as crews restoring outages and installing services 3. energy efficiency program contacts 4. Major Account Executives contacts with their assigned accounts	5
2.6	Average Speed of Answer (ASA)	Average Speed of Answer measures the time a caller waits for a CSR, after the Interactive Voice Response (IVR) places the caller in the Residential CSR queue.	7.5
2.7	Abandon Rate	Abandoned calls are calls that disconnect after the call has been considered an offered call for CSR (after the call was placed in the CSR queue), but before a CSR has answered the call.	7.5
2.8	Web Transactions Completed	Measures the percentage increase in transactions completed on-line and via LIPA web site of twelve specified transaction types.	5
		Maximum Possible Points in Category	50
3. Technical and Regulatory Performance			
3.1	System Average Interruption Duration Index (SAIDI)	Total duration of interruption for the average customer during each Contract Year, computed in accordance with IEEE standard 1366 measured for each Contract Year. Excludes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.	10
3.2	System Average Interruption Frequency Index (SAIFI)	Frequency of sustained interruption within a Contract Year, computed in accordance with IEEE standard 1366 measured for each Contract Year. Excludes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.	5
3.3	Customer Average Interruption Duration Index (CAIDI)	Average time per customer to restore service, computed in accordance with IEEE standard 1366 measured for each Contract Year. Excludes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.	5
3.4	Major Event Day CAIDI	Average time per customer to restore service, computed in accordance with IEEE standard 1366 measured for each Contract Year. Includes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.	5
3.5	Worker Safety (DART)	Days Away, Restricted and Transferred ("DART") rate as defined by OSHA.	10
		Maximum Possible Points in Category	35
4. Financial Performance			
4.1	Actual Meter Read Rate	Actual Meter Read Rate measures the timely reading of each meter each month, residential and business, subject to exclusions for reasons approved by the JOC.	5

Performance Category/Metric		Description	Base Points
4.2	Timely Billing	Timely Billing measures the timely rendering of accurate bills to customers by focusing the Service Provider on timeliness of working billing exceptions. This metric measures the % of “no-bill” billing exceptions completed and accounts billed within the prescribed 3 day requirement for completion.	5
4.3	Days Sales Outstanding	Days Sales Outstanding measures the days of revenues billed but not yet collected. This metric is a measure of the average number of days that it takes the Service Provider to collect revenue after the account has been billed.	5
4.4	Bad Debt Ratio	Bad Debt Ratio measures the effectiveness of recovery efforts of uncollectible revenue. The bad debt ratio is an overall measure of the possibility of the business incurring bad debts and represents a comparison between total sales and those for which payment is not recoverable and therefore written off as losses.	5
4.5	ELI cost per kW-Year (levelized)	Cost per kW-Year of demand avoided levelized for the lives of the various programs comprising Efficiency Long Island, subdivided between customer segments as appropriate.	5
4.6	ELI Achieved Load Reduction	Coincident peak reduction in comparison to the goal for each Contract Year with associated energy reduction designed to improve overall LIPA system load factor, subdivided between customer segments as appropriate.	5
		Maximum Possible Points in Category	30

(L) Performance Metrics. Each Tier 1 Performance Metric is described in detail below and an example of the calculation, illustrative performance metric graph, and historical data, as available, is included as Attachment 1 to this Appendix.

(1) Cost Management Category. Performance Metrics in this category are directed at achieving spending levels at or below both the annual Operating and Capital Budgets while accomplishing the planned Operating Services in all material respects.

1.1 Operating Budget and Work Plan

Performance Objective: Work included in the approved Operating Work Plan established for each Contract Year, as amended from time to time if applicable, is “Completed in all Material Respects” within the amount of the approved Operating Budget, as amended from time to time if applicable.

Description: Tasks comprising the annual Operating Work Plan established for each Contract Year, as amended from time to time if applicable, are Completed in all Material Respects. For this purpose, Completed in all Material Respects shall mean that for every Operating Work Plan task or

program for the Contract Year, the intended outcome has been achieved as agreed upon for that particular Contract Year.

Actual total cost for Operating Work Plan, as amended from time to time if applicable, does not exceed the annual Operating Budget, as amended from time to time if applicable, and approved by LIPA for the Contract Year.

Points Assigned: No points are assigned. However, the Service Provider must achieve at least one of the two Performance Metrics in the Cost Management Category to be eligible for any Incentive Compensation in the other Performance Categories.

Calculation of Operating Work Plan: Reported work completed subject to verification by LIPA audit.

Calculation of Operating Budget: For purposes of this Performance Metric the Operating Budget shall be as defined in Appendix 1 of the Agreement.

Target Level of Performance: For a Contract Year, all tasks in the Operating Work Plan, as amended from time to time if applicable, relative to the amounts within the Operating Budget, as amended from time to time if applicable, are Completed in all Material Respects.

Minimum Level of Performance: Not applicable.

1.2 Capital Budget and Work Plan

Performance Objective: Work included in the approved Capital Work Plan, as amended from time to time, if applicable, is completed within the amount of the approved Capital Budget, as amended from time to time if applicable, in all material respects.

Description: Capital projects and programs comprising the annual Capital Work Plan, established for each Contract Year are Completed in all Material Respects. For this purpose, “Completed in all Material Respects” shall mean that for the Contract Year every Capital Work Plan task is completed to the extent that each associated project can be fully used for its intended purpose. Notwithstanding the foregoing, for every Capital Work Plan task the completion of which is contemplated to take more than one Contract Year “Completed in all Material Respects” shall mean completion of the agreed upon milestones for that particular Contract Year.

Actual total cost associated with Capital Work Plan, as amended from time to time if applicable, does not exceed the annual Capital Budget, as amended from time to time if applicable, and approved by LIPA for the Contract Year.

Points Assigned: No points are assigned. However, the Service Provider must achieve at least one of the two Performance Metrics in the Cost Management Category to be eligible for any Incentive Compensation in the other Performance Categories.

Calculation: Reported work completed subject to verification by LIPA audit.

Target Level of Performance: For a Contract Year, tasks in the Capital Work Plan, as amended from time to time if applicable, relative to the amounts within the Capital Budget, as amended from time to time if applicable, are Completed in all Material Respects.

Minimum Level of Performance: Not applicable.

(2) Customer Satisfaction Category. Performance Metrics in this category are directed at achieving high levels of end use customer satisfaction.

2.1 JD Power Influencer Subset (Residential)

Performance Objective: Improvement in the specific topical areas covered in the “Influencer Subset Residential” as defined below. Residential customers experience improvements in the specific topical areas the Influencer Subset covers.

Type of Performance Metric: Improvement

Description: This metric comprises several specific component questions from the JD Power and Associates Annual Electric Utility Customer Satisfaction Study for Residential Customers for the “East Region, Large Segment” for which: (a) Service Provider exerts significant influence, (b) there is improvement potential, and (c) there are strong links to LIPA's customer satisfaction improvement goals.

Points Assigned: 10 points total; 2 points for each component question listed below, the “Influencer Subset Residential.”

2.1(a). Power Quality & Reliability: Q. 42 Keep you informed about an outage.

2.1(b). Price: Q. 31 Ability of your utility to help you reduce your monthly bill.

2.1(c). Billing & Payment: Q. 15 Usefulness of the information available on your bill.

2.1(d). Communications: Q. 104 keeping you informed about what the utility is doing to keep overall energy costs low.

2.1(e). Customer Service: Q. 75 Time needed to answer your question.

Calculation: The standard syndicated version of the JD Power survey will be utilized, with the Peer Group set at the first flighting of the survey in the year. The score for each question will be as reported as the JD Power Annual Residential Survey score, which is a combination of the four flightings performed throughout the survey year. Performance for each of the component questions in the Subset will be individually calculated.

Target Level of Performance: Set at the First Quartile lower boundary value for each question in the Influencer Subset, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10 for each question in the Influencer Subset.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

2.2 JD Power Influencer Subset (Business)

Performance Objective: Improvement in the specific topical areas covered in the “Influencer Subset Business” as defined below.

Type of Performance Metric: Improvement

Description: This metric comprises several specific component questions from the JD Power and Associates Annual Electric Utility Customer Satisfaction Study for Business Customers for the “East Region, Large Segment” for which: (a) Service Provider exerts significant influence, (b) there is improvement potential, and (c) there are strong links to LIPA's customer satisfaction improvement goals.

Points Assigned: 5 points total; 1 point for each component question listed below (the “Influencer Subset Business”).

2.2(a). Power Quality & Reliability: Q. 40 Provide accurate information about an outage.

2.2(b). Price: Q. 28 Effort of your utility company to help you manage your monthly usage.

2.2(c). Power Quality & Reliability: Q. 37 Avoiding brief interruptions of five minutes or less.

2.2(d). Communications: Q. 104 Frequency of updates and notices of new developments.

2.2(e). Customer Service: Q. 62 Ease of navigating phone system.

Calculation: The standard syndicated version of the JD Power survey will be utilized, with the Peer Group set at the first flighting of the survey in the year. The score for each question will be as reported as the JD Power Annual Business Survey score, which is a combination of the four flightings performed throughout the survey year. Performance for each of the component questions in the Subset will be individually calculated.

Target Level of Performance: Set at the First Quartile lower boundary value for each question in the Influencer Subset, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10 for each question in the Influencer Subset.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

2.3 After Call Survey – Residential

Performance Objective: Residential customers value phone contact as a positive experience that meets their service needs.

Type of Performance Metric: Improvement

Description: Survey immediately after calls to the Residential Call Center to measure customer satisfaction, call center performance, and call performance, including first call resolution and if problem was solved.

After Call Survey specifics: Interactive Voice Response (IVR) survey immediately after calls that asks a few (3-5) questions with a scale, for example, of Very Satisfied (VS), Satisfied (S), Neither Satisfied or Unsatisfied, Unsatisfied, and Very Unsatisfied. The top two boxes (VS, S) are counted as percent customer satisfied.

Points Assigned: 5 points.

Calculation: Calculated as the percent of survey respondents indicating they are top two box satisfied (out of 5 box option) with the services received per the response to 3-5 short IVR based survey questions. Results will be communicated monthly. The annual metric will be the average of the 12 monthly results.

Target Level of Performance: Target performance level will be established and agreed based on representative industry performance, which approximates First Quartile performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

2.4 After Call Survey – Business

Performance Objective: Business customers value phone contact as a positive experience that meets their service needs.

Type of Performance Metric: Improvement

Description: Survey immediately after call to the Business Call Center to measure customer satisfaction, call center performance, and call performance, including first call resolution, and if problem was solved.

After Call Survey Specifics: IVR survey immediately after calls that asks a few (3-5) questions with scale, for example, of Very Satisfied, Satisfied, Neither Satisfied or Unsatisfied, Unsatisfied, and Very Unsatisfied. The top two boxes (VS, S) are counted as percent customer satisfied.

Points Assigned: 5 points.

Calculation: Calculated as the percent of survey respondents indicating they are top two box satisfied (out of 5 box options) with the services received per the response to 3-5 short IVR based survey questions. Results will be communicated monthly. The annual metric will be the average of the 12

monthly results. Baseline year will represent the Minimum, with First Quartile performance established as the Target based on industry benchmarks.

Target Level of Performance: Target performance level will be established and agreed based on representative industry performance, which approximates First Quartile performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

2.5 Personal Contact Survey

Performance Objective: Customers value personal contact service as positive experience that meets their service needs.

Type of Performance Metric: Improvement

Description: This survey is to measure the satisfaction of LIPA customers that have in person contact with a Service Provider employee. Measurements include satisfaction with the contact timeliness, knowledge, and problem solving. Examples of transactions to be surveyed include four types:

1. walk in offices
2. field personnel such as crews restoring outages and installing services
3. energy efficiency program contacts

4. Major Account Executives contacts with their assigned accounts

Personal Contact Survey specifics: Telephone survey conducted monthly that asks a few (3-5) questions with a scale, for example, of Very Satisfied, Satisfied, Neither Satisfied or Unsatisfied, Unsatisfied, and Very Unsatisfied. Top two boxes (VS, S) are counted as percent customer satisfied. Methodology for the survey will consider weighting of transactions by difficulty to avoid simple transactions (such as payment in an office) to overly influence survey outcomes. There may be different questions between the 4 survey types based on customer services provided.

Points Assigned: 5 points.

Calculation: Calculated as the percent of survey respondents indicating they are top two box (out of 5 box options) satisfied with the service. Results will be communicated monthly. The monthly metric will be an average of the individual survey types, with appropriate weighting. The annual metric will be the average of the 12 monthly results. Baseline year will represent the Minimum, with a percent improvement established as the Target based on industry benchmarks.

Target Level of Performance: Target performance level will be established and agreed based on representative industry performance, which approximates First Quartile performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

2.6 Average Speed of Answer (ASA)

Performance Objective: Residential customers experience reasonable wait to talk with a CSR.

Type of Performance Metric: Improvement

Description: Average Speed of Answer measures the time a caller waits for a CSR, after the IVR places the caller in the Residential CSR queue.

Points Assigned: 10 points.

Calculation: The Average Speed of Answer is calculated as the total time on hold of all answered calls each month divided by the total number of calls answered each month, expressed as a percentage. The annual metric will be the average of the 12 monthly results. The total time on hold is measured from the time at which the IVR determines that a call should be redirected until the time the call is picked up by a CSR. Total number of calls answered is measured as the total number of calls answered by a CSR. ASA is calculated directly from the call center management reporting system, currently Avaya CMS reporting. The report shall be provided each month in half hour increment daily format.

Target Level of Performance: Target set at First Quartile lower boundary level performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 – 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

2.7 Abandon Rate

Performance Objective: Customers do not hang up while waiting to talk with a CSR.

Type of Performance Metric: Improvement

Description: Abandoned calls are calls that disconnect after the call has been considered an offered call for CSR (after the call was placed in the CSR queue (other than calls that disconnect within the first five seconds)), but before a CSR has answered the call.

Points Assigned: 5 points.

Calculation: Abandon Rate is calculated as the percent of calls that hang up (abandon) after they are offered to the CSR queue. This statistic is calculated as the number of abandoned calls per month divided by the total offered calls per month, expressed as a percentage. The annual metric will be the average of the 12 monthly results. Abandon rate is calculated directly from the call center management reporting system, currently Avaya CMS reporting. The report shall be provided each month in half hour increment daily format.

Target Level of Performance: Target set at First Quartile lower boundary level performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
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Base Points Multiplier	150%	125%	100%	50%	25%	0%
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2.8 Web Transactions Completed

Performance Objective: Customers who prefer on-line transactions are utilizing for high value transactions.

Type of Performance Metric: Improvement

Description: Measures the percentage increase in transactions completed on-line and via LIPA web site of twelve specified transaction types. On-line transactions included in the metric are:

Category 1 (each weighted at 20%)

1. Bill payment through bank (auto bank and single bank payments)
2. Bill payment through LIPA website (auto and single payments)
3. Credit Card payments (auto and single payments)
4. IVR payments
5. Direct Pay

Category 2 (weighted as indicated below)

6. Paperless bills e-LERT (enrollment and de-enrollment) – 40%
7. Updated personal information on web – 30%
8. On line self help includes the following transactions – 30%
 - i. Meter reads entered on web
 - ii. Balanced Billing Online (enrollment and de-enrollment)
 - iii. Open Account on web/Close Account on web
 - iv. Outages reported on web or texting
 - v. Energy efficiency audit on web

Points Assigned: 5 points.

Calculation: Calculated monthly as the percent increase in transactions for the two Categories above, each weighted at 50%. The annual metric will be the average of the two Category results.

Target Level of Performance: Target set at an improvement of 25% performance relative to 2013 performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

(3) Technical and Regulatory Performance Category. Performance Metrics in this category are directed at providing safe, reliable power supply in a manner compliant with applicable safety, environmental and other regulations.

3.1 System Average Interruption Duration Index (SAIDI)

Performance Objective: Maintain First Quartile performance.

Type of Performance Metric: Maintenance

Description: Total duration of interruption for the average customer during each Contract Year, computed in accordance with IEEE standard 1366 measured for each Contract Year.

Points Assigned: 10 points.

Calculation: $SAIDI = \Sigma(r_i * N_i) / NT$

Where,

SAIDI = System Average Interruption Duration Index, minutes.

Σ = Summation function.

r_i = Restoration time, minutes.

N_i = Total number of customers interrupted.

N_T = Total number of customers served.

Excludes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.

Target Level of Performance: Target range set using 2004-2013 data at two standard deviations above and below the mean value.

Minimum Level of Performance: Minimum performance represents lower boundary level of First Quartile performance or two standard deviations above the mean value, whichever is greater.

Base Points Multiplier for Above Target Performance Range: 100%

3.2 System Average Interruption Frequency Index (SAIFI)

Performance Objective: Maintain First Quartile performance.

Type of Performance Metric: Maintenance

Description: Frequency of sustained interruption within a Contract Year, computed in accordance with IEEE standard 1366 measured for each Contract Year.

Points Assigned: 5 points.

Calculation: $SAIFI = \Sigma(N_i) / N_T$

Where,

SAIFI = System Average Interruption Frequency Index (months between interruption)

Σ = Summation function.

N_i = Total number of customers interrupted.

N_T = Total number of customers served.

Excludes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.

Target Level of Performance: Target range set using 2004-2013 data at two standard deviations above and below the mean value.

Minimum Level of Performance: Minimum performance represents lower boundary level of First Quartile performance or two standard deviations above the mean value, whichever is greater.

Base Points Multiplier for Above Target Performance Range: 90%

3.3 Customer Average Interruption Duration Index (CAIDI)

Performance Objective: Maintain First Quartile performance.

Type of Performance Metric: Maintenance

Description: Average time per customer to restore service, computed in accordance with IEEE standard 1366 measured for each Contract Year.

Points Assigned: 5 points.

Calculation: $CAIDI = \Sigma(r_i * N_i) / \Sigma(N_i)$

Where,

CAIDI = Customer Average Interruption Duration Index

Σ = Summation function.

r_i = Restoration time, minutes.

N_i = Total number of customers interrupted.

Excludes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.

Target Level of Performance: Target range set using 2004-2013 data at two standard deviations above and below the mean value.

Minimum Level of Performance: Minimum performance represents lower boundary level of First Quartile performance or two standard deviations above the mean value, whichever is greater.

Base Points Multiplier for Above Target Range: 90%

3.4 Major Event Day CAIDI

Performance Objective: Maintain First Quartile performance

Type of Performance Metric: Maintenance

Description: Average time per customer to restore service, computed in accordance with IEEE standard 1366 measured for each Contract Year. Includes only "Major Event Days" as defined by IEEE and determined based on five prior calendar years.

Points Assigned: 5 points.

Calculation: $CAIDI = \Sigma(r_i * N_i) / \Sigma(N_i)$

Where,

CAIDI = Customer Average Interruption Duration Index

Σ = Summation function.

r_i = Restoration time, minutes.

N_i = Total number of customers interrupted.

Major Event Days are as defined by IEEE standard 1366 and determined based on the five calendar years prior to the Contract Year.

Target Level of Performance: Target range set using 2004-2013 data at two standard deviations above and below the mean value.

Minimum Level of Performance: Minimum performance represents lower boundary level of First Quartile performance or two standard deviations above the mean value, whichever is greater.

Base Points Multiplier for Above Target Performance Range: 100%

3.5 Worker Safety (DART)

Performance Objective: Employees of ServCo work safely as measured by DART rate as defined by OSHA.

Type of Performance Metric: Improvement

Description: “Days Away, Restricted and Transferred” rate as defined by OSHA.

Points Assigned: 10 points.

Calculation: Based on the following formula:

$$\text{DART Rate} = \frac{\text{Number of cases involving days away and/or job transfer or restriction} \times 200,000}{\text{Number of employee labor hours worked}}$$

For a Contract Year, DART includes cases involving days away from work, restricted work activity, and transfers to another job. This calculation shall be based on all ServCo employees, including Senior Management employees.

Target Level of Performance: Target set at First Quartile lower boundary level performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

Base Points Multiplier for Above Target Performance Range: 125% when a Maintenance Metric.

(4) Financial Performance Category. Performance Metrics in this category are directed at meeting LIPA's financial performance needs.

4.1 Actual Meter Read Rate

Performance Objective: Customers receive an actual bill (not estimated) every month, with meters read every month.

Type of Performance Metric: Improvement

Description: Actual Meter Read Rate measures the timely reading of each meter each month, Residential and Business, subject to exclusions for reasons approved by the JOC.

Points Assigned: 5 points.

Calculation: Measured monthly as the number of meters read in each month, divided by the number of electric meters scheduled for read each month, expressed as a percentage. The annual metric will be the average of the 12 monthly results.

Target Level of Performance: Target set at First Quartile lower boundary level performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

4.2 Timely Billing

Performance Objective: Customers receive an accurate bill each month.

Type of Performance Metric: Improvement

Description: Timely Billing measures the timely rendering of accurate bills to customers. This metric measures the percent of “no-bill” billing exceptions completed and accounts billed within the prescribed three day requirement for completion.

Points Assigned: 5 points.

Calculation: Calculated as the number of no-bill billing exceptions (identified by specific types of billing exceptions) completed and account accurately billed (defined as the customer bill is issued and

no subsequent cancel/re-bill is performed) within the required number of days (three days) divided by the total number of no bill billing exceptions generated by month, expressed as a percentage. The annual metric will be the average of the 12 monthly results. Any change in the parameters set for billing exceptions must be approved by LIPA.

Target Level of Performance: Target established as a percentage improvement from the Baseline performance, based on industry standards, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

4.3 Days Sales Outstanding

Performance Objective: LIPA revenues are collected efficiently and effectively, while demonstrating concern for both positive customer experience and applicable rules/regulations.

Type of Performance Metric: Improvement

Description: Days Sales Outstanding (DSO) measures the days of revenues billed but not yet collected. This metric is a measure of the average number of days that it takes the Service Provider to collect revenue after the account has been billed. A low DSO number means that it takes fewer days to collect accounts receivable and a high DSO number shows it is taking longer to collect.

Points Assigned: 5 points.

Calculation: Measured as the 12-month average Accounts Receivable (A/R) value divided by the average daily 12-month revolving sales (e.g. (12-month average A/R)/(12-month revolving sales / 365), without exclusions.

Target Level of Performance: Target set at First Quartile lower boundary level performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

4.4 Bad Debt Ratio

Performance Objective: LIPA debt is collected efficiently and effectively, while demonstrating concern for both positive customer experience and applicable rules/regulations.

Type of Performance Metric: Improvement

Description: Bad Debt Ratio measures the effectiveness of recovery efforts of uncollectible revenue. The bad debt ratio is an overall measure of the possibility of the business incurring bad debts and represents a comparison between total sales and those for which payment is not recoverable and therefore written off as losses.

Points Assigned: 5 points.

Calculation: Calculated monthly and measured as the 12-month uncollectibles (net of recoveries) divided by 12-months total electric retail revenue (six months lag), calculated for each Contract Year, without exclusions.

Target Level of Performance: Target set at First Quartile lower boundary level performance, to be achieved by Contract Year five.

Baseline: Set at 2013 performance.

Minimum Level of Performance: Set at a straight line from the Baseline to Target Level of Performance by Contract Year 10.

Base Points Multiplier: The table below indicates the Base Points Multipliers associated with performance leading to achievement of the Target Performance Level by each Contract Year:

Contract Year	1 - 3	4	5	6	7	8 – 10
Base Points Multiplier	150%	125%	100%	50%	25%	0%

4.5 ELI cost per kW-Year (levelized)

Performance Objective: Manage costs for avoided system peak load.

Type of Performance Metric: Maintenance

Requirement to earn Base Points: In order to earn the Base Points for this Performance Metric, the Service Provider must perform the services within the LIPA approved budget for these services, as amended from time to time if applicable.

Description: Cost per kW-Year of demand avoided levelized for the lives of the various programs comprising Efficiency Long Island, subdivided between customer segments as appropriate.

Points Assigned: 5 points.

Calculation:

$$\text{Levelized cost per kW} - \text{yr} = \frac{\text{Contract Year Program Cost}}{\sum_{i=1}^{W_{AML}} \frac{\text{Avoided kW}}{(1 + \text{Disc. Rate})^i}}$$

Where:

Disc Rate = Discount rate based on LIPA's cost of money.

WAML = Weighted Average Measure Life (life of the efficiency programs).

The savings from Information/Education programs are excluded from the cumulative total for 2009 - 2013.

Target Level of Performance: Target level of performance is set each Contract Year per the established schedule. The targets in the attached schedule will be reviewed in the first Contract Year of the Agreement to adjust for actual performance in 2012 and 2013. Any deficit in achieving the Target in one Contract Year will be added to the Target of the following Contract Year. The Target Performance Range is set at the levelized cost for the Contract Year and 5% below the levelized cost for the Contract Year.

Minimum Level of Performance: Minimum performance set at 10% above the Target level each Contract Year.

Base Points Multiplier for Above Target Performance Range: 125% of points set at 5% below the Above Target Performance Threshold, 150% of points set at 10% below the Above Target Performance Threshold.

4.6 ELI Achieved Load Reduction

Performance Objective: Achieve targeted system coincident peak load reduction and improvement in LIPA system load factor.

Type of Performance Metric: Maintenance

Requirement to earn Base Points: In order to earn the Base Points for this Performance Metric, the Service Provider must perform the services within the LIPA approved budget for these services, as amended from time to time if applicable.

Description: Efficiency Long Island coincident peak reduction in comparison to the goal for each Contract Year, subdivided between customer segments as appropriate.

Points Assigned: 5 points.

Calculation: Summer MW peak load reduction, net of free riders, at the generator. The savings from Information/Education programs are excluded from the cumulative total for the following year to calculate the cumulative values.

Target Level of Performance: Target level of performance is set each Contract Year per the established schedule. The targets in the attached schedule will be reviewed in the first Contract Year of the Agreement to adjust for actual performance in 2012 and 2013. Any deficit in achieving the Target in one Contract Year will be added to the Target of the following Contract Year. The cumulative Load Reduction must equal 411 MW by 2018, including impacts from all ELI programs from 2012-2018. The Target Performance Range is set at the total annual MW reduction for the Contract Year and 10% above the total annual MW reduction for the Contract Year.

Minimum Level of Performance: Minimum performance set at 20% below the Target that is set in each Contract Year.

Base Points Multiplier for Above Target Performance Range: 125% of points set at 10% above the Above Target Performance Threshold, 150% of points set at 20% above the Above Target Performance Threshold.

Base Points Multiplier for Below Target Performance Range: 50% of points set at 10% below Target Performance Level.

Attachment 1

Initial Tier 1 Performance Metric Examples

Attachment 1 to Appendix 8 provides an example for each Performance Metric in the Initial Tier 1 Performance Metrics in the Customer Satisfaction, Technical and Regulatory Performance, and Financial Performance Categories. Included for each Performance Metric:

1. Example Target and Minimum Performance Level and corresponding Base Point Multipliers for Improvement Metrics and Example Target Range and Minimum Performance Level and corresponding Base Point Multipliers for Maintenance Metrics
2. Illustrative Performance Metric graph utilizing the example calculation
3. Example calculation and data utilized; historical performance data if available, and if unavailable, example data.

Metric 2.1 & 2.2: JD Power Influencer Subset (Residential) and (Business)

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

2.1 and 2.2 JD Power Influencer Subset (example)

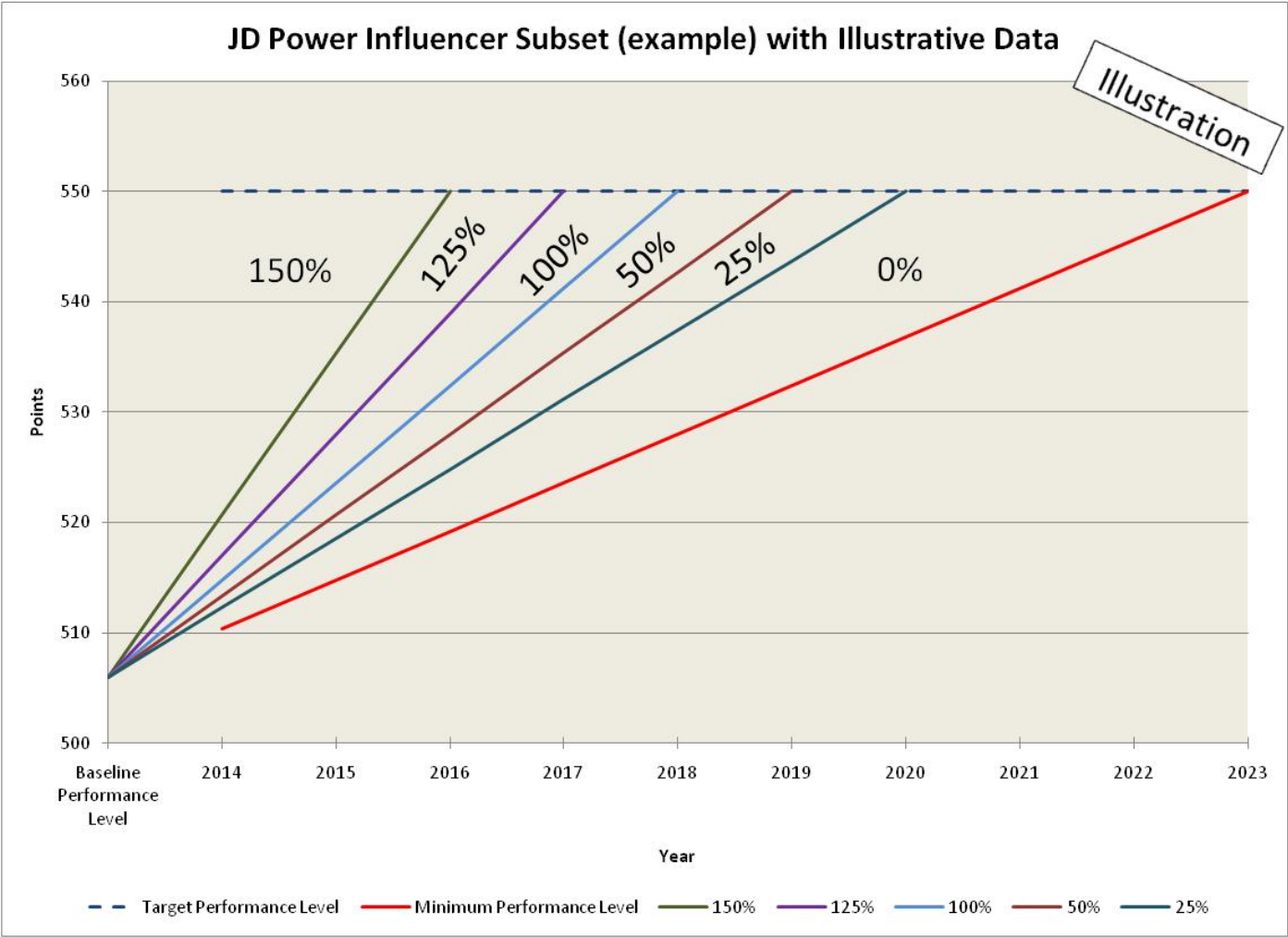
Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			506.0	506.0	506.0	506.0	506.0
2014	550.0	510.4	520.7	517.0	514.8	513.3	512.3
2015	550.0	514.8	535.3	528.0	523.6	520.7	518.6
2016	550.0	519.2	550.0	539.0	532.4	528.0	524.9
2017	550.0	523.6		550.0	541.2	535.3	531.1
2018	550.0	528.0			550.0	542.7	537.4
2019	550.0	532.4				550.0	543.7
2020	550.0	536.8					550.0
2021	550.0	541.2					
2022	550.0	545.6					
2023	550.0	550.0					
Baseline Performance Level		506					
Target Performance Level		550					

Notes:

The data and graph is an example based on 2009 historical performance for Metric 2.1(a), and is meant to serve as an illustration only.

Metric 2.1 & 2.2: JD Power Influencer Subset (Residential) and (Business)

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on 2009 historical performance for Metric 2.1(a) and is meant to serve as an illustration only.

Metric 2.1 & 2.2: JD Power Influencer Subset (Residential) and (Business)

Example Calculation and Data

2.1 and 2.2 JD Power Influencer Subset DATA								
JD Power Influencer Subsets		2006	2007	2008	2009	2010	2011	1st Quartile Performance
2.1	JD Power Influencer Subset (Residential)							2009
2.1(a)	Power Quality & Reliability: Q. 42 Keep you informed about an outage	-	491	472	506	-	-	550
2.1(b)	Price: Q. 31 Ability of your utility to help you reduce your monthly bill	-	486	487	502	-	-	531
2.1(c)	Billing & Payment: Q. 15 Usefulness of the information available on your bill	-	604	591	633	-	-	682
2.1(d)	Communications: Q. 104 Keeping you informed about what the utility is doing to keep overall energy costs low	-	473	457	504	-	-	537
2.1(e)	Customer Service: Q. 75 Time needed to answer your question	-	651	569	644	-	-	691
2.2	JD Power Influencer Subset (Business)							2010
2.2(a)	Power Quality & Reliability: Q. 40 Provide accurate information about an outage	-	-	583	602	609	-	637
2.2(b)	Price: Q. 28 Effort of your utility company to help you manage your monthly usage	-	-	546	537	558	-	584
2.2(c)	Power Quality & Reliability: Q. 37 Avoiding brief interruptions of 5 minutes or less	-	-	617	649	648	-	683
2.2(d)	Communications: Q. 104 Frequency of updates and notices of new developments	-	-	547	545	573	-	592
2.2(e)	Customer Service: Q. 62 Ease of navigating phone system	-	-	621	496	616	-	666

Metric 2.3 & 2.4: After Call Survey – Residential and Business

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

2.3 and 2.4 After Call Survey (example)

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			80.0	80.0	80.0	80.0	80.0
2014	90.0	81.0	83.3	82.5	82.0	81.7	81.4
2015	90.0	82.0	86.7	85.0	84.0	83.3	82.9
2016	90.0	83.0	90.0	87.5	86.0	85.0	84.3
2017	90.0	84.0		90.0	88.0	86.7	85.7
2018	90.0	85.0			90.0	88.3	87.1
2019	90.0	86.0				90.0	88.6
2020	90.0	87.0					90.0
2021	90.0	88.0					
2022	90.0	89.0					
2023	90.0	90.0					

Baseline Performance Level	80
Target Performance Level	90

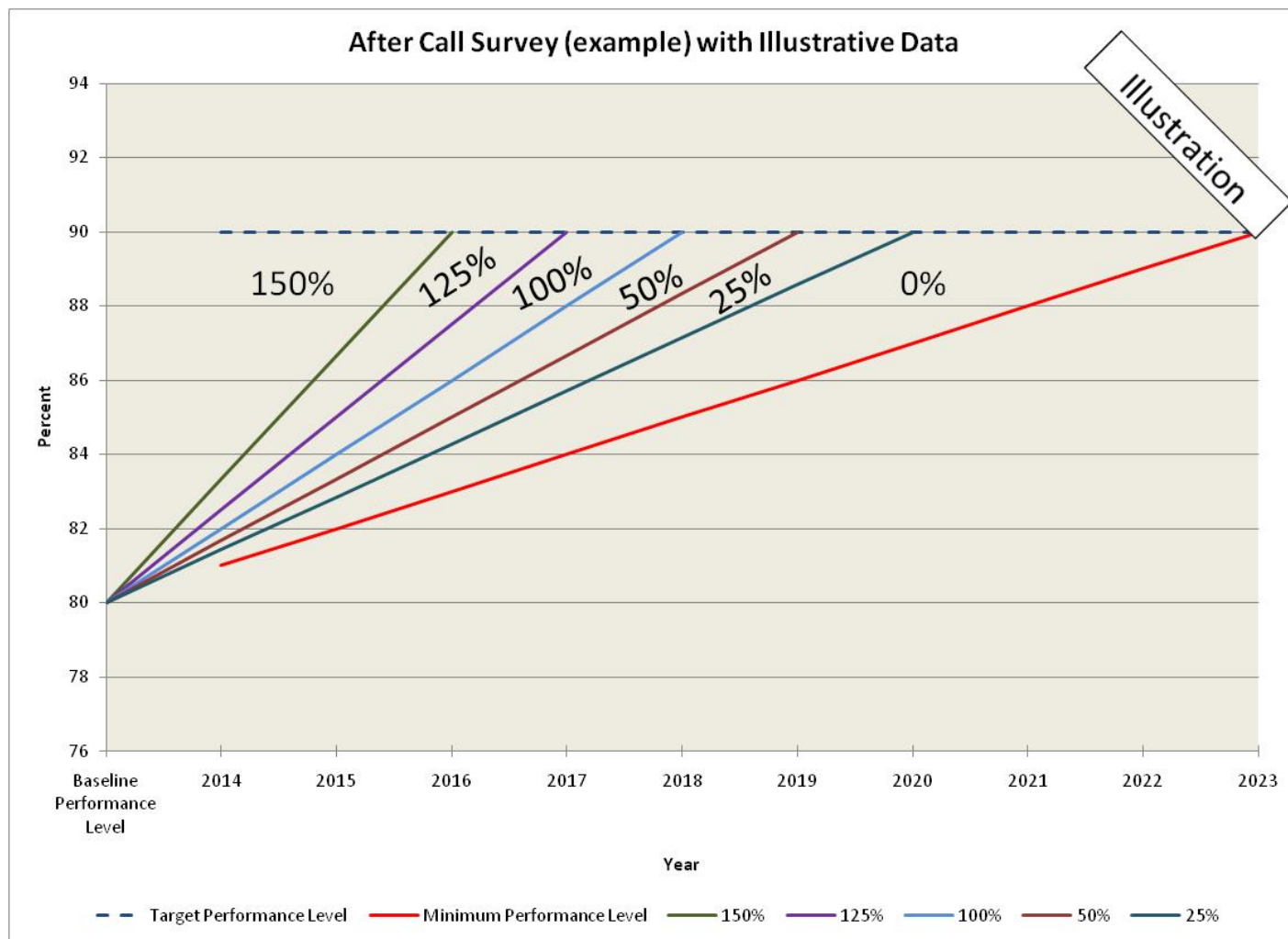
Notes:

All data included is for example only.

Assumption that Baseline Performance Level and Target Performance Level equal the percentages specified below.

Metric 2.3 & 2.4: After Call Survey – Residential and Business

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example and is meant to serve as an illustration only.

Metric 2.3 & 2.4: After Call Survey – Residential and Business

Example Calculation and Data

RESIDENTIAL				Question 1							Question 2							Question 3						
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed
[Data Source]	[ACD Calls]																							
January	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
February	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
March	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
April	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
May	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
June	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
July	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
August	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
September	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
October	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
November	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
December	100	20	20%	1	1	2	15	1	16	80%	3	1	1	14	1	15	75%	1	1	0	16	2	18	90%
Totals	1,200	240		12	12	24	180	12	192		36	12	12	168	12	180		12	12	0	192	24	216	
12-month Average									80%							75%								90%

RESIDENTIAL				Question 4							Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																	
January	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
February	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
March	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
April	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
May	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
June	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
July	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
August	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
September	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
October	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
November	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
December	100	20	20%	2	1	3	14	0	14	70%	1	1	1	11	6	17	85%	
Totals	1,200	240		24	12	36	168	0	168		12	12	12	132	72	204		
12-month Average									70%							85%		80%

Metric 2.3 & 2.4: After Call Survey – Residential and Business

Example Calculation and Data (Continued)

BUSINESS				Question 1							Question 2							Question 3						
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed
[Data Source]	[ACD Calls]																							
January	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
February	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
March	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
April	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
May	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
June	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
July	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
August	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
September	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
October	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
November	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
December	100	20	20%	1	2	2	14	1	15	75%	1	1	0	16	2	18	90%	2	1	3	14	0	14	70%
Totals	1,200	240		12	24	24	168	12	180		12	12	0	192	24	216		24	12	36	168	0	168	
12-month Average										75%							90%							70%

BUSINESS				Question 4							Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																	
January	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
February	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
March	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
April	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
May	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
June	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
July	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
August	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
September	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
October	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
November	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
December	100	20	20%	1	2	0	11	6	17	85%	1	1	2	15	1	16	80%	
Totals	1,200	240		12	24	0	132	72	204		12	12	24	180	12	192		
12-month Average										85%						80%	80%	

Notes:

All data included is for example only.

The structure of the Residential and Business table are identical.

The "# of Surveys Completed" each month should equal the sum of Extremely Unsatisfied, Very Unsatisfied, Somewhat Satisfied, Very Satisfied, and Extremely Satisfied for that month.

Blue titles indicate where data is input. Orange titles indicate where a calculation occurs.

Metric 2.5: Personal Contact Survey

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

2.5 Personal Contact Survey (example)

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			65.0	65.0	65.0	65.0	65.0
2014	90.0	67.5	73.3	71.3	70.0	69.2	68.6
2015	90.0	70.0	81.7	77.5	75.0	73.3	72.1
2016	90.0	72.5	90.0	83.8	80.0	77.5	75.7
2017	90.0	75.0		90.0	85.0	81.7	79.3
2018	90.0	77.5			90.0	85.8	82.9
2019	90.0	80.0				90.0	86.4
2020	90.0	82.5					90.0
2021	90.0	85.0					
2022	90.0	87.5					
2023	90.0	90.0					

Baseline Performance Level	65.0
Target Performance Level	90.0

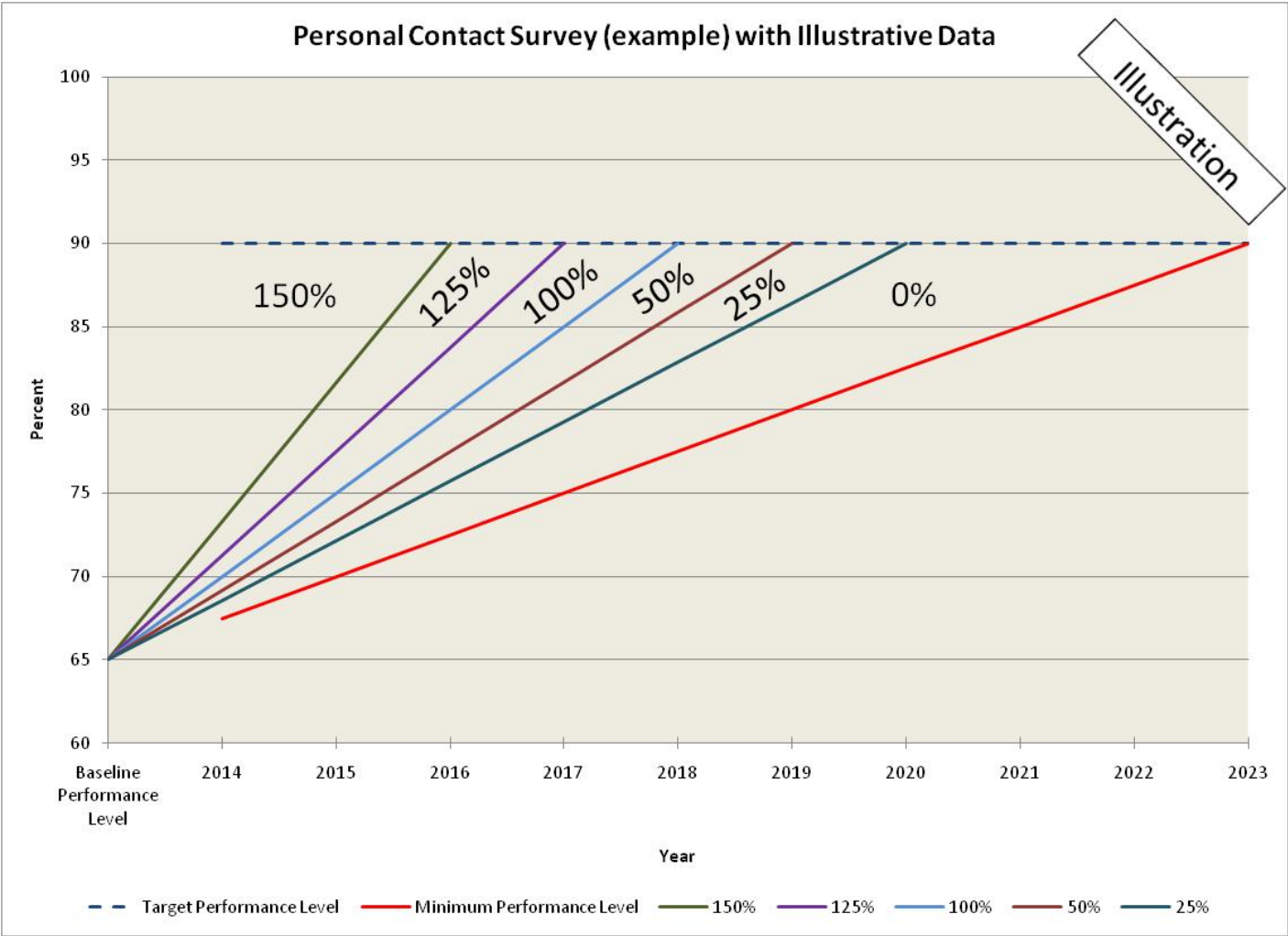
Notes:

All data included is for example only.

Assumption that Baseline Performance Level and Target Performance Level equal the percentages specified below.

Metric 2.5: Personal Contact Survey

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example and is meant to serve as an illustration only.

Metric 2.5: Personal Contact Survey

Example Calculation and Data

Service	Weighting	12-month Average Satisfied	Weighted 12-month Average Satisfied
OFFICE - BILLING	10%	69%	7%
OFFICE - PAYMENT	5%	80%	4%
OFFICE - COLLECTION	10%	60%	6%
FIELD	25%	58%	15%
MAJOR ACCOUNTS	25%	66%	17%
ENERGY EFFICIENCY	25%	68%	17%
Total	100%		65%

OFFICE - BILLING				Question 1								Question 2								Question 3							
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied			
Calculation [Data Source]		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed			
January	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
February	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
March	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
April	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
May	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
June	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
July	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
August	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
September	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
October	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
November	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
December	100	20	20%	3	3	1	12	1	13	65%	1	2	2	13	2	15	75%	1	1	2	14	2	16	80%			
Totals	1,200	240		36	36	12	144	12	156		12	24	24	156	24	180		12	12	24	168	24	192				
12-month Average									65%								75%							80%			

OFFICE - BILLING				Question 4							Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	% of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																	
January	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
February	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
March	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
April	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
May	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
June	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
July	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
August	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
September	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
October	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
November	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
December	100	20	20%	2	2	6	10	0	10	50%	1	4	0	9	6	15	75%	
Totals	1,200	240		24	24	72	120	0	120		12	48	0	108	72	180		
12-month Average										50%							75%	69%

Metric 2.5: Personal Contact Survey

Example Calculation and Data (Continued)

OFFICE - PAYMENT				Question 1							Question 2							Question 3						
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed
[Data Source]	[ACD Calls]																							
January	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
February	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
March	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
April	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
May	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
June	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
July	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
August	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
September	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
October	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
November	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
December	100	20	20%	0	2	3	14	1	15	75%	1	1	0	16	2	18	90%	2	2	2	14	0	14	70%
Totals	1,200	240		0	24	36	168	12	180		12	12	0	192	24	216		24	24	24	168	0	168	
12-month Average										75%							90%							70%

OFFICE - PAYMENT				Question 4							Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																	
January	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
February	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
March	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
April	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
May	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
June	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
July	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
August	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
September	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
October	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
November	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
December	100	20	20%	1	1	1	11	6	17	85%	1	1	2	15	1	16	80%	
Totals	1,200	240		12	12	12	132	72	204		12	12	24	180	12	192		
12-month Average										85%							80%	80%

Metric 2.5: Personal Contact Survey

Example Calculation and Data (Continued)

OFFICE - COLLECTION				Question 1							Question 2							Question 3						
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed
[Data Source]	[ACD Calls]																							
January	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
February	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
March	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
April	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
May	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
June	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
July	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
August	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
September	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
October	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
November	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
December	100	20	20%	2	1	5	10	2	12	60%	4	1	2	12	1	13	65%	1	3	3	11	2	13	65%
Totals	1,200	240		24	12	60	120	24	144		48	12	24	144	12	156		12	36	36	132	24	156	
12-month Average										60%							65%							65%

OFFICE - COLLECTION				Question 4							Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																	
January	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
February	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
March	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
April	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
May	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
June	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
July	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
August	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
September	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
October	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
November	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
December	100	20	20%	2	5	2	11	0	11	55%	1	3	5	5	6	11	55%	
Totals	1,200	240		24	60	24	132	0	132		12	36	60	60	72	132		

Metric 2.5: Personal Contact Survey

Example Calculation and Data (Continued)

FIELD				Question 1								Question 2							Question 3						
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																								
January	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
February	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
March	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
April	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
May	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
June	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
July	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
August	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
September	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
October	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
November	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
December	100	20	20%	3	5	2	9	1	10	50%	4	4	0	10	2	12	60%	2	2	4	12	0	12	60%	
Totals	1,200	240		36	60	24	108	12	120		48	48	0	120	24	144		24	24	48	144	0	144		
12-month Average										50%							60%							60%	

FIELD				Question 4								Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied		
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed		
[Data Source]	[ACD Calls]																		
January	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
February	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
March	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
April	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
May	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
June	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
July	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
August	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
September	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
October	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
November	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
December	100	20	20%	2	1	6	7	4	11	55%	3	1	3	12	1	13	65%		
Totals	1,200	240		24	12	72	84	48	132		36	12	36	144	12	156			
12-month Average										55%							65%	58%	

Metric 2.5: Personal Contact Survey

Example Calculation and Data (Continued)

MAJOR ACCOUNTS				Question 1							Question 2							Question 3						
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed
[Data Source]	[ACD Calls]																							
January	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
February	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
March	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
April	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
May	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
June	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
July	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
August	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
September	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
October	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
November	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
December	100	20	20%	3	3	1	12	1	13	65%	1	2	4	11	2	13	65%	2	2	5	10	1	11	55%
Totals	1,200	240		36	36	12	144	12	156		12	24	48	132	24	156		24	24	60	120	12	132	
12-month Average										65%							65%							55%

MAJOR ACCOUNTS				Question 4							Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																	
January	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
February	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
March	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
April	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
May	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
June	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
July	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
August	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
September	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
October	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
November	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
December	100	20	20%	1	4	3	6	6	12	60%	2	1	0	14	3	17	85%	
Totals	1,200	240		12	48	36	72	72	144		24	12	0	168	36	204		
12-month Average										60%							85%	66%

Metric 2.5: Personal Contact Survey

Example Calculation and Data (Continued)

ENERGY EFFICIENCY				Question 1							Question 2							Question 3						
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed
[Data Source]	[ACD Calls]																							
January	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
February	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
March	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
April	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
May	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
June	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
July	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
August	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
September	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
October	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
November	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
December	100	20	20%	3	1	6	9	1	10	50%	1	6	0	11	2	13	65%	3	1	2	13	1	14	70%
Totals	1,200	240		36	12	72	108	12	120		12	72	0	132	24	156		36	12	24	156	12	168	
12-month Average										50%							65%							70%

ENERGY EFFICIENCY				Question 4							Question 5							Average % Satisfied for questions 1 - 5
Date	# of Answered Calls	# of Surveys Completed	% of Callers who Complete Survey	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	Extremely Unsatisfied	Very Unsatisfied	Somewhat Satisfied	Very Satisfied	Extremely Satisfied	Total Satisfied	% Satisfied	
Calculation		-	# of Surveys Completed / # of Answered Calls	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	-	-	-	-	-	Very Sat. + Extremely Sat.	Total Sat. / # of Surveys Completed	
[Data Source]	[ACD Calls]																	
January	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
February	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
March	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
April	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
May	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
June	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
July	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
August	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
September	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
October	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
November	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
December	100	20	20%	0	2	1	11	6	17	85%	3	1	2	13	1	14	70%	
Totals	1,200	240		0	24	12	132	72	204		36	12	24	156	12	168		
12-month Average										85%								68%

Notes:

All data included is for example only. The structure of the tables is identical.

The "# of Surveys Completed" each month should equal the sum of Extremely Unsatisfied, Very Unsatisfied, Somewhat Satisfied, Very Satisfied, and Extremely Satisfied for that month.

Blue titles indicate where data is input. Orange titles indicate where a calculation occurs.

Metric 2.6: Average Speed of Answer (ASA)

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

2.6 Average Speed of Answer (ASA)

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			169.0	169.0	169.0	169.0	169.0
2014	30.0	155.1	122.7	134.3	141.2	145.8	149.1
2015	30.0	141.2	76.3	99.5	113.4	122.7	129.3
2016	30.0	127.3	30.0	64.8	85.6	99.5	109.4
2017	30.0	113.4		30.0	57.8	76.3	89.6
2018	30.0	99.5			30.0	53.2	69.7
2019	30.0	85.6				30.0	49.9
2020	30.0	71.7					30.0
2021	30.0	57.8					
2022	30.0	43.9					
2023	30.0	30.0					

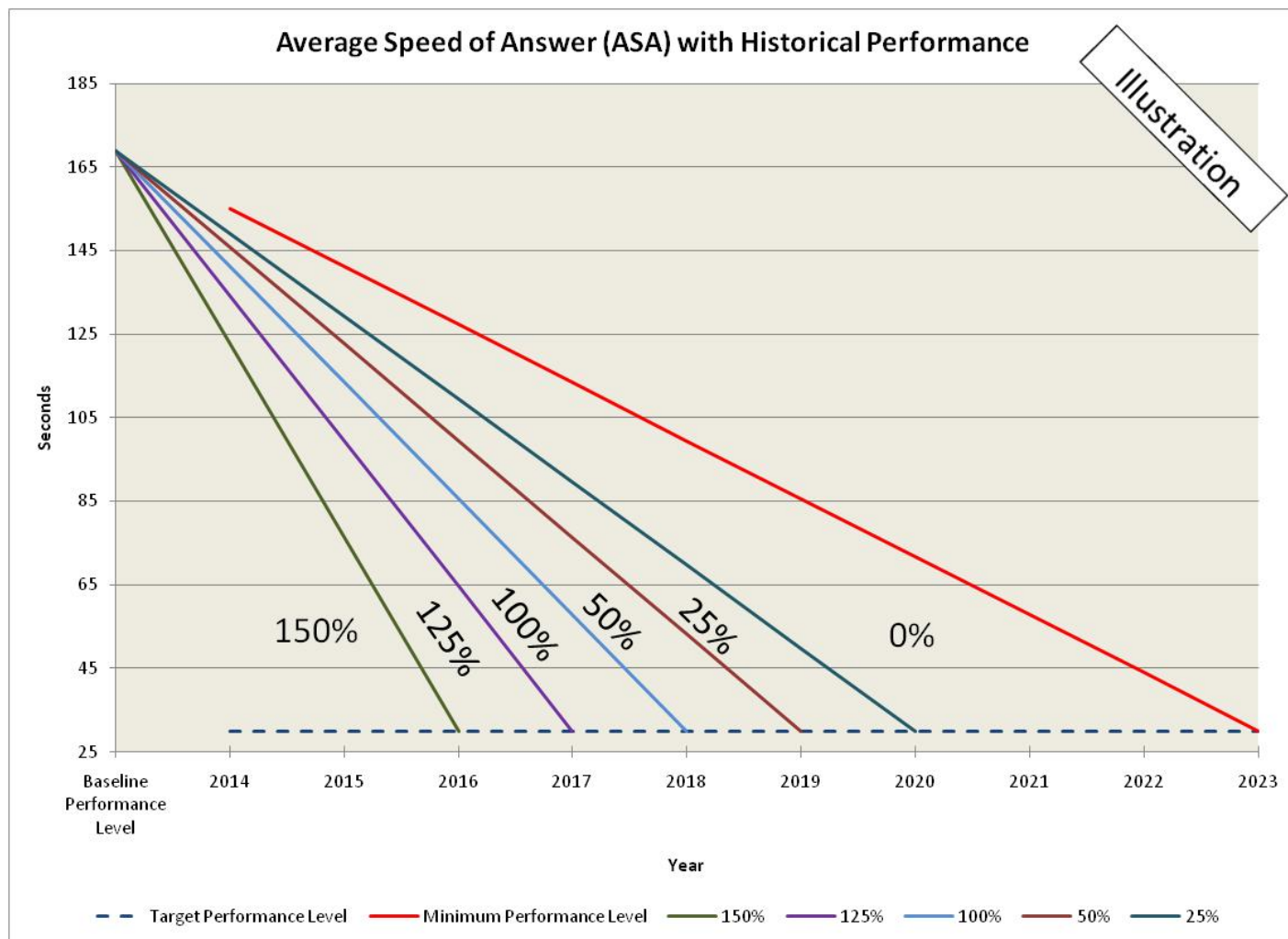
Baseline Performance Level	169
Target Performance Level	30

Note:

This is an example based on the 2010 target performance level and is meant to serve as an illustration only.

Metric 2.6: Average Speed of Answer (ASA)

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on 2010 target level performance and is meant to serve as an illustration only.

Metric 2.6: Average Speed of Answer (ASA)

Example Calculation and Data

February 2010 Call Center Statistics

Date	DATA		CALCULATIONS	
	ACD Calls	ASA (seconds)	Total Time Waiting for CSR (seconds)	Monthly ASA (seconds)
Day 1	5,278	237	1,253,067	
Day 2	6,860	282	1,935,001	
Day 3	5,724	205	1,174,008	
Day 4	5,461	143	779,819	
Day 5	569	28	15,873	
Day 6	605	30	18,074	
Day 7	6,912	369	2,547,876	
Day 8	6,090	120	732,364	
Day 9	5,426	53	290,156	
Day 10	6,190	216	1,334,733	
Day 11	5,002	303	1,513,137	
Day 12	301	4	1,159	
Day 13	301	1	276	
Day 14	6,780	327	2,214,339	
Day 15	5,376	196	1,053,015	
Day 16	5,440	177	964,307	
Day 17	5,408	160	864,300	
Day 18	5,326	253	1,349,769	
Day 19	2,567	55	142,102	
Day 20	726	19	13,876	
Day 21	3,457	46	158,269	
Day 22	6,563	89	582,444	
Day 23	5,295	169	893,498	
Day 24	5,033	62	312,874	
Day 25	6,511	246	1,604,954	
Day 26	1,351	24	32,242	
Day 27	251	11	2,676	
Day 28	7,930	103	813,420	
Day 29	0	0	0	
Day 30	0	0	0	
Day 31	0	0	0	
Monthly Total	122,733		22,597,628	184

Annual Performance

(ASA)	
Year	Seconds
2007	159*
2008	174
2009	153
2010	258

* Performance is estimated from graphical data.

Data provided in Annual MSA Performance Metric Reports.

Metric 2.7: Abandon Rate

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

2.7 Abandon Rate

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			11.28%	11.28%	11.28%	11.28%	11.28%
2014	3.00%	10.45%	8.52%	9.21%	9.62%	9.90%	10.10%
2015	3.00%	9.62%	5.76%	7.14%	7.97%	8.52%	8.91%
2016	3.00%	8.80%	3.00%	5.07%	6.31%	7.14%	7.73%
2017	3.00%	7.97%		3.00%	4.66%	5.76%	6.55%
2018	3.00%	7.14%			3.00%	4.38%	5.37%
2019	3.00%	6.31%				3.00%	4.18%
2020	3.00%	5.48%					3.00%
2021	3.00%	4.66%					
2022	3.00%	3.83%					
2023	3.00%	3.00%					

Baseline Performance Level	11.28%
Target Performance Level	3.00%

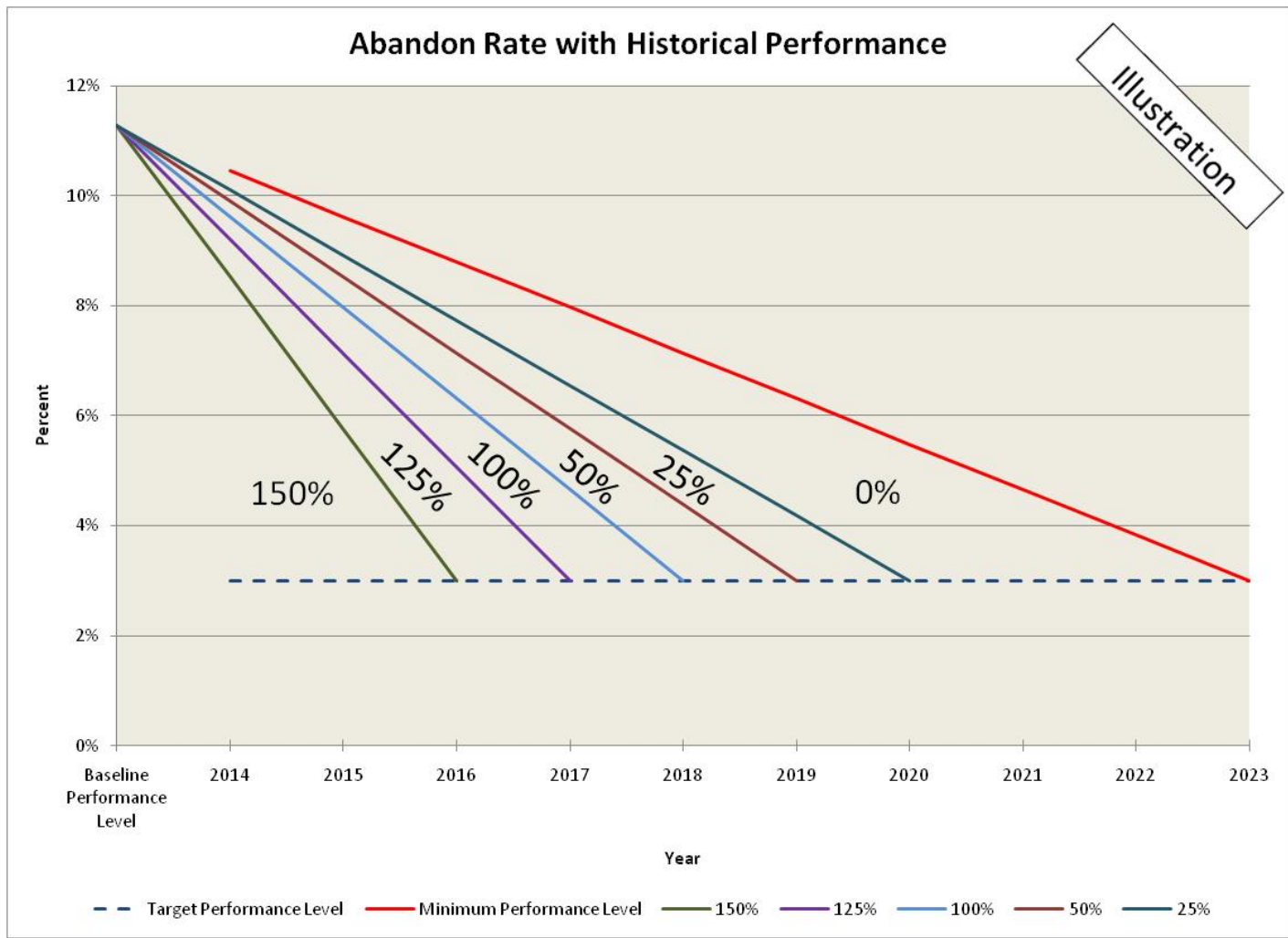
Notes:

Calculations are based on residential and business calls offered and handled by the CSR only. No IVR or 21st Century calls are included.

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

Metric 2.7: Abandon Rate

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

Metric 2.7: Abandon Rate

Example Calculation and Data

DATA					CALCULATIONS			
Date	Residential Calls Offered to CSR	Business Calls Offered to CSR	Residential Calls Answered by CSR	Business Calls Answered by CSR	Total Calls Offered to CSR	Total Calls Answered by CSR	Call Answer Rate	Abandoned Rate
Jan-10	128,769	6,812	114,611	6,666	135,581	121,277		
Feb-10	121,851	6,018	109,423	5,854	127,869	115,277		
Mar-10	185,303	6,894	163,640	6,664	192,197	170,304		
Apr-10	124,656	6,556	113,339	6,387	131,212	119,726		
May-10	126,287	6,119	112,171	6,034	132,406	118,205		
Jun-10	150,069	6,482	136,191	6,366	156,551	142,557		
Jul-10	156,680	6,150	134,269	6,008	162,830	140,277		
Aug-10	153,898	6,587	131,798	6,403	160,485	138,201		
Sep-10	150,885	6,663	127,435	6,434	157,548	133,869		
Oct-10	146,723	6,507	129,146	6,308	153,230	135,454		
Nov-10	137,572	6,554	121,006	6,351	144,126	127,357		
Dec-10	133,747	6,095	123,071	5,923	139,842	128,994		
Totals					1,793,877	1,591,498	88.72%	11.28%

Notes:

Source - LIPA Call Center Statistics Report

Calculations are based on residential and business calls offered and handled by the CSR only. No IVR or 21st Century calls are included.

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

The data above includes calls that disconnected within the first five seconds of being placed in the CSR queue. The metric under the OSA will not include these calls.

Metric 2.8: Web Transactions Completed

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

2.8 Web Transactions Completed (example)

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			0.0%	0.0%	0.0%	0.0%	0.0%
2014	25.0%	2.5%	8.3%	6.3%	5.0%	4.2%	3.6%
2015	25.0%	5.0%	16.7%	12.5%	10.0%	8.3%	7.1%
2016	25.0%	7.5%	25.0%	18.8%	15.0%	12.5%	10.7%
2017	25.0%	10.0%		25.0%	20.0%	16.7%	14.3%
2018	25.0%	12.5%			25.0%	20.8%	17.9%
2019	25.0%	15.0%				25.0%	21.4%
2020	25.0%	17.5%					25.0%
2021	25.0%	20.0%					
2022	25.0%	22.5%					
2023	25.0%	25.0%					

Baseline Performance Level	0%
Targeted yearly improvement	5.0%
Target Performance Level	25.0% improvement in transactions completed on Web.

Notes:

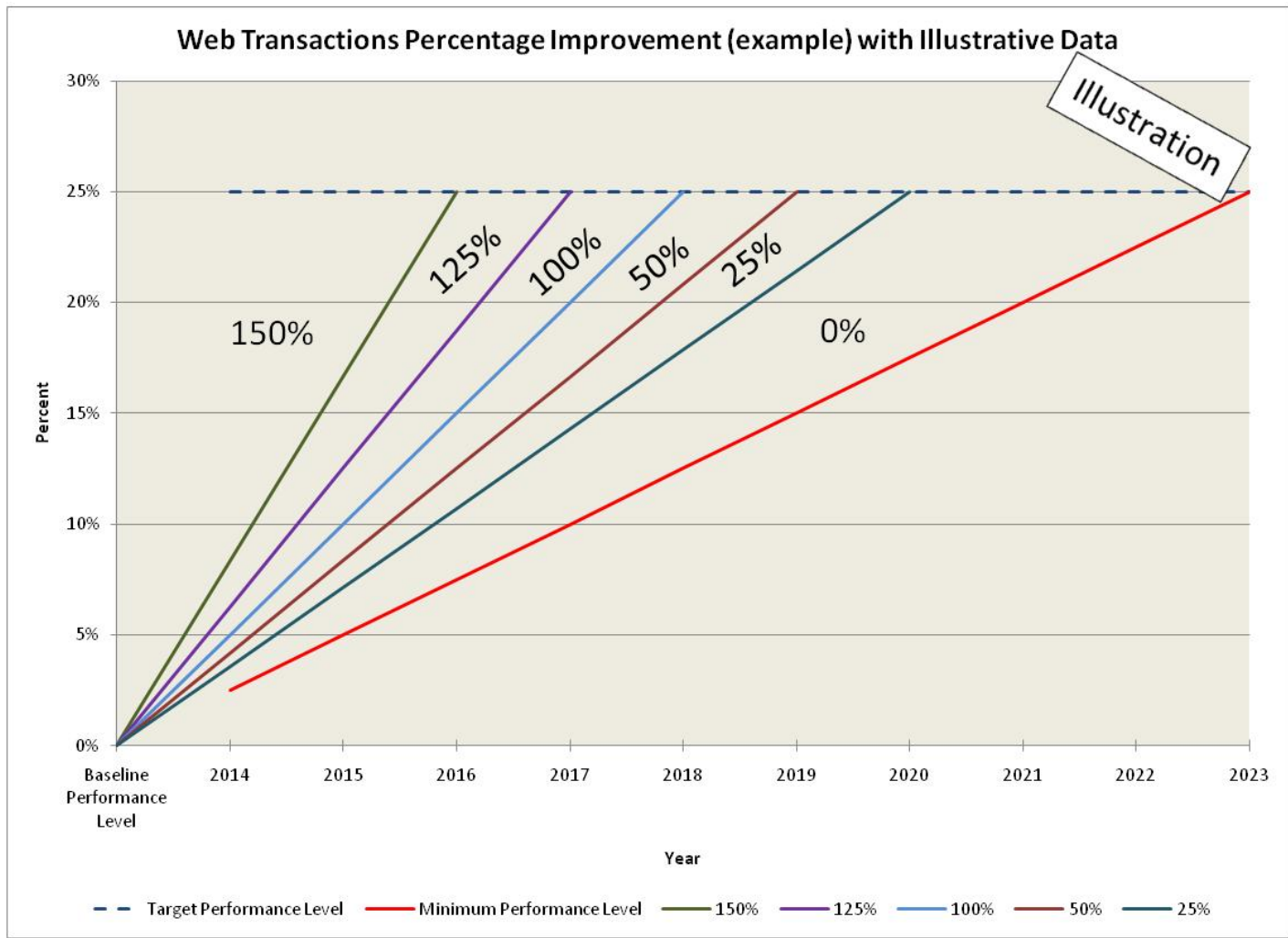
The data provided in the graphs is solely intended to serve as an example. This is historical data as available.

Assumption that Baseline Performance Level is percentage specified below.

Target Performance Level set at percent improvement in number of transactions as specified below.

Metric 2.8: Web Transactions Completed

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on historical performance as available and is meant to serve as an illustration only.

Metric 2.8: Web Transactions Completed

Example Calculation and Data

Year	Payment Trans. % Increase	All Other Trans. % Increase	Average % Increase
2009	16%	16%	16%
2010	18%	7%	13%

DATA						CALCULATIONS		
Date	Bill payment through bank (auto bank and single bank payments)	Bill payment through LIPA website (auto and single payments)	Credit Card payments (auto and single payments)	IVR payments	Direct Pay	Sum of Payment Transactions	Rolling 12-month average # of Payment Transactions	Percent Increase
Jan-08	129,515	50,317				179,832		
Feb-08	136,254	50,846				187,100		
Mar-08	138,061	54,252				192,313		
Apr-08	140,994	51,783				192,777		
May-08	144,235	54,299				198,534		
Jun-08	142,282	51,733				194,015		
Jul-08	149,771	54,484				204,255		
Aug-08	149,310	55,475				204,785		
Sep-08	146,221	56,094				202,315		
Oct-08	157,312	60,400				217,712		
Nov-08	151,961	59,703				211,664		
Dec-08	169,463	59,779				229,242	201,212	
Jan-09	148,879	61,065				209,944	203,721	
Feb-09	158,572	64,344				222,916	206,706	
Mar-09	174,780	71,027				245,807	211,164	
Apr-09	167,552	66,886				234,438	214,636	
May-09	167,860	69,960				237,820	217,909	
Jun-09	172,996	67,045				240,041	221,745	
Jul-09	168,738	67,784				236,522	224,434	
Aug-09	168,864	68,924				237,788	227,184	
Sep-09	171,976	68,866				240,842	230,395	
Oct-09	182,006	74,095				256,101	233,594	
Nov-09	181,142	72,001				253,143	237,050	
Dec-09	182,736	70,166		21,241		274,143	240,792	16%
Jan-10	163,746	73,470		21,770	617	259,603	244,930	
Feb-10	178,036	73,531		22,469	571	274,607	249,238	
Mar-10	199,736	78,491		26,748	604	305,579	254,219	
Apr-10	188,080	74,766		23,559	437	286,842	258,586	
May-10	181,799	76,778		21,914	508	280,999	262,184	
Jun-10	196,011	75,283		24,928	501	296,723	266,908	
Jul-10	190,129	78,085		24,167	589	292,970	271,612	
Aug-10	199,995	78,865		25,817	589	305,266	277,235	
Sep-10	190,741	77,270		25,043	617	293,671	281,637	
Oct-10	197,051	83,926		24,742	689	306,408	285,830	
Nov-10	214,442	83,572		26,719	715	325,448	291,855	
Dec-10	201,637	82,393		23,438	571	308,039	294,680	18%

DATA							CALCULATIONS					
Paperless Bill e-LERT (enrollment and de-enrollment)	Update on Web information on web	Meter reads entered on web	Balanced Billing Online enrollment	Open and Close Account on web	Outages reported on web or texting	Energy efficiency audit on web	40% Sum of Paperless Bill Transactions	30% Sum of Updates on Web Transactions	30% Sum of Online Self Help Transactions	Weighted Sum of Transactions	Rolling 12-month average # of all other transactions	Percent Increase
736	890	923	334	394			736	890	1,651	1,057		
653	837	805	343	367			653	837	1,515	967		
626	884	961	282	403			626	884	1,646	1,009		
684	834	856	280	391			684	834	1,527	982		
665	744	908	237	513			665	744	1,658	987		
646	754	896	288	585			646	754	1,769	1,015		
723	792	1,043	339	549			723	792	1,931	1,106		
741	813	963	414	545			741	813	1,922	1,117		
702	834	991	412	433			702	834	1,836	1,082		
758	823	942	401	403			758	823	1,746	1,074		
1,881	930	880	311	403			1,881	930	1,594	1,510		
847	825	840	294	345			847	825	1,479	1,030	1,078	
1,239	1,026	1,000	421	375			1,239	1,026	1,296	1,342	1,102	
1,464	879	947	454	425			1,464	879	1,826	1,397	1,138	
1,721	1,026	1,080	394	440			1,721	1,026	1,914	1,570	1,184	
1,104	920	993	286	373			1,104	920	1,652	1,213	1,204	
940	842	987	259	486			940	842	1,732	1,148	1,217	
928	781	960	276	517			928	781	1,753	1,131	1,227	
922	847	1,080	339	560			922	847	1,979	1,217	1,236	
1,116	914	1,096	495	617			1,116	914	2,208	1,383	1,258	
993	956	1,066	443	528			993	956	2,037	1,295	1,276	
1,013	1,078	1,086	482	537			1,013	1,078	2,105	1,360	1,300	
930	937	1,003	334	488			930	937	1,825	1,201	1,274	
946	944	992	325	441			946	944	1,758	1,189	1,287	16%
1,165	946	1,135	484	436			1,165	946	2,055	1,366	1,289	
999	860	1,015	436	403			999	860	1,854	1,214	1,274	
994	1,028	1,210	440	484			994	1,028	2,134	1,346	1,255	
879	858	1,132	317	414			879	858	1,863	1,168	1,252	
945	971	1,058	328	526			945	971	1,912	1,243	1,259	
867	957	1,126	619	588			867	957	2,333	1,334	1,276	
986	978	1,207	672	586			986	978	2,465	1,427	1,294	
1,099	1,161	1,184	610	577			1,099	1,161	2,371	1,499	1,304	
1,037	1,057	1,177	586	543			1,037	1,057	2,306	1,424	1,314	
1,267	1,149	1,152	536	427			1,267	1,149	2,115	1,486	1,325	
1,294	1,130	1,078	534	417			1,294	1,130	2,029	1,465	1,347	
1,990	978	995	414	401			1,990	978	1,810	1,632	1,384	7%

Metric 3.1: System Average Interruption Duration Index (SAIDI)

Example Target Range and Minimum Performance Level and Corresponding Base Point Multipliers

Normal Distribution

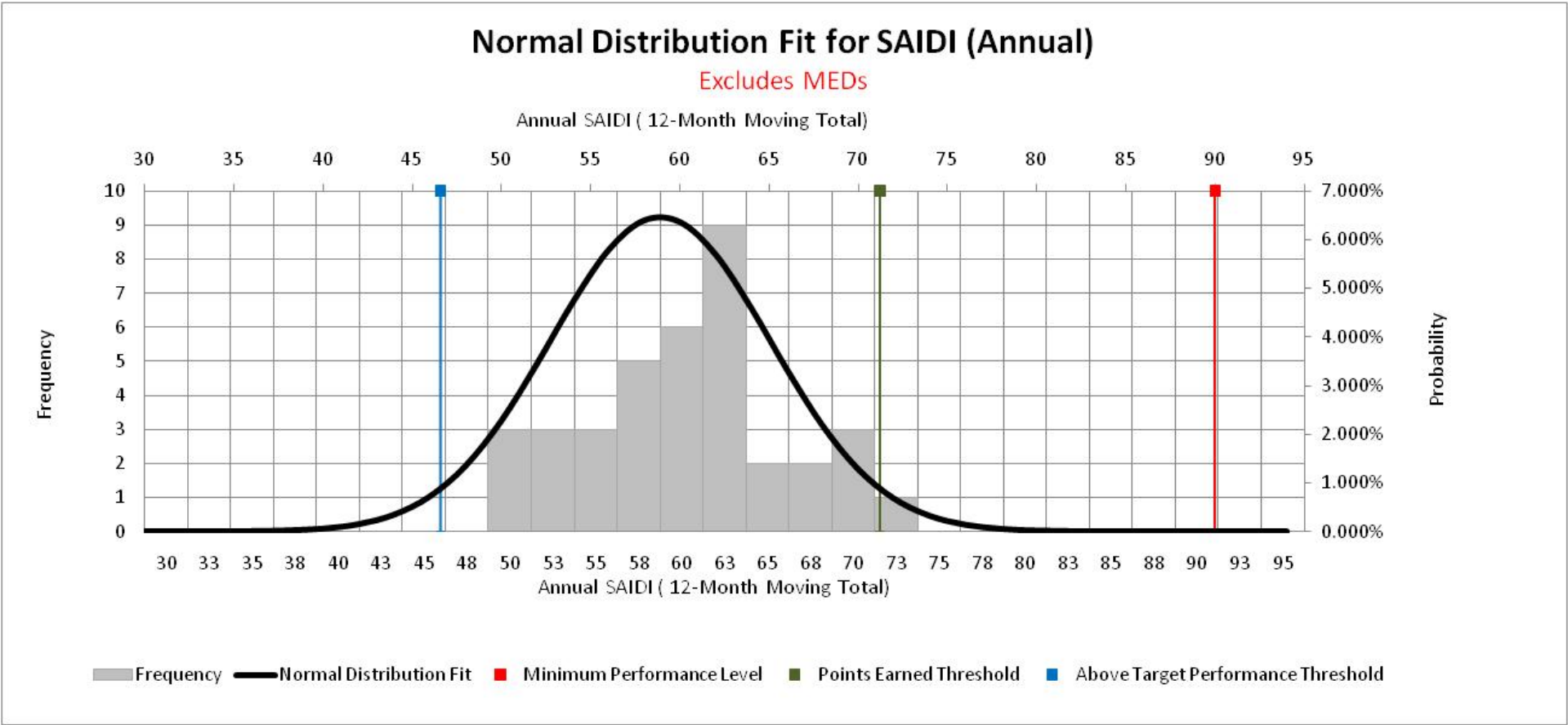
Mean	59
Standard Deviation	6

Target Range

# of Standard Deviation from Mean (+/-)	2.0
Lower End	47
Higher End	71
Probability in Range (normal distribution)	95.4%
Minimum Performance Level	90
Points Earned Threshold	71
Above Target Performance Threshold	47

Metric 3.1: System Average Interruption Duration Index (SAIDI)

Illustrative Performance Metric Graph Utilizing the Example Calculation



Metric 3.1: System Average Interruption Duration Index (SAIDI)

Example Calculation and Data

Historical Data		Histogram		Normal Distribution		
Month- Year	12 Month Moving Total	Bin	Frequency	Bin for Normal Distribution Fit	Normal Distribution Fit	Cumulative Probability
1-2007	60.07	30.00	0	30	0.000%	0.000%
2-2007	61.49	32.50	0	32	0.000%	0.001%
3-2007	64.00	35.00	0	34	0.002%	0.003%
4-2007	62.37	37.50	0	36	0.006%	0.010%
5-2007	60.81	40.00	0	38	0.021%	0.035%
6-2007	61.89	42.50	0	40	0.059%	0.108%
7-2007	67.45	45.00	0	42	0.151%	0.305%
8-2007	69.23	47.50	0	44	0.348%	0.781%
9-2007	69.20	50.00	3	46	0.724%	1.816%
10-2007	71.64	52.50	3	48	1.355%	3.847%
11-2007	69.66	55.00	3	50	2.282%	7.435%
12-2007	67.47	57.50	5	52	3.459%	13.145%
1-2008	62.71	60.00	6	54	4.720%	21.331%
2-2008	61.61	62.50	9	56	5.796%	31.902%
3-2008	57.89	65.00	2	58	6.406%	44.201%
4-2008	55.80	67.50	2	60	6.372%	57.091%
5-2008	55.24	70.00	3	62	5.704%	69.261%
6-2008	54.41	72.50	1	64	4.596%	79.612%
7-2008	48.96	75.00	0	66	3.333%	87.542%
8-2008	50.21	77.50	0	68	2.175%	93.016%
9-2008	50.39	80.00	0	70	1.278%	96.419%
10-2008	47.85	82.50	0	72	0.675%	98.325%
11-2008	49.47	85.00	0	74	0.321%	99.287%
12-2008	51.32	87.50	0	76	0.138%	99.724%
1-2009	54.15	90.00	0	78	0.053%	99.903%
2-2009	53.86	92.50	0	80	0.018%	99.969%
3-2009	55.63	95.00	0	82	0.006%	99.991%
4-2009	55.88			84	0.002%	99.998%
5-2009	57.51			86	0.000%	99.999%
6-2009	60.17			88	0.000%	100.000%
7-2009	57.74			90	0.000%	100.000%
8-2009	59.10			92	0.000%	100.000%
9-2009	58.82			94	0.000%	100.000%
10-2009	60.49					
11-2009	60.27					
12-2009	59.05					
1-2010	55.44					

Metric 3.2: System Average Interruption Frequency Index (SAIFI)

Example Target Range and Minimum Performance Level and Corresponding Base Point Multipliers

Normal Distribution

Mean	0.77
Standard Deviation	0.08

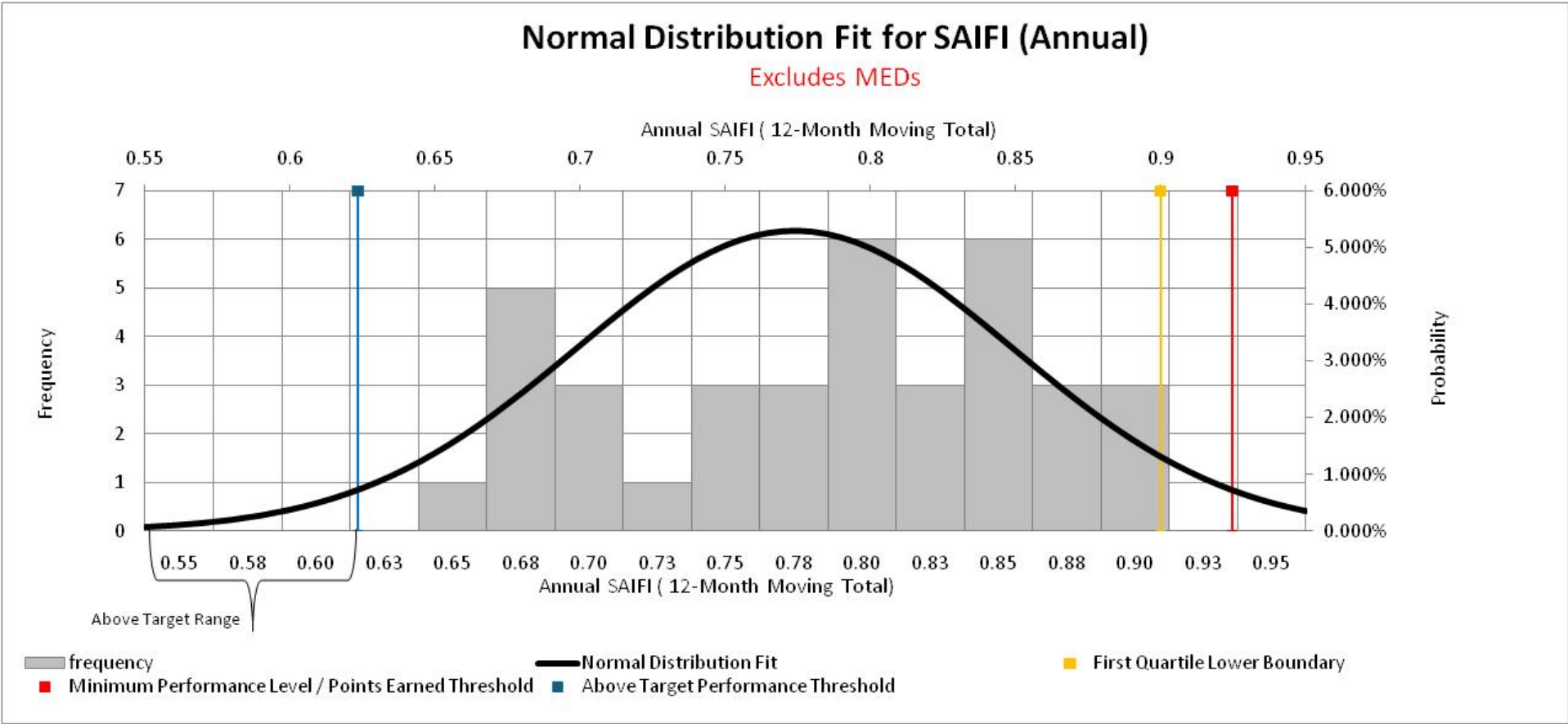
Target Range

# of Standard Deviation from Mean (+/-)	2.0
Lower End	0.62
Higher End	0.92
Probability in Range (normal distribution)	95.4%
First Quartile Lower Boundary	0.90
Minimum Performance Level / Points Earned Threshold	0.92
Above Target Performance Threshold	0.62

Base Points Multiplier for Above Target Range: 90%

Metric 3.2: System Average Interruption Frequency Index (SAIFI)

Illustrative Performance Metric Graph Utilizing the Example Calculation



Metric 3.2: System Average Interruption Frequency Index (SAIFI)

Example Calculation and Data

Historical Data		Histogram		Normal Distribution		
Month- Year	12 Month Moving Total	Bin	frequency	Bin for Normal Distribution Fit	Normal Distribution Fit	Cumulative Probability
1-2007	0.84	0.55	0	0.55	0.064%	0.148%
2-2007	0.87	0.58	0	0.56	0.094%	0.226%
3-2007	0.89	0.60	0	0.57	0.136%	0.339%
4-2007	0.86	0.63	0	0.58	0.193%	0.502%
5-2007	0.84	0.65	1	0.59	0.269%	0.731%
6-2007	0.84	0.68	5	0.6	0.368%	1.047%
7-2007	0.89	0.70	3	0.61	0.496%	1.477%
8-2007	0.88	0.73	1	0.62	0.656%	2.050%
9-2007	0.84	0.75	3	0.63	0.853%	2.801%
10-2007	0.85	0.78	3	0.64	1.089%	3.769%
11-2007	0.83	0.80	6	0.65	1.367%	4.993%
12-2007	0.81	0.83	3	0.66	1.686%	6.517%
1-2008	0.76	0.85	6	0.67	2.043%	8.378%
2-2008	0.73	0.88	3	0.68	2.432%	10.613%
3-2008	0.68	0.90	3	0.69	2.844%	13.249%
4-2008	0.66	0.93	0	0.7	3.269%	16.305%
5-2008	0.65	0.95	0	0.71	3.691%	19.785%
6-2008	0.66			0.72	4.095%	23.681%
7-2008	0.63			0.73	4.464%	27.964%
8-2008	0.66			0.74	4.781%	32.592%
9-2008	0.68			0.75	5.032%	37.504%
10-2008	0.66			0.76	5.203%	42.629%
11-2008	0.69			0.77	5.286%	47.881%
12-2008	0.72			0.78	5.277%	53.171%
1-2009	0.74			0.79	5.176%	58.405%
2-2009	0.74			0.8	4.988%	63.494%
3-2009	0.77			0.81	4.723%	68.355%
4-2009	0.79			0.82	4.394%	72.919%
5-2009	0.82			0.83	4.017%	77.127%
6-2009	0.84			0.84	3.608%	80.942%
7-2009	0.81			0.85	3.184%	84.338%
8-2009	0.79			0.86	2.761%	87.309%
9-2009	0.78			0.87	2.352%	89.864%
10-2009	0.80			0.88	1.969%	92.022%
11-2009	0.79			0.89	1.619%	93.813%
12-2009	0.78			0.9	1.308%	95.273%
1-2010	0.76			0.91	1.039%	96.443%
				0.92	0.811%	97.365%
				0.93	0.621%	98.077%
				0.94	0.468%	98.619%
				0.95	0.346%	99.024%

Metric 3.3: Customer Average Interruption Duration Index (CAIDI)

Example Target Range and Minimum Performance Level and Corresponding Base Point Multipliers

Normal Distribution

Mean	77
Standard Deviation	7

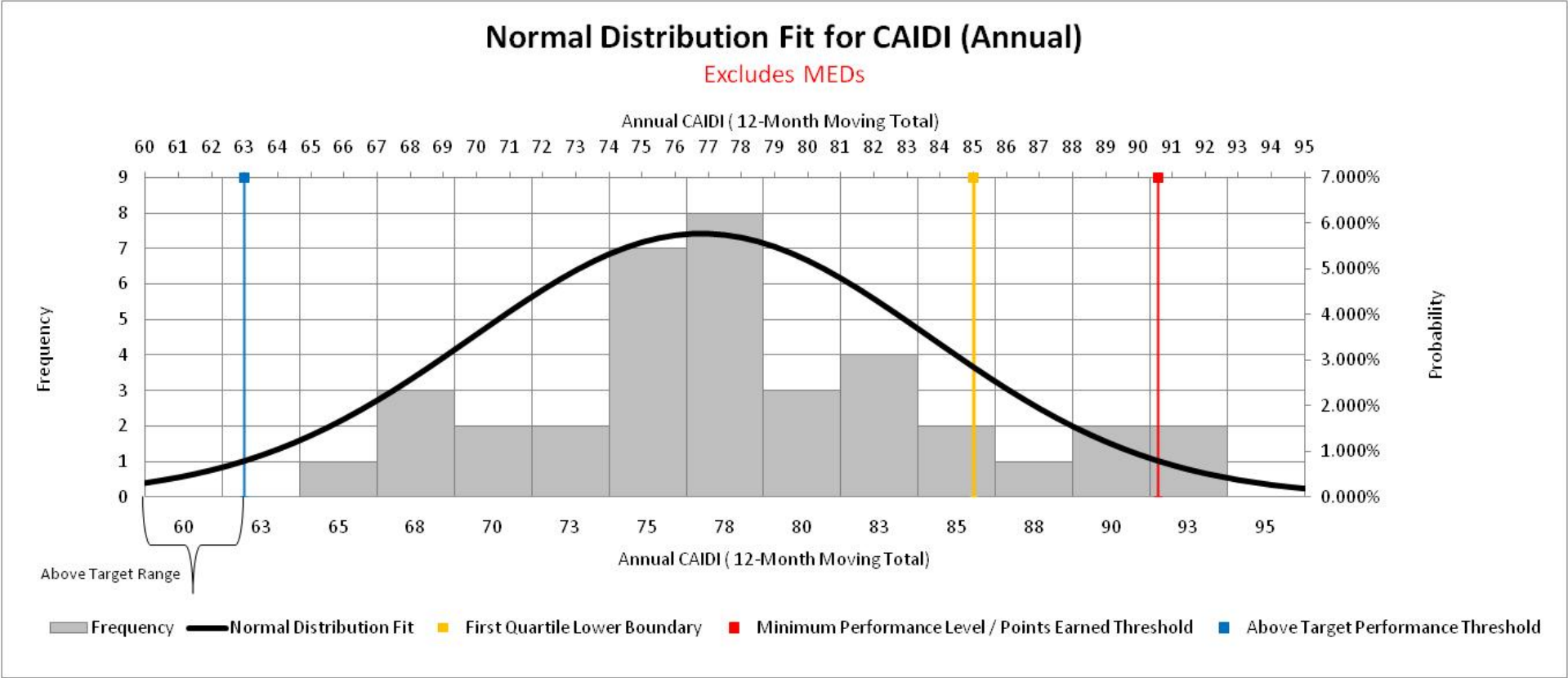
Target Range

# of Standard Deviation from Mean (+/-)	2.0
Lower End	63
Higher End	91
Probability in Range (normal distribution)	95.4%
First Quartile Lower Boundary	85
Minimum Performance Level / Points Earned Threshold	91
Above Target Performance Threshold	63

Base Points Multiplier for Above Target Range: 90%

Metric 3.3: Customer Average Interruption Duration Index (CAIDI)

Illustrative Performance Metric Graph Utilizing the Example Calculation



Metric 3.3: Customer Average Interruption Duration Index (CAIDI)

Example Calculation and Data

Historical Data		Histogram		Normal Distribution		
Month- Year	12 Month Moving Total	Bin	Frequency	Bin for Normal Distribution Fit	Normal Distribution Fit	Cumulative Probability
12-2006	71.46	60.00	0	60	0.299%	0.748%
1-2007	73.67	62.50	0	61	0.422%	1.105%
2-2007	77.39	65.00	1	62	0.581%	1.603%
3-2007	75.92	67.50	3	63	0.785%	2.283%
4-2007	74.37	70.00	2	64	1.038%	3.190%
5-2007	76.20	72.50	2	65	1.344%	4.376%
6-2007	84.27	75.00	7	66	1.703%	5.895%
7-2007	87.44	77.50	8	67	2.114%	7.800%
8-2007	88.41	80.00	3	68	2.570%	10.139%
9-2007	92.12	82.50	4	69	3.059%	12.951%
10-2007	90.22	85.00	2	70	3.565%	16.262%
11-2007	87.96	87.50	1	71	4.069%	20.080%
12-2007	82.75	90.00	2	72	4.547%	24.391%
1-2008	81.40	92.50	2	73	4.975%	29.157%
2-2008	76.54	95.00	0	74	5.331%	34.317%
3-2008	73.83			75	5.593%	39.788%
4-2008	73.17			76	5.746%	45.467%
5-2008	72.17			77	5.781%	51.241%
6-2008	65.17			78	5.695%	56.989%
7-2008	67.13			79	5.493%	62.592%
8-2008	67.61			80	5.189%	67.941%
9-2008	64.38			81	4.799%	72.941%
10-2008	66.69			82	4.346%	77.518%
11-2008	69.27			83	3.854%	81.620%
12-2008	73.21			84	3.347%	85.221%
1-2009	72.74			85	2.846%	88.316%
2-2009	75.03			86	2.370%	90.921%
3-2009	75.32			87	1.932%	93.068%
4-2009	77.42			88	1.542%	94.801%
5-2009	80.85			89	1.206%	96.171%
6-2009	77.45			90	0.923%	97.231%
7-2009	78.99			91	0.692%	98.034%
8-2009	78.38			92	0.508%	98.630%
9-2009	80.48			93	0.365%	99.063%
10-2009	80.04			94	0.257%	99.372%
11-2009	78.29			95	0.177%	99.586%
12-2009	73.33					

Metric 3.4: Major Event Day CAIDI

Example Target Range and Minimum Performance Level and Corresponding Base Point Multipliers

Normal Distribution

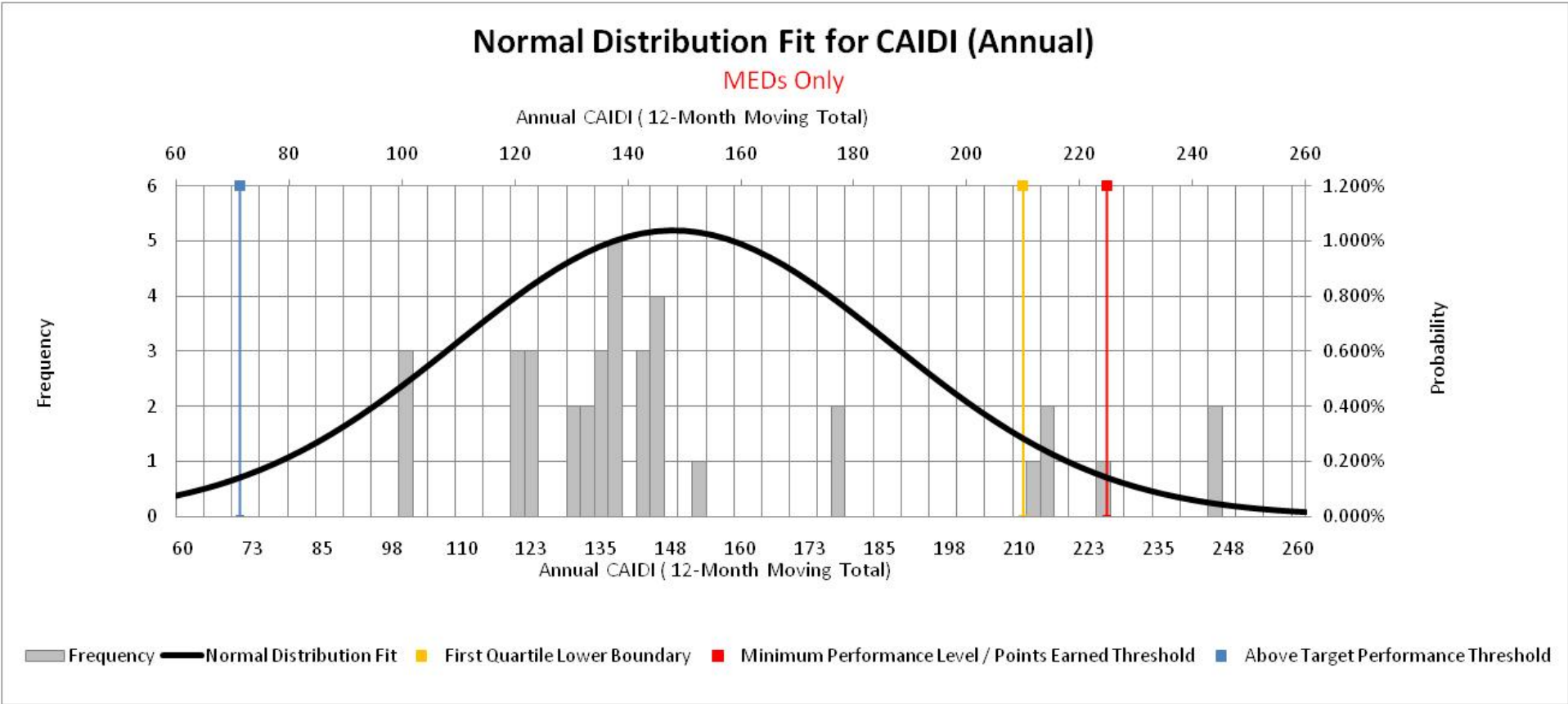
Mean	148
Standard Deviation	38

Target Range

# of Standard Deviation from Mean (+/-)	2.0
Lower End	71
Higher End	225
Probability in Range (normal distribution)	95.4%
First Quartile Lower Boundary	210
Minimum Performance Level / Points Earned Threshold	225
Above Target Performance Threshold	71

Metric 3.4: Major Event Day CAIDI

Illustrative Performance Metric Graph Utilizing the Example Calculation



Metric 3.4: Major Event Day CAIDI

Example Calculation and Data

Historical Data		Histogram		Normal Distribution		
Month- Year	12 Month Moving Total	Bin	Frequency	Bin for Normal Distribution Fit	Normal Distribution Fit	Cumulative Probability
1-2007	129.55	60.00	0	60.00	0.075%	1.086%
2-2007	129.55	62.50	0	62.50	0.087%	1.287%
3-2007	143.61	65.00	0	65.00	0.100%	1.520%
4-2007	143.92	67.50	0	67.50	0.115%	1.788%
5-2007	143.92	70.00	0	70.00	0.131%	2.095%
6-2007	143.92	72.50	0	72.50	0.150%	2.445%
7-2007	118.33	75.00	0	75.00	0.170%	2.844%
8-2007	141.02	77.50	0	77.50	0.192%	3.295%
9-2007	130.49	80.00	0	80.00	0.216%	3.804%
10-2007	130.49	82.50	0	82.50	0.241%	4.374%
11-2007	137.07	85.00	0	85.00	0.269%	5.012%
12-2007	137.07	87.50	0	87.50	0.299%	5.723%
1-2008	137.07	90.00	0	90.00	0.331%	6.510%
2-2008	137.07	92.50	0	92.50	0.364%	7.378%
3-2008	135.72	95.00	0	95.00	0.400%	8.333%
4-2008	134.51	97.50	0	97.50	0.436%	9.377%
5-2008	134.51	100.00	3	100.00	0.474%	10.515%
6-2008	134.51	102.50	0	102.50	0.514%	11.750%
7-2008	151.43	105.00	0	105.00	0.554%	13.084%
8-2008	119.39	107.50	0	107.50	0.595%	14.519%
9-2008	175.61	110.00	0	110.00	0.636%	16.057%
10-2008	175.61	112.50	0	112.50	0.677%	17.697%
11-2008	99.01	115.00	0	115.00	0.717%	19.440%
12-2008	99.01	117.50	0	117.50	0.757%	21.283%
1-2009	99.01	120.00	3	120.00	0.796%	23.224%
2-2009	119.56	122.50	3	122.50	0.833%	25.259%
3-2009	120.90	125.00	0	125.00	0.868%	27.385%
4-2009	120.90	127.50	0	127.50	0.901%	29.596%
5-2009	120.90	130.00	2	130.00	0.931%	31.886%
6-2009	141.74	132.50	2	132.50	0.958%	34.247%
7-2009	141.74	135.00	3	135.00	0.981%	36.671%
8-2009	214.40	137.50	5	137.50	1.001%	39.149%
9-2009	214.40	140.00	0	140.00	1.017%	41.673%
10-2009	222.60	142.50	3	142.50	1.029%	44.231%
11-2009	243.91	145.00	4	145.00	1.036%	46.813%
12-2009	243.91	147.50	0	147.50	1.040%	49.409%
1-2010	212.14	150.00	0	150.00	1.038%	52.007%

Metric 3.4: Major Event Day CAIDI

Example Calculation and Data (Continued)

	152.50	1	152.50	1.033%	54.597%
	155.00	0	155.00	1.023%	57.168%
	157.50	0	157.50	1.009%	59.708%
	160.00	0	160.00	0.991%	62.208%
	162.50	0	162.50	0.969%	64.658%
	165.00	0	165.00	0.943%	67.049%
	167.50	0	167.50	0.915%	69.372%
	170.00	0	170.00	0.883%	71.619%
	172.50	0	172.50	0.849%	73.785%
	175.00	0	175.00	0.813%	75.862%
	177.50	2	177.50	0.775%	77.847%
	180.00	0	180.00	0.735%	79.735%
	182.50	0	182.50	0.695%	81.523%
	185.00	0	185.00	0.654%	83.210%
	187.50	0	187.50	0.613%	84.794%
	190.00	0	190.00	0.572%	86.276%
	192.50	0	192.50	0.532%	87.656%
	195.00	0	195.00	0.492%	88.935%
	197.50	0	197.50	0.453%	90.117%
	200.00	0	200.00	0.416%	91.204%
	202.50	0	202.50	0.380%	92.199%
	205.00	0	205.00	0.346%	93.106%
	207.50	0	207.50	0.313%	93.929%
	210.00	0	210.00	0.283%	94.674%
	212.50	1	212.50	0.254%	95.344%
	215.00	2	215.00	0.227%	95.945%
	217.50	0	217.50	0.202%	96.481%
	220.00	0	220.00	0.179%	96.958%
	222.50	0	222.50	0.158%	97.380%
	225.00	1	225.00	0.139%	97.752%
	227.50	0	227.50	0.122%	98.078%
	230.00	0	230.00	0.106%	98.363%
	232.50	0	232.50	0.092%	98.611%
	235.00	0	235.00	0.080%	98.826%
	237.50	0	237.50	0.069%	99.012%
	240.00	0	240.00	0.059%	99.171%
	242.50	0	242.50	0.050%	99.307%
	245.00	2	245.00	0.043%	99.423%
	247.50	0	247.50	0.036%	99.522%
	250.00	0	250.00	0.031%	99.605%
	252.50	0	252.50	0.026%	99.675%
	255.00	0	255.00	0.021%	99.734%
	257.50	0	257.50	0.018%	99.783%
	260.00	0	260.00	0.015%	99.823%

Metric 3.5: Worker Safety (DART)

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

3.5 Worker Safety (DART)

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			2.76	2.76	2.76	2.76	2.76
2014	0.77	2.56	2.10	2.26	2.36	2.43	2.48
2015	0.77	2.36	1.43	1.77	1.96	2.10	2.19
2016	0.77	2.16	0.77	1.27	1.57	1.77	1.91
2017	0.77	1.96		0.77	1.17	1.43	1.62
2018	0.77	1.77			0.77	1.10	1.34
2019	0.77	1.57				0.77	1.05
2020	0.77	1.37					0.77
2021	0.77	1.17					
2022	0.77	0.97					
2023	0.77	0.77					

Baseline Performance Level	2.76
Target Performance Level	0.77

Notes:

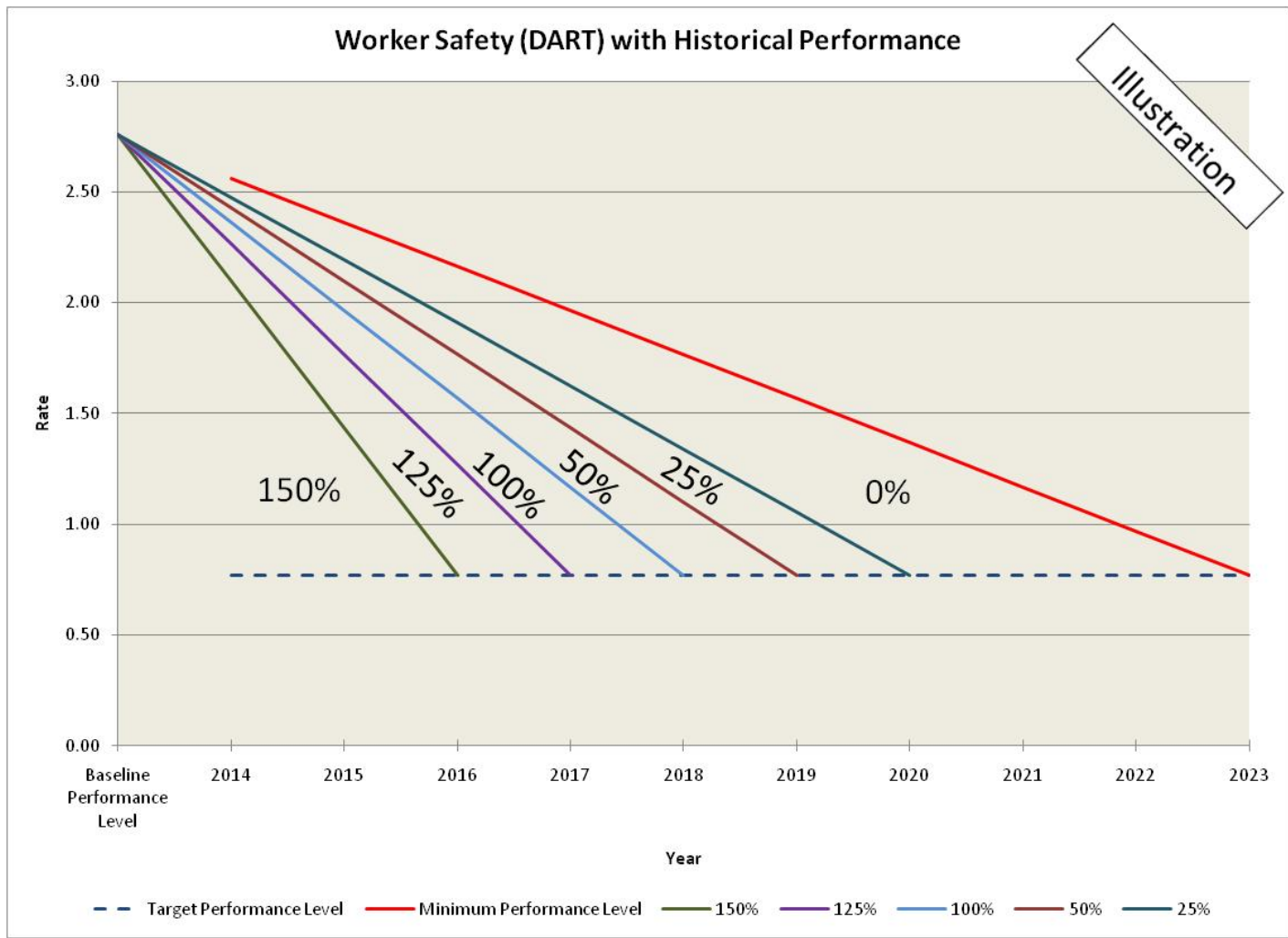
DART incidents are those recordable injuries and illnesses that resulted in days away from work, restricted work activity and/or job transfer.

This is historical performance and is meant to serve as an illustration only.

Target below represents T&D DART rate and is meant to serve as an illustration only.

Metric 3.5: Worker Safety (DART)

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on historical performance and is meant to serve as an illustration only.

Metric 3.5: Worker Safety (DART)

Example Calculation and Data

Year	DART Rate	# of Incidents
2006	3.09	39
2007	1.80	21
2008	3.42	39
2009	3.70	42
2010	2.76	36

Notes:

Above table calculated based on high exposure employees, including Meter Readers, System Operations T&D, OH UG Lines, and Substation Protection and Telecom.

DART rate under OSA to be calculated based on all employees, not just high exposure employees.

This is historical performance and is meant to serve as an illustration only.

DART incidents are those recordable injuries and illnesses that resulted in days away from work, restricted work activity and/or job transfer.

DART Rate =
$$\frac{\text{Number of cases involving days away and/or job transfer or restriction} \times 200,000}{\text{Number of employee labor hours worked}}$$

Metric 4.1: Actual Meter Read Rate

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

4.1 Actual Meter Read Rate

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			95.33%	95.33%	95.33%	95.33%	95.33%
2014	99.82%	95.78%	96.83%	96.45%	96.23%	96.08%	95.97%
2015	99.82%	96.23%	98.32%	97.58%	97.13%	96.83%	96.61%
2016	99.82%	96.68%	99.82%	98.70%	98.02%	97.58%	97.25%
2017	99.82%	97.13%		99.82%	98.92%	98.32%	97.90%
2018	99.82%	97.58%			99.82%	99.07%	98.54%
2019	99.82%	98.02%				99.82%	99.18%
2020	99.82%	98.47%					99.82%
2021	99.82%	98.92%					
2022	99.82%	99.37%					
2023	99.82%	99.82%					

Baseline Performance Level	95.33%
Target Performance Level	99.82%

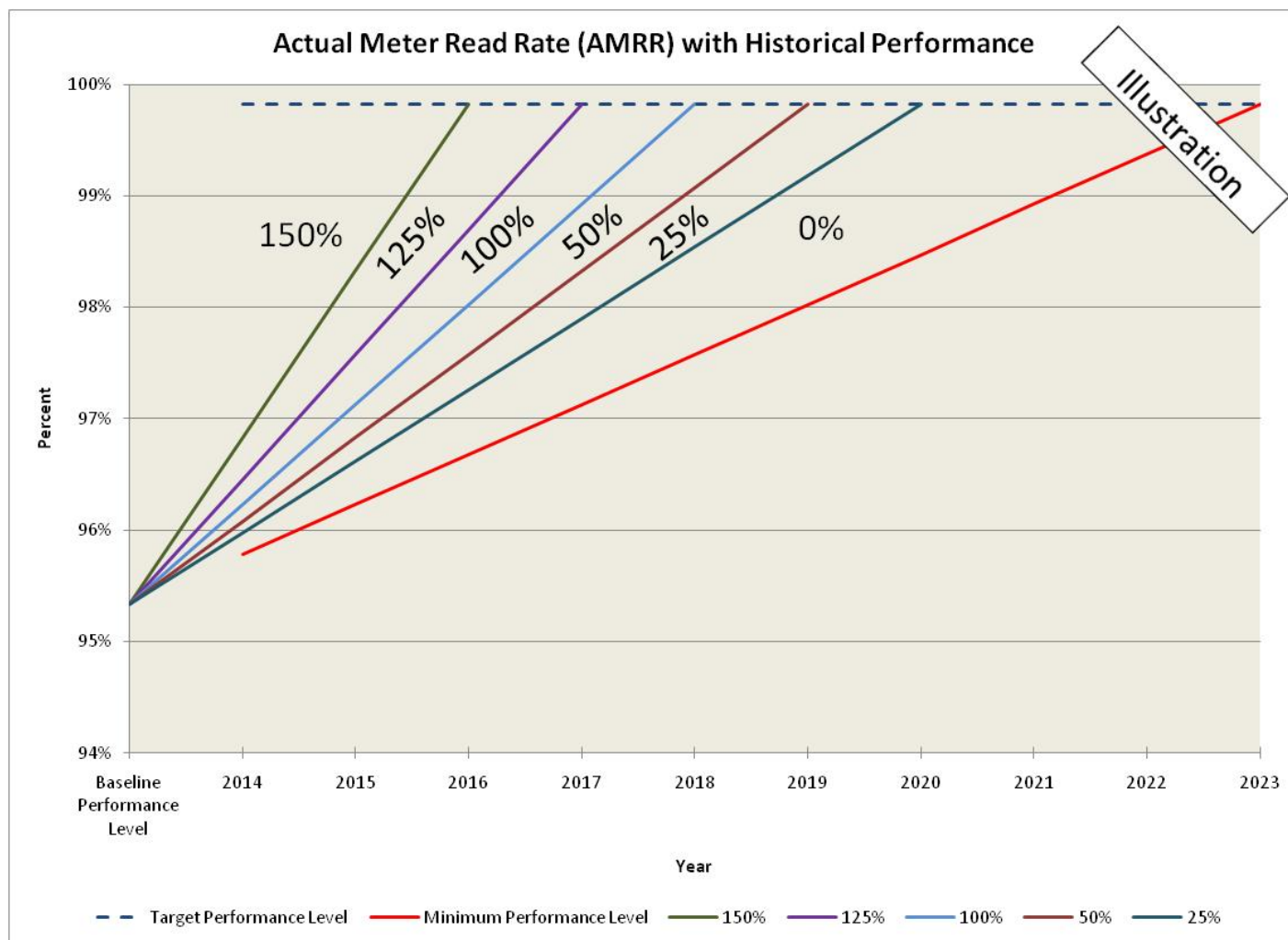
Note:

Assumes that all existing meters are scheduled to be read each month.

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

Metric 4.1: Actual Meter Read Rate

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

Metric 4.1: Actual Meter Read Rate

Example Calculation and Data

DATA					CALCULATIONS		
	Active and Meter Read AND Inactive and Meter Read	Active and Management Review (Management Estimates)	Active and Skip Code Assigned (Meters Estimated)	Inactive and Estimated (Total # of Inactive Field Estimates)	Total Meters Scheduled for Read	% of Meters Read	AMRR
JAN 2009							
FEB 2009	596,237	696	17,130	6,009	620,072	96.16%	
MAR 2009	607,558	426	15,980	6,063	630,027	96.43%	
APR 2009	590,566	411	16,036	6,252	613,265	96.30%	
MAY 2009	605,009	368	16,070	6,288	627,735	96.38%	
JUNE 2009	595,458	294	18,161	6,214	620,127	96.02%	
JULY 2009	606,530	708	17,874	6,213	631,325	96.07%	
AUG 2009	592,311	619	17,496	6,107	616,533	96.07%	
SEPT 2009	608,794	543	16,294	6,207	631,838	96.35%	
OCT 2009	590,386	548	16,671	6,198	613,803	96.18%	
NOV 2009	603,883	702	16,142	6,387	627,114	96.30%	
DEC 2009	574,277	567	40,302	6,147	621,293	92.43%	
JAN 2010	607,034	531	17,813	6,487	631,865	96.07%	95.90%
FEB 2010	569,616	846	44,272	6,566	621,300	91.68%	95.52%
MAR 2010	596,348	11,161	19,202	6,428	633,139	94.19%	95.34%
APRIL 2010	585,544	606	18,714	6,075	610,939	95.84%	95.30%
MAY 2010	588,616	805	18,830	6,574	614,825	95.74%	95.25%
JUNE 2010	586,688	564	21,303	6,277	614,832	95.42%	95.20%
JULY 2010	605,791	790	18,678	6,582	631,841	95.88%	95.18%
AUG 2010	599,067	646	16,509	6,347	622,569	96.22%	95.19%
SEPT 2010	609,771	573	17,045	6,563	633,952	96.19%	95.18%
OCT 2010	598,227	436	16,802	6,415	621,880	96.20%	95.18%
NOV 2010	611,577	380	15,706	6,420	634,083	96.45%	95.19%
DEC 2010	586,194	1,191	28,910	6,658	622,953	94.10%	95.33%

Note:

Assumes that all existing meters are scheduled to be read each month.

Metric 4.2: Timely Billing

Example Target Range and Minimum Performance Level and Corresponding Base Point Multipliers

4.2 Timely Billing (example)

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			89.00%	89.00%	89.00%	89.00%	89.00%
2014	99.61%	90.06%	92.54%	91.65%	91.12%	90.77%	90.52%
2015	99.61%	91.12%	96.07%	94.31%	93.24%	92.54%	92.03%
2016	99.61%	92.18%	99.61%	96.96%	95.37%	94.31%	93.55%
2017	99.61%	93.24%		99.61%	97.49%	96.07%	95.06%
2018	99.61%	94.31%			99.61%	97.84%	96.58%
2019	99.61%	95.37%				99.61%	98.09%
2020	99.61%	96.43%					99.61%
2021	99.61%	97.49%					
2022	99.61%	98.55%					
2023	99.61%	99.61%					

Baseline Performance Level	89.00%
Target Performance Level	99.61%

Notes:

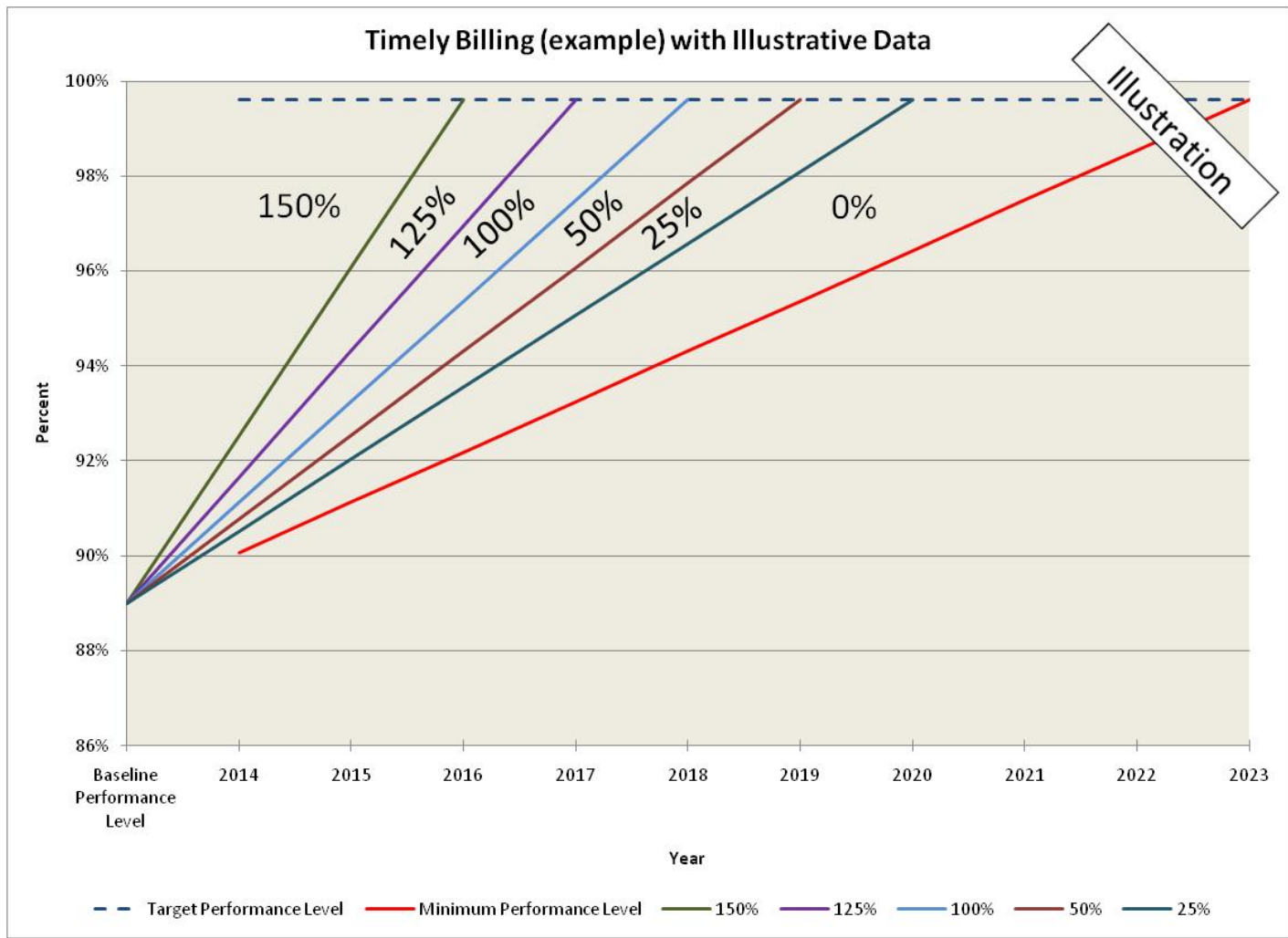
This is an example and is meant to serve as an illustration only.

The Baseline Performance Level is assumed to be the specified percentage below.

Billing Exception parameter changes require LIPA approval.

Metric 4.2: Timely Billing

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example and is meant to serve as an illustration only.

Metric 4.2: Timely Billing

Example Calculation and Data

DATA			CALCULATIONS
Date	Billing Exceptions No Bill Types Billed in 3 days	Total number of No Bill Type Billing Exceptions	No Bill Type Billing Exceptions Completed in 3 Days
January	16,000	18,000	89%
February	16,500	18,400	90%
March	16,000	18,000	89%
April	16,500	18,400	90%
May	16,000	18,000	89%
June	16,500	18,400	90%
July	16,000	18,000	89%
August	16,500	18,400	90%
September	16,000	18,000	89%
October	16,500	18,400	90%
November	16,000	18,000	89%
December	16,500	18,400	90%
12-month Average			89%

Notes:

Data included as example only.

Billing Exception parameter changes require LIPA approval.

Metric 4.3: Days Sales Outstanding

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

4.3 Days Sales Outstanding (DSO)

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			35.34	35.34	35.34	35.34	35.34
2014	28.47	34.65	33.05	33.62	33.97	34.20	34.36
2015	28.47	33.97	30.76	31.91	32.59	33.05	33.38
2016	28.47	33.28	28.47	30.19	31.22	31.91	32.40
2017	28.47	32.59		28.47	29.84	30.76	31.41
2018	28.47	31.91			28.47	29.62	30.43
2019	28.47	31.22				28.47	29.45
2020	28.47	30.53					28.47
2021	28.47	29.84					
2022	28.47	29.16					
2023	28.47	28.47					
Baseline Performance Level		35.34					
Target Performance Level		28.47					

Notes:

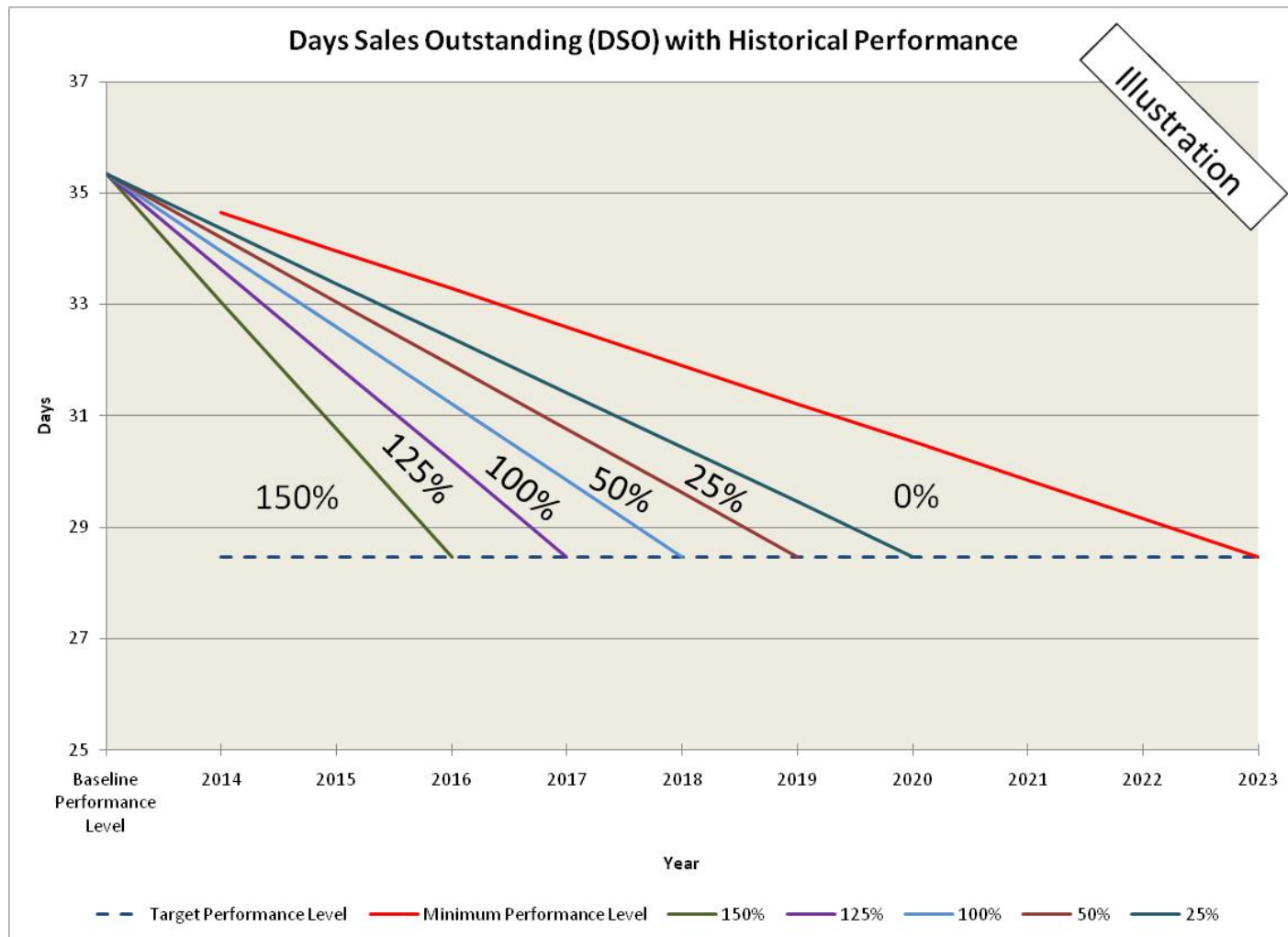
Previously, portions of the LIRR A/R were in dispute and excluded from this calculation. The dispute has been settled; it is anticipated that the LIRR A/R will not be an exclusion moving forward.

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

The data and calculations do not include any exclusions.

Metric 4.3: Days Sales Outstanding

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

Metric 4.3: Days Sales Outstanding

Example Calculation and Data

DATA											CALCULATIONS					
Date	Accounts Receivable ("A/R") (including taxes)	LIRR A/R	Revenue from Electric Retail Sales	Revenue from Electric Retail Sales taxes	Revenue from Non-firm Customer Rate Code 1980 (Special Contracts)	Revenue from Non-firm Customer Rate Code 2080 (Misc. Service Revenue)	Revenue from Non-firm Customer Rate Code 2082 (Dishonored Check Fees)	Revenue from Non-firm Customer Rate Code 2083 (Non-Access Meter Charges)	Revenue from Non-firm Customer Rate Codes 1980, 2080, 2082, 2083 taxes	A/R less the LIRR A/R	12-month rolling average of "A/R less the LIRR A/R"	Total Revenue, including Non-firm Customer Revenue	12 month rolling Total revenue	Days Per Year	DSO	
Jan-07	309,528,775	10,681,107.66	269,744,056	8,054,494	87	133,355	46,891	525	8,126	298,847,667.34		277,987,534		365		
Feb-07	325,534,293	10,825,447.51	268,504,155	7,845,047	87	120,139	41,166	925	7,011	314,708,845.49		276,518,530		365		
Mar-07	308,832,426	11,479,420.46	256,331,762	7,527,693	79	147,131	41,926	5,600	7,300	297,353,005.54		264,061,491		365		
Apr-07	316,738,700	11,375,969.29	246,215,594	7,451,002	87	126,191	40,794	1,725	6,282	305,362,730.71		253,841,675		365		
May-07	297,179,269	12,070,999.52	233,211,315	7,207,627	85	140,419	45,175	1,675	5,984	285,108,269.48		240,612,280		365		
Jun-07	331,893,645	12,400,499.36	286,891,299	8,878,380	87	162,880	44,530	696	6,471	319,493,145.64		295,984,343		365		
Jul-07	378,673,393	14,287,536.09	358,548,617	10,701,997	85	135,145	44,974	(3,407)	6,590	364,385,856.91		369,434,001		365		
Aug-07	388,819,494	16,140,338.17	399,777,911	11,719,861	-	163,744	53,531	(4,545)	7,029	372,679,155.83		411,717,531		365		
Sep-07	416,147,985	17,954,161.47	384,397,724	10,940,353	-	118,214	38,891	(6,019)	5,800	398,193,823.53		395,494,963		365		
Oct-07	330,460,369	19,109,073.62	294,543,558	8,256,226	259	122,409	59,200	(16,999)	6,244	311,351,295.38		302,970,897		365		
Nov-07	322,752,706	18,649,516.46	262,264,695	7,771,612	88	137,048	50,234	(4,700)	7,938	304,103,189.54		270,226,915		365		
Dec-07	323,046,193	19,935,251.70	252,303,643	7,283,228	85	103,514	42,222	(3,277)	5,901	303,110,941.30	322,891,494	259,735,316	3,618,585,477	365	32.57	
Jan-08	327,190,124	19,685,290.88	278,353,683	8,199,160	87	120,715	54,854	(4,471)	7,268	307,504,833.12	323,612,924	286,731,296	3,627,329,239	365	32.56	
Feb-08	333,010,167	20,085,102.84	270,406,264	7,828,907	87	134,103	51,356	(3,212)	7,254	312,925,064.16	323,464,276	278,424,759	3,629,235,468	365	32.53	
Mar-08	325,896,155	20,845,259.41	251,355,593	7,363,050	82	116,598	45,871	(2,056)	6,178	305,050,895.59	324,105,767	258,885,316	3,624,059,293	365	32.64	
Apr-08	312,205,156	20,855,061.28	242,914,848	7,223,852	87	124,418	45,054	(2,485)	6,376	291,350,094.72	322,938,047	250,312,150	3,620,529,768	365	32.56	
May-08	312,049,280	21,122,385.09	237,786,318	7,247,941	85	163,341	45,345	(2,613)	6,720	290,926,894.91	323,422,933	245,247,137	3,625,164,625	365	32.56	
Jun-08	347,373,774	21,756,538.65	277,589,116	8,366,732	87	125,739	49,550	(1,545)	5,094	325,617,235.35	323,933,273	286,134,773	3,615,315,055	365	32.70	
Jul-08	407,223,463	23,831,817.20	389,413,636	11,408,731	85	116,758	55,703	(993)	5,004	383,391,645.80	325,517,089	400,998,924	3,646,879,978	365	32.58	
Aug-08	434,023,277	25,599,719.50	414,048,815	11,560,037	87	149,324	49,407	(2,246)	5,774	408,423,557.50	328,495,789	425,811,198	3,660,973,644	365	32.75	
Sep-08	438,737,428	26,965,016.70	400,810,461	11,605,911	87	135,168	58,392	197	5,950	411,772,411.30	329,627,338	412,616,166	3,678,094,847	365	32.71	
Oct-08	360,768,411	29,093,220.97	314,519,172	8,977,857	85	199,163	64,144	(782)	9,351	331,675,190.03	331,320,996	323,768,990	3,698,892,940	365	32.69	
Nov-08	350,733,839	28,641,926.85	239,385,118	6,966,006	87	132,664	48,916	1,301	8,376	322,091,912.15	332,820,056	246,542,468	3,675,208,493	365	33.05	
Dec-08	341,593,814	28,979,519.30	262,883,138	7,850,722	85	144,715	61,940	1,580	9,111	312,614,294.70	333,612,002	270,951,291	3,686,424,468	365	33.03	
Jan-09	387,813,593	29,542,923.93	304,431,962	8,755,269	87	135,176	53,262	475	7,969	358,270,669.07	337,842,489	313,384,200	3,713,077,372	365	33.21	
Feb-09	395,769,751	30,209,989.10	288,088,306	8,086,709	-	123,217	52,717	680	6,552	365,559,761.90	342,228,714	296,358,181	3,731,010,794	365	33.48	
Mar-09	370,139,535	30,138,930.40	266,355,948	7,725,575	-	131,163	54,968	622	6,340	340,000,604.60	345,141,189	274,274,616	3,746,400,094	365	33.63	
Apr-09	364,233,554	30,769,175.12	254,937,093	7,488,477	-	112,393	46,877	438	6,098	333,464,378.88	348,650,713	262,591,376	3,758,679,320	365	33.86	
May-09	372,655,863	30,896,213.68	251,912,059	7,336,955	-	135,163	49,379	335	5,908	341,759,649.32	352,886,776	259,439,799	3,772,871,982	365	34.14	
Jun-09	384,413,557	31,372,613.29	271,838,770	8,436,529	-	134,546	(6,154,422)	336	6,312	353,040,943.71	355,172,085	274,262,071	3,760,999,280	365	34.47	
Jul-09	436,928,372	33,393,490.40	345,424,354	12,022,060	254	155,939	6,270,929	784	6,770	403,534,881.60	356,850,688	363,881,089	3,723,881,445	365	34.98	
Aug-09	462,738,630	31,178,665.66	375,081,381	13,089,728	344	155,997	58,068	29	7,735	431,559,964.34	358,778,722	388,393,283	3,686,463,530	365	35.52	
Sep-09	446,672,241	34,787,790.43	379,884,101	13,042,979	87	170,493	60,877	2,232	8,929	411,884,450.57	358,788,058	393,169,699	3,667,017,064	365	35.71	
Oct-09	356,748,473	39,717,981.84	260,388,432	8,739,488	85	177,893	56,134	962	9,299	317,030,491.16	357,567,667	269,372,292	3,612,620,366	365	36.13	
Nov-09	281,063,134	37,610,182.65	162,083,508	5,598,350	87	136,903	49,708	550	8,231	243,452,951.35	351,014,420	167,877,338	3,533,955,236	365	36.25	
Dec-09	325,594,251	39,348,305.33	253,850,600	8,777,068	85	164,778	57,217	1,038	9,870	286,245,945.67	348,817,058	262,860,656	3,525,864,601	365	36.11	
Jan-10	383,553,536	42,229,132.49	294,023,719	10,015,469	87	133,947	51,977	3,998	8,270	341,324,403.51	347,404,869	304,237,466	3,516,717,867	365	36.06	
Feb-10	390,309,164	45,973,012.15	273,545,044	9,542,315	-	147,744	48,840	1,983	8,743	344,336,151.85	345,636,235	283,294,670	3,503,654,357	365	36.01	
Mar-10	372,972,094	45,912,819.81	273,867,688	9,285,876	-	120,430	55,500	3,451	7,356	327,059,274.19	344,557,791	283,340,301	3,512,720,042	365	35.80	
Apr-10	365,685,486	42,161,312.66	250,311,848	9,107,060	-	145,670	48,121	3,653	7,885	323,524,173.34	343,729,440	259,624,238	3,509,752,904	365	35.75	
May-10	371,606,514	43,050,069.88	246,101,080	8,808,482	257	128,950	50,240	3,033	6,289	328,556,444.12	342,629,173	255,098,331	3,505,411,436	365	35.68	
Jun-10	396,616,674	42,120,170.41	297,395,112	10,244,544	86	147,863	59,719	3,627	7,048	354,496,503.59	342,750,470	307,857,998	3,539,007,363	365	35.35	
Jul-10	461,747,437	45,037,520.19	401,233,314	11,633,769	-	157,758	(4,197,833)	2,494	7,890	416,709,916.81	343,848,389	408,837,392	3,583,963,666	365	35.02	
Aug-10	483,839,139	42,664,047.97	450,100,265	12,436,883	-	134,021	4,310,399	1,292	6,613	441,175,091.03	344,649,650	466,989,473	3,662,559,856	365	34.35	
Sep-10	496,121,910	44,074,508.30	426,071,412	11,980,376	-	168,751	58,786	1,176	9,625	452,047,401.70	347,996,562	438,290,126	3,707,680,283	365	34.26	
Oct-10	474,799,276	41,684,689.55	325,031,568	8,985,998	-	165,315	62,826	(902)	8,738	433,114,586.45	357,670,237	334,253,543	3,772,561,534	365	34.61	
Nov-10	404,880,336	44,469,351.75	247,139,371	7,206,786	174	144,459	61,128	1,682	9,399	360,410,984.25	367,416,740	254,563,001	3,859,247,196	365	34.75	
Dec-10	404,137,181	45,234,411.12	253,197,099	7,386,433	89	154,215	61,459	2,410	9,685	358,902,769.88	373,471,475	260,811,390	3,857,197,930	365	35.34	

Metric 4.4: Bad Debt Ratio

Example Target and Minimum Performance Levels and Corresponding Base Point Multipliers

4.4 Bad Debt Ratio

Year	Target Performance Level	Minimum Performance Level	150%	125%	100%	50%	25%
Baseline Performance Level			0.686%	0.686%	0.686%	0.686%	0.686%
2014	0.450%	0.662%	0.607%	0.627%	0.639%	0.646%	0.652%
2015	0.450%	0.639%	0.529%	0.568%	0.591%	0.607%	0.618%
2016	0.450%	0.615%	0.450%	0.509%	0.544%	0.568%	0.585%
2017	0.450%	0.591%		0.450%	0.497%	0.529%	0.551%
2018	0.450%	0.568%			0.450%	0.489%	0.517%
2019	0.450%	0.544%				0.450%	0.484%
2020	0.450%	0.521%					0.450%
2021	0.450%	0.497%					
2022	0.450%	0.474%					
2023	0.450%	0.450%					
Baseline Performance Level		0.686%					
Target Performance Level		0.450%					

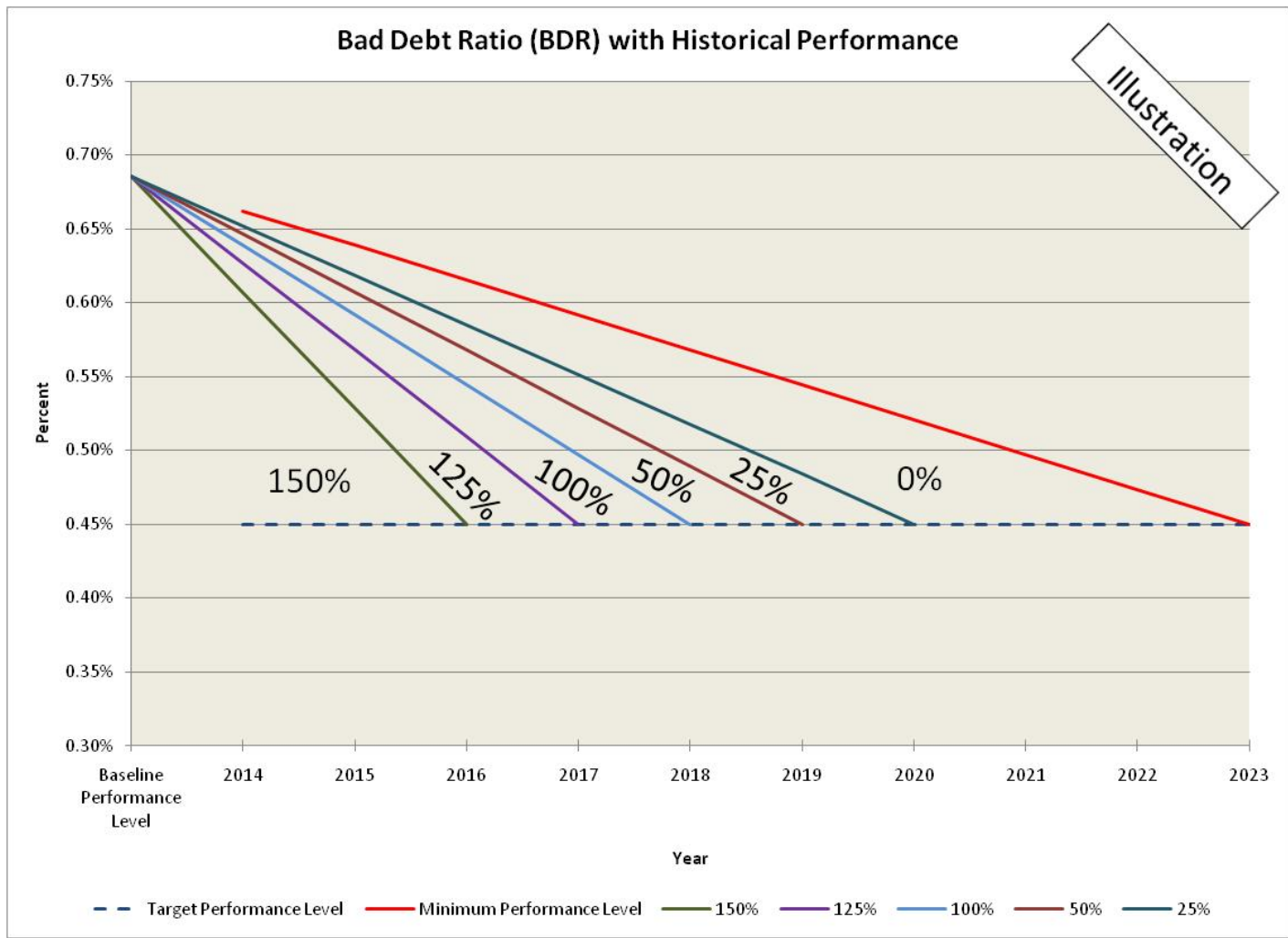
Notes:

The data and calculations do not include any exclusions.

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

Metric 4.4: Bad Debt Ratio

Illustrative Performance Metric Graph Utilizing the Example Calculation



Notes:

This is an example based on 2010 historical performance and is meant to serve as an illustration only.

Metric 4.4: Bad Debt Ratio

Example Calculation and Data

DATA										CALCULATIONS				
Date	Charge-offs (Uncollectibles)	Recoveries	Revenue from Electric Retail Sales	Revenue from Electric Retail Sales taxes	Revenue from Non- firm Customer Rate Code 1980 (Special Contracts)	Revenue from Non- firm Customer Rate Code 2080 (Misc. Service Revenue)	Revenue from Non- firm Customer Rate Code 2082 (Dishonored Check Fees)	Revenue from Non- firm Customer Rate Code 2083 (Non- Access Meter Charges)	Revenue from Non- firm Customer Rate Codes 1980, 2080, 2082, 2083 taxes	Charge-offs Net of Recoveries	12-month Charge- offs Net of Recoveries	Total Revenue	12-month rolling average Revenue with 6-month lag	BDR
Jan-07	1,985,048	486,260	269,744,056	8,054,494	87	133,355	46,891	525	8,126	1,498,788		277,987,534		
Feb-07	2,349,741	266,476	268,504,155	7,845,047	87	120,139	41,166	925	7,011	2,083,265		276,518,530		
Mar-07	1,687,784	276,820	256,331,762	7,527,693	79	147,131	41,926	5,600	7,300	1,410,963		264,061,491		
Apr-07	1,308,813	262,829	246,215,594	7,451,002	87	126,191	40,794	1,725	6,282	1,045,984		253,841,675		
May-07	1,636,946	260,070	233,211,315	7,207,627	85	140,419	45,175	1,675	5,984	1,376,876		240,612,280		
Jun-07	1,982,499	380,114	286,891,299	8,878,380	87	162,880	44,530	696	6,471	1,602,385		295,984,343		
Jul-07	1,641,101	204,484	358,548,617	10,701,997	85	135,145	44,974	(3,407)	6,590	1,436,617		369,434,001		
Aug-07	1,528,021	270,767	399,777,911	11,719,861	0	163,744	53,531	(4,545)	7,029	1,257,254		411,717,531		
Sep-07	1,721,896	268,169	384,397,724	10,940,353	0	118,214	38,891	(6,019)	5,800	1,453,727		395,494,963		
Oct-07	1,524,615	246,468	294,543,558	8,256,226	259	122,409	59,200	(16,999)	6,244	1,278,147		302,970,897		
Nov-07	1,424,662	213,992	262,264,695	7,771,612	88	137,048	50,234	(4,700)	7,938	1,210,670		270,226,915		
Dec-07	1,918,435	236,305	252,303,643	7,283,228	85	103,514	42,222	(3,277)	5,901	1,682,130	17,336,806	259,735,316		
Jan-08	1,727,342	255,642	278,353,683	8,199,160	87	120,715	54,854	(4,471)	7,268	1,471,699	17,309,718	286,731,296		
Feb-08	1,697,922	239,594	270,406,264	7,828,907	87	134,103	51,356	(3,212)	7,254	1,458,328	16,684,781	278,424,759		
Mar-08	1,680,275	284,937	251,355,593	7,363,050	82	116,598	45,871	(2,056)	6,178	1,395,337	16,669,155	258,885,316		
Apr-08	2,286,897	248,390	242,914,848	7,223,852	87	124,418	45,054	(2,485)	6,376	2,038,507	17,661,678	250,312,150		
May-08	1,832,603	264,076	237,786,318	7,247,941	85	163,341	45,345	(2,613)	6,720	1,568,527	17,853,329	245,247,137		
Jun-08	1,476,376	261,535	277,589,116	8,366,732	87	125,739	49,550	(1,545)	5,094	1,214,841	17,465,785	286,134,773	3,618,585,477	0.483%
Jul-08	1,580,998	288,223	389,413,636	11,408,731	85	116,758	55,703	(993)	5,004	1,292,775	17,321,943	400,998,924	3,627,329,239	0.478%
Aug-08	1,673,208	239,460	414,048,815	11,560,037	87	149,324	49,407	(2,246)	5,774	1,433,748	17,498,437	425,811,198	3,629,235,468	0.482%
Sep-08	1,907,775	260,636	400,810,461	11,605,911	87	135,168	58,392	197	5,950	1,647,139	17,691,848	412,616,166	3,624,059,293	0.488%
Oct-08	1,955,226	624,415	314,519,172	8,977,857	85	199,163	64,144	(782)	9,351	1,330,811	17,744,513	323,768,990	3,620,529,768	0.490%
Nov-08	1,573,977	289,846	239,385,118	6,966,006	87	132,664	48,916	1,301	8,376	1,284,130	17,817,973	246,542,468	3,625,164,625	0.492%
Dec-08	1,987,695	246,701	262,883,138	7,850,722	85	144,715	61,940	1,580	9,111	1,740,994	17,876,837	270,951,291	3,615,315,055	0.494%
Jan-09	1,763,352	203,972	304,431,962	8,755,269	87	135,176	53,262	475	7,969	1,559,379	17,964,517	313,384,200	3,646,879,978	0.493%
Feb-09	2,285,400	280,981	288,088,306	8,086,709	0	123,217	52,717	680	6,552	2,004,419	18,510,608	296,358,181	3,660,973,644	0.506%
Mar-09	2,787,435	263,627	266,355,948	7,725,575	0	131,163	54,968	622	6,340	2,523,808	19,639,079	274,274,616	3,678,094,847	0.534%
Apr-09	2,219,040	299,095	254,937,093	7,488,477	0	112,393	46,877	438	6,098	1,919,946	19,520,518	262,591,376	3,698,892,940	0.528%
May-09	1,478,162	210,609	251,912,059	7,336,955	0	135,163	49,379	335	5,908	1,267,552	19,219,543	259,439,799	3,675,208,493	0.523%
Jun-09	1,366,869	146,000	271,838,770	8,436,529	0	134,546	(6,154,422)	336	6,312	1,220,869	19,225,570	274,262,071	3,686,424,468	0.522%
Jul-09	2,245,449	285,960	345,424,354	12,022,060	254	155,939	6,270,929	784	6,770	1,959,489	19,892,285	363,881,089	3,713,077,372	0.536%
Aug-09	2,183,462	198,179	375,081,381	13,089,728	344	155,997	58,068	29	7,735	1,985,283	20,443,820	388,393,283	3,731,010,794	0.548%
Sep-09	1,854,022	256,932	379,884,101	13,042,979	87	170,493	60,877	2,232	8,929	1,597,090	20,393,771	393,169,699	3,746,400,094	0.544%
Oct-09	2,316,453	275,489	260,388,432	8,739,488	85	177,893	56,134	962	9,299	2,040,964	21,103,925	269,372,292	3,758,679,320	0.561%
Nov-09	2,204,243	239,623	162,083,508	5,598,350	87	136,903	49,708	550	8,231	1,964,620	21,784,414	167,877,338	3,772,871,982	0.577%
Dec-09	2,058,679	266,532	253,850,600	8,777,068	85	164,778	57,217	1,038	9,870	1,792,147	21,835,567	262,860,656	3,760,999,280	0.581%
Jan-10	1,618,850	196,753	294,023,719	10,015,469	87	133,947	51,977	3,998	8,270	1,422,097	21,698,284	304,237,466	3,723,881,445	0.583%
Feb-10	2,267,908	231,459	273,545,044	9,542,315	0	147,744	48,840	1,983	8,743	2,036,448	21,730,314	283,294,670	3,686,463,530	0.589%
Mar-10	1,794,814	279,222	273,867,688	9,285,876	0	120,430	55,500	3,451	7,356	1,515,593	20,722,099	283,340,301	3,667,017,064	0.565%
Apr-10	1,951,191	522,203	250,311,848	9,107,060	0	145,670	48,121	3,653	7,885	1,428,988	20,231,141	259,624,238	3,612,620,366	0.560%
May-10	2,050,317	292,719	246,101,080	8,808,482	257	128,950	50,240	3,033	6,289	1,757,598	20,721,186	255,098,331	3,533,955,236	0.586%
Jun-10	2,011,233	308,298	297,395,112	10,244,544	86	147,863	59,719	3,627	7,048	1,702,935	21,203,253	307,857,998	3,525,864,601	0.601%
Jul-10	2,832,709	220,184	401,233,314	11,633,769	0	157,758	(4,197,833)	2,494	7,890	2,612,526	21,856,289	408,837,392	3,516,717,867	0.621%
Aug-10	2,562,543	236,292	450,100,265	12,436,883	0	134,021	4,310,399	1,292	6,613	2,326,251	22,197,256	466,989,473	3,503,654,357	0.634%
Sep-10	1,997,855	287,964	426,071,412	11,980,376	0	168,751	58,786	1,176	9,625	1,709,891	22,310,057	438,290,126	3,512,720,042	0.635%
Oct-10	2,361,223	505,946	325,031,568	8,985,998	0	165,315	62,826	(902)	8,738	1,855,277	22,124,370	334,253,543	3,509,752,904	0.630%
Nov-10	2,126,487	272,539	247,139,371	7,206,786	174	144,459	61,128	1,682	9,399	1,853,948	22,013,698	254,563,001	3,505,411,436	0.628%
Dec-10	4,651,807	604,465	253,197,099	7,386,433	89	154,215	61,459	2,410	9,685	4,047,342	24,268,894	260,811,390	3,539,007,363	0.686%

Metric 4.5: ELI cost per kW-Year (levelized)

Example Target Range and Minimum Performance Level and Corresponding Base Point Multipliers

4.5 2014 Levelized Cost (kW-Yr)

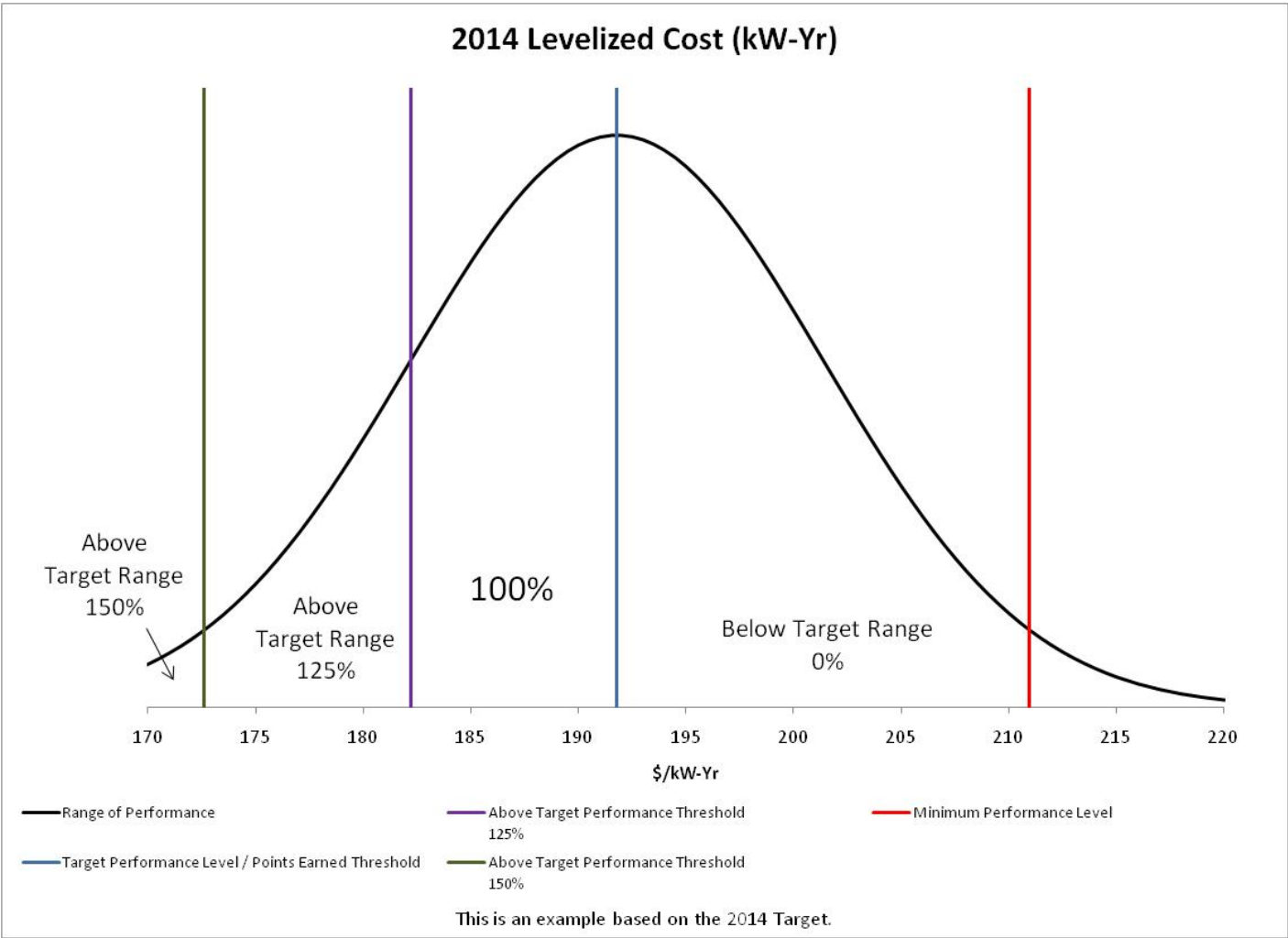
	2014	Above Target Performance Threshold 150%	Above Target Performance Threshold 125%	Target Performance Level / Points Earned Threshold	Minimum Performance Level
2014 Levelized Cost (\$/kW)	191.79	172.61	182.20	191.79	210.96
10% of 2014 Levelized Cost (\$/kW)	19.18				

Notes:

Minimum Performance Level is 10% above the 2014 Levelized Cost (\$/kW).

Metric 4.5: ELI cost per kW-Year (levelized)

Illustrative Performance Metric Graph Utilizing the Example Calculation



Metric 4.5: ELI cost per kW-Year (levelized)

Example Calculation and Data

	DATA															
	Residential	Commercial	Total	Residential	Commercial	Total	Residential	Commercial	Total	Residential	Commercial	Total	Residential	Commercial	G&A	Total
Year	Annual MW			Cumulative MW			Annual MWH			Cumulative MWH			Annual Budget (\$000)			
2012	24.92	27.16	52.08	12.21	13.31	25.52	111,745	105,553	217,298	54,755	51,721	106,476	31,957	40,522	2,276	\$74,755
2013	28.51	31.58	60.09	38.39	42.09	80.48	121,444	121,496	242,940	169,017	162,975	331,992	37,892	48,989	2,728	\$89,609
2014	33.08	34.78	67.86	68.57	74.61	143.18	142,464	129,026	271,490	298,332	285,731	584,063	44,429	56,937	3,183	\$104,549
2015	36.27	33.36	69.63	102.55	105.9	208.45	148,013	122,123	270,136	440,665	401,041	841,706	51,046	60,044	3,488	\$114,578
2016	39.48	32.14	71.62	139.66	138	277.66	150,545	116,061	266,606	586,959	517,752	1,104,711	57,723	63,035	3,791	\$124,549
2017	42.09	31.08	73.17	174.75	168.98	343.73	151,317	110,762	262,079	723,635	628,895	1,352,530	65,273	66,369	4,133	\$135,775
2018	45.38	31.81	77.19	211.48	199.79	411.27	154,737	111,920	266,657	856,331	738,010	1,594,341	\$73,858	\$72,771	\$4,604	\$151,233
2019	43.35	30.22	73.57	239.87	230.19	470.06	144,377	106,324	250,701	914,504	844,949	1,759,453	\$73,984	\$71,206	\$4,558	\$149,748
2020	34.65	28.71	63.36	262.09	259.06	521.15	90,249	101,008	191,257	935,202	946,542	1,881,744	\$69,495	\$69,675	\$4,369	\$143,539
2021	34.12	28.71	62.83	277.58	287.2	564.78	89,062	101,008	190,070	911,615	1,045,530	1,957,145	\$71,580	\$71,765	\$4,501	\$147,846
Total													\$577,237	\$621,313	\$37,631	\$1,236,181

Notes:

The table above is a draft version.

Cumulative totals use a half year convention which assumes only half of the Annual MW & MWH savings are actually achieved in the first year. This is why the Annual totals are greater than the Cumulative totals in year one (i.e. 2012).

Metric 4.5: ELI cost per kW-Year (levelized)

Example Calculation and Data (Continued)

Levelized Cost of Capacity				
Disc. Rate =	5.64%	Measure Life=	11 Years	
Year	(MW-Yr)	Cost (\$000)	Levelized Cost (\$/kW)	
2012	52	74,754	\$ 178.70	
2013	60	89,609	\$ 185.63	
2014	68	104,549	\$ 191.79	
2015	70	114,578	\$ 204.85	
2016	72	124,549	\$ 216.50	
2017	73	135,774	\$ 231.01	
2018	77	151,233	\$ 243.89	
2019	74	149,749	\$ 253.38	
2020	63	143,540	\$ 282.02	
2021	63	147,846	\$ 292.94	
Discount Rate:		5.64%		
ELI Program Goals - Capacity				
Capacity (MW)	Goal	Actual	Cost	Levelized Cost (\$/kW) ¹
2009	24.54	25.49	\$ 29,430,000	\$ 154.23
2010	28.99	27.64	\$ 29,994,608	\$ 144.96

Notes:

1. Levelized cost based upon an average measure life of 11 years

$$\text{Levelized cost per kW - yr} = \frac{\text{Contract Year Program Cost}}{\sum_{i=1}^{W_{AML}} \frac{\text{Avoided kW}}{(1 + \text{Disc. Rate})^i}}$$

Metric 4.6: ELI Achieved Load Reduction

Example Target Range and Minimum Performance Level and Corresponding Base Point Multipliers

4.6 2014 Achieved Load Reduction (MW)

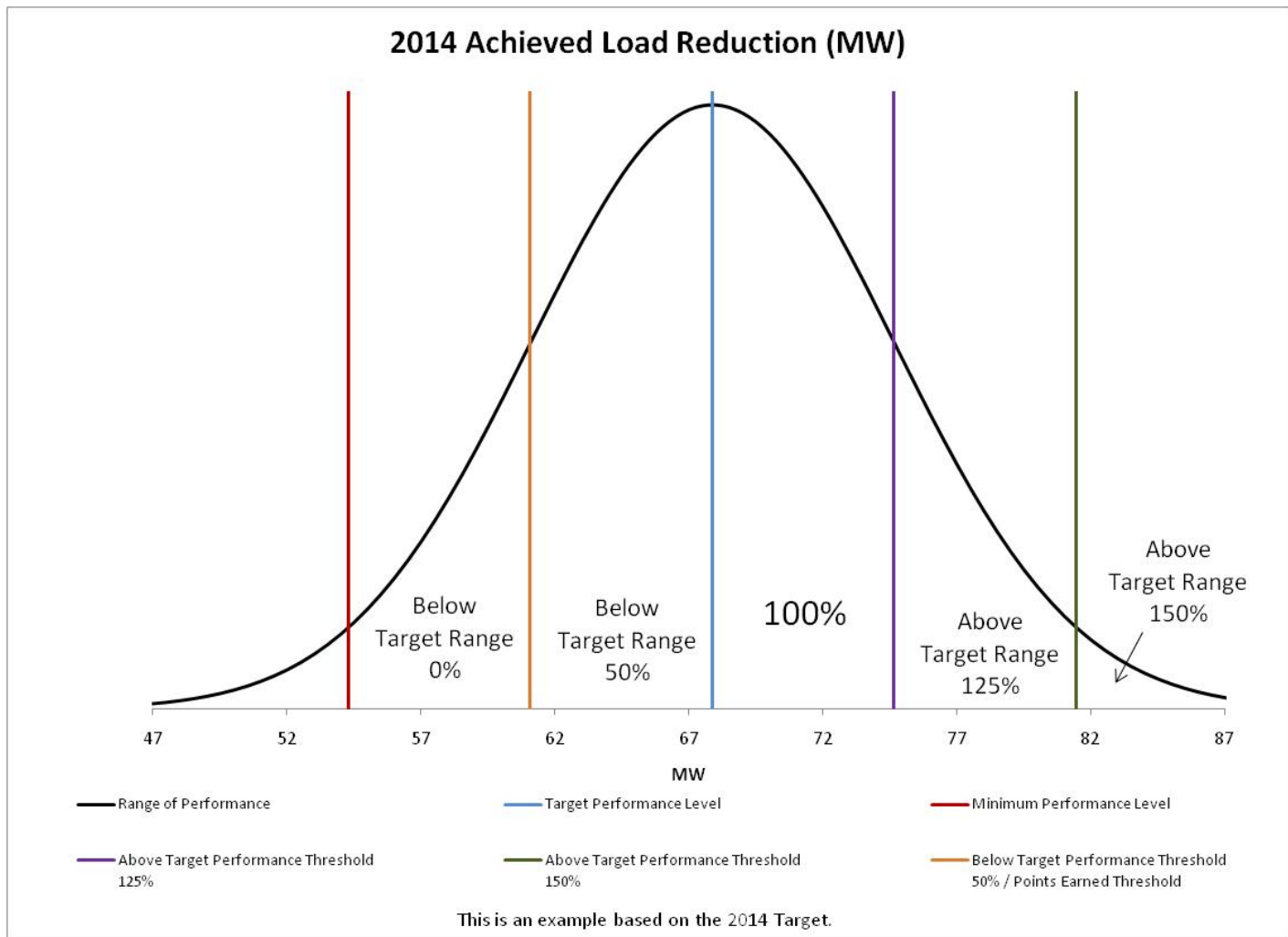
	2014	Above Target Performance Threshold 150%	Above Target Performance Threshold 125%	Target Performance Level	Below Target Performance Threshold 50% / Points Earned Threshold	Minimum Performance Level
2014 Total Annual MW Reduction	67.86	81.44	74.65	67.86	61.08	54.29
20% of 2014 Total Annual MW Reduction	13.57					

Notes:

Minimum Performance Level is 20% below the 2014 Total Annual MW Reduction.

Metric 4.6: ELI Achieved Load Reduction

Illustrative Performance Metric Graph Utilizing the Example Calculation



Metric 4.6: ELI Achieved Load Reduction

Example Calculation and Data

Year	DATA														
	Residential	Commercial	Total	Residential	Commercial	Total	Residential	Commercial	Total	Residential	Commercial	Total	Residential	Commercial	G&A
	Annual MW			Cumulative MW			Annual MWH			Cumulative MWH			Annual Budget (\$000)		
2012	24.92	27.16	52.08	12.21	13.31	25.52	111,745	105,553	217,298	54,755	51,721	106,476	31,957	40,522	2,276
2013	28.51	31.58	60.09	38.39	42.09	80.48	121,444	121,496	242,940	169,017	162,975	331,992	37,892	48,989	2,728
2014	33.08	34.78	67.86	68.57	74.61	143.18	142,464	129,026	271,490	298,332	285,731	584,063	44,429	56,937	3,183
2015	36.27	33.36	69.63	102.55	105.9	208.45	148,013	122,123	270,136	440,665	401,041	841,706	51,046	60,044	3,488
2016	39.48	32.14	71.62	139.66	138	277.66	150,545	116,061	266,606	586,959	517,752	1,104,711	57,723	63,035	3,791
2017	42.09	31.08	73.17	174.75	168.98	343.73	151,317	110,762	262,079	723,635	628,895	1,352,530	65,273	66,369	4,133
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2019	43.35	30.22	73.57	239.87	230.19	470.06	144,377	106,324	250,701	914,504	844,949	1,759,453	\$73,984	\$71,206	\$4,558
2020	34.65	28.71	63.36	262.09	259.06	521.15	90,249	101,008	191,257	935,202	946,542	1,881,744	\$69,495	\$69,675	\$4,369
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Total													\$577,237	\$621,313	\$37,631

Notes:

The table above is a draft version.

Cumulative totals use a half year convention which assumes only half of the Annual MW & MWH savings are actually achieved in the first year.

This is why the Annual totals are greater than the Cumulative totals in year one (i.e. 2012).

Definition of Storm Event and Operation of Storm Reserve

For purposes of this Agreement, a “Storm Event” shall mean an event where at least [] customers are interrupted within a 24-hour period due to a storm. A Storm Event will end when “System Normal Status” is achieved. System Normal Status is a state in which fewer than 1,000 customers remain interrupted for a continuous period of eight (8) hours following a storm.

Costs related to Storm Events (“Storm Costs”) shall be Pass-Through Expenditures and shall consist of costs incurred by the Service Provider as a result of (i) responding to a Storm Event and restoring the T&D System to System Normal Status; (ii) completing any related follow-up work performed within the five-day period commencing from the end of a Storm Event ((i) and (ii) collectively, the “Initial Storm Costs”), and (iii) completing all subsequent follow-up work approved by LIPA (“Follow-up Storm Costs”), which approval shall not be unreasonably withheld or delayed.

Pursuant to Section 5.3(B) hereof, the Service Provider shall be entitled to withdraw funds from a storm reserve established by LIPA to pay for Storm Costs (the “Storm Reserve”). LIPA will initially fund the Storm Reserve in the amount of \$15 million. If during a Contract Year the Storm Reserve balance falls below \$3 million due to withdrawals by the Service Provider, LIPA will replenish the Storm Reserve to restore the balance in the Storm Reserve to \$15 million. The Service Provider may request that LIPA replenish the Storm Reserve or temporarily fund the Storm Reserve in an amount exceeding \$15 million if Storm Costs are anticipated to exceed the funds available in the Storm Reserve. The JOC may modify these amounts from time to time as circumstances warrant.

The parties will follow the procedures and provisions related to accounting for and invoicing of Storm Costs set forth below.

Invoicing for Storm Costs

Within five (5) Business Days following the day after a Storm Event ends, the Service Provider will provide a list of pending follow-up work and estimated costs to LIPA. Within five (5) Business Days following the day after LIPA receives the list of proposed follow-up work, LIPA will provide the Service Provider with written approval of the follow-up work authorized to be performed as Storm Event work. Only Storm Costs, including the cost of follow-up work that has been approved by LIPA, may be withdrawn from the Storm Reserve.

Invoices for Storm Costs (“Storm Invoices”) shall be submitted separately for each individual Storm Event. The Service Provider will issue two (2) Storm Invoices for each Storm Event (except as provided in Section 3 below) as follows:

- (a) An initial Storm Invoice will be submitted to LIPA within three (3) months from the last day of a Storm Event. This initial Storm Invoice will include Initial Storm Costs as well as those Follow-up Storm Costs incurred to date.
- (b) A second Storm Invoice will be submitted within six (6) months following the last day of a Storm Event and will include only those Follow-up Storm Costs performed after submittal of the initial Storm Invoice and/or Storm Costs not previously billed in the initial Storm Invoice.

Notwithstanding the above, the parties acknowledge that the Service Provider may incur Storm Costs that are delayed past the six (6) month period for issuance of the second Storm Invoice due to (a) a late contractor invoice (but only to the extent that LIPA has given its prior, written approval of such an extension, which will not be unreasonably withheld); (b) LIPA agreed-to demands from customers and/or municipalities (e.g., school requests that storm follow-up work be delayed until the summer when classes are not in session); or (c) system clearances which prohibit completing the work within such period. These exceptional circumstances will, to the extent known by the Service Provider, be outlined in the initial list of follow-up storm work. The Service Provider will provide LIPA with timely updates of the pending follow-up work list. LIPA shall review Storm Invoices and related cost substantiation information and, within forty-five (45) days of receipt of a Storm Invoice, inform the Service Provider of any and all disputed items. The Service Provider shall resolve the dispute within thirty (30) days of notification by LIPA. The Service Provider shall [reimburse] LIPA for any unresolved disputed items related to insufficient cost substantiation or mischarges, along with accrued interest at the Default Interest Rate. Cost substantiation shall be governed by the provisions of Section 1.1(E) and the additional cost substantiation guidelines set forth below.

Invoicing procedures and timing identified above may be modified by the JOC for those Storms Events where (a) Federal Emergency Management Agency ("FEMA") assistance or Mutual Aid Assistance is sought by LIPA, and/or (b) where the outages exceed 150,000 customers. The Contract Administration Manual shall specify accounting and invoicing procedures for such Storm Events.

Cost Substantiation for Storm Costs³

The purpose of cost substantiation is to detail the accuracy and justify the reasonableness of all invoiced Storm Costs.

Cost substantiation shall be provided with each Storm Invoice and shall include the information set forth below:

Electronic spreadsheet summary/backup file of all storm costs and a copy of the invoice coversheet with a cost summary.

Transactional sheets ("invoice overview," "project expenditure items," and "distributions" summary sheets) will accompany each cost detail.

³ Applicable to Storm Costs invoiced to LIPA.

All invoiced labor costs will be supported by employee, day, and number of hours worked summary from time keeping system (cost types 100, 105, 107, 108, 110, 112, 113, 115 in the attached table of example cost types).

All invoiced third party costs will be supported by contractor/vendor invoice, supporting time and expense detail, purchase order, and release (cost types 264, 265, 300, 301, 302, 310, 313, 320, 406, 410, etc). The Service Provider will require vendors to submit invoices that contain only Storm Costs. Vendor "mixed" invoices (e.g., invoices containing storm and non-storm related work) will not be approved.

All travel and other employee expenses will be supported by employee expense account submittal and appropriate receipts (cost types 477, 478, 479, 480, 481, 485, 501, etc.).

All benefits and burden related costs will be supported by appropriate schedules for allocation of such costs for the specific time period (cost types 716, 717, 718, 719, 720, 721, 722, 733, etc.).

All stock issues and stock returns will be supported by detailed spreadsheet listing of equipment issued/returned, date of issue/return, associated cost, individual issued to/returned to, etc. cost types 200, 210).

Petty cash (cost type 131) associated costs will be accompanied by detailed spreadsheet indicating individual, date, hours worked, and cash distributed. Petty cash costs for items other than "paper meals" (i.e., dollars paid to employees pursuant to the current collective bargaining agreement) will be accompanied by additional explanation and substantiation for those costs (e.g., mileage reimbursement).

Other Employee Related Cash Payments (cost type 132) will be accompanied by adequate supporting information including individual, date(s) worked, letter recommending award, and related approvals.

All cost transfers will be accompanied by a detailed copy of the transfer, identifying the cost transferred and explanation for the transfer.

All cost types not explicitly listed above, or created in the future, will follow the general guidelines listed above for the most similar category.

All billings for Mutual Aid Assistance received will conform to the EEI Mutual Aid Agreement.

Example of Cost Types for Storm Invoices

Cost Type	Type Name	Description/Types of Charges Included
100	ST Mgmt Labor	Labor
105	ST Nonmgmt Labor	Labor
107	Labor - Premium Nonmgmt	Premium Pay
108	Labor - OT Premium Non-Mgt	Overtime Pay
110	OT Mgmt Labor	
112	Labor - Premium Mgmt	
113	Labor - Premium OT Mgmt	
115	OT Nonmgmt Labor	

Cost Type	Type Name	Description/Types of Charges Included
131	Petty Cash	Overtime payment for meals - contractual
132	Other Empl Related Cash Payments	Overtime Payments
200	Stock Issues	Materials issued from inventory
210	Stock Returns	Materials returned to inventory
264	Other Materials Purchases	Non - Stock materials - Direct purchase
265	Freight Expenses	Shipping on direct purchase materials
300	Contract Labor	Outside Contractors
310	Outside Services - Other	Outside Contractors
313	Professional Services	Outside Contractors
320	Paving Hot Patch	Paving Contractor
406	Outside Consultants	Outside Contractors
410	Rentals	Equipment & truck rentals
414	Property Damage - Vehicle	Cost to repair damage to vehicles
415	Office Supplies	Supplies used in offices
420	P Card - Other	Purchase card purchases
438	Moving & Transportation Services	Used for towing and recovery services
477	Travel & Expenses	Employee T&E
478	Meals & Entertainment	Employee T&E
479	Personal Auto Expenses	Employee T&E
480	Other Employee Expenses	Employee T&E
481	Entertainment - Non A/P	Employee T&E
485	Telecommunications - Telephone	Phone expenses
501	Meals & Entertainment	Employee T&E
589	Sales and Use Taxes-Accrued-AP	Sales tax on contractor costs and materials
615	Transportation-Parts & Accessories-A/P	Vehicle parts purchased
7 16	Pension 401 K Match Burden	Employee labor burden
7 17	Other Post Empl Benefits (OPEBSs) Burden	Employee labor burden
718	Benefits Burden	Employee labor burden
7 19	Payroll Taxes Burden	Employee labor burden
720	Incentive Compensation Burden	Employee labor burden
72 1	Paid Absence Burden	Employee labor burden
722	Vacation Burden	Employee labor burden
723	Gainsharing Non-Management	Employee labor burden
733	Gainsharing Non-Management	Employee labor burden
749	Equipment Maintenance	Maintenance on equipment
750	Misc Gen Office	Accounting transfers

APPENDIX 10 (A)

REQUIRED OPERATING PERIOD INSURANCE

Annual election to be made by LIPA

Insurance to be procured for LIPA – The following table identifies the insurance which shall be procured by the Service Provider for LIPA. Consistent with the terms, conditions and limitations of this Agreement, the Service Provider and ServCo will be included as an additional named insured and provided a waiver of subrogation.

Policy Type	Limits	Deductible
Excess General Liability including automobile liability and employer's liability	\$300,000,000 each occurrence/agg	\$3,000,000 SIR or as directed by LIPA
Nuclear Electric	\$630,000/weekly	12 WEEKS
Property (All Risk)	\$500,000,000 each occurrence	Excess: \$1.5m each occ for PD or as directed by LIPA; replacement cost coverage; distribution assets only
Railroad Protective	\$2,000,000/\$6,000,000	\$0
US Property Terrorism	follows property program	follows property program

APPENDIX 10 (B)

Required Coverage for Service Provider – Separately, and not part of the LIPA insurance package procured under Appendix 10(A), the Service Provider shall procure and maintain in effect during the Term the insurance coverage set forth below. The Service Provider and ServCo shall be the named insured under such policies.

Policy Type	Limits (dedicated to the OSA Scope)	Deductible	LIPA – Additional Insured/waiver of subrogation
Workers Compensation	In compliance with the jurisdiction where the work is performed	\$500,000 maximum self insured retention (SIR)	Alternate Employer/Yes
Fiduciary Liability	\$60,000,000 aggregate limit	Not to exceed \$500,000	as available
		None	No/Yes
Business Travel Accident	up to 6 times salary and a cap of \$4,000,000 is acceptable		

The above program is to be dedicated to the activities of ServCo and the Service Provider employees in relation to their activities exclusively for and on behalf of LIPA. The program may be a part of a corporate program provided that the terms, conditions and limits above remain in place (except for claims arising from the course of work for LIPA) and are fully assignable to any successor service provider.

APPENDIX 11

TERMINATION FEE AMOUNTS

<u>Contract Year of Termination Date</u>	<u>Amount</u>
2014	7,000,000
2015	6,500,000
2016	6,000,000
2017	5,000,000
2018	4,000,000
2019	2,500,000
2020	0
2021	0
2022	0
2023	0

Annex I

(Third Party Infringements, if any, to Come from Service Provider)

Annex II

(Open Source Software , if any, to Come from Service Provider)

**FORM OF
GUARANTY AGREEMENT**

This Guaranty Agreement (this “**Guaranty**”) is made by PSEG Power LLC (the “**Guarantor**”), a Delaware limited liability company, in favor of LONG ISLAND LIGHTING COMPANY d/b/a LIPA, a New York corporation (“**LIPA**”), a wholly-owned subsidiary of the LONG ISLAND POWER AUTHORITY, a corporate municipal instrumentality of the State of New York and a body corporate and politic and a political subdivision of the State of New York. Defined terms used herein and not defined have the meanings assigned to them in the Agreement (defined below).

WHEREAS, PSEG Long Island LLC, a New York limited liability company (the “**Service Provider**”), and LIPA are parties to that certain Operations Services Agreement, dated as of December ____, 2011 (the “**Agreement**”); and

WHEREAS, the Guarantor is an Affiliate of the Service Provider, and will receive benefits from the Service Provider’s execution and performance of the Agreement and has agreed to enter into this Guaranty to provide assurance for the Service Provider’s performance of its obligations under the Agreement and to induce LIPA to enter into the Agreement; and

WHEREAS, it is a condition precedent to the obligations of LIPA under the Agreement that, at the Service Commencement Date, the Guarantor execute and deliver to LIPA this Guaranty; and

WHEREAS, the Service Commencement Date shall be the effective date of this Guaranty (the “**Effective Date**”).

NOW, THEREFORE, in consideration of good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

1. **Guaranty.** (a) The Guarantor hereby unconditionally, irrevocably and absolutely guarantees the prompt payment and performance of the Service Provider’s obligations arising under the Agreement, when due, subject to any applicable grace period and upon demand in writing from LIPA to the Guarantor (except to the extent such demand is stayed or prohibited by law) at the address of the Guarantor set forth herein below, as such obligations as it may be amended or modified by agreement between the Service Provider and LIPA from time to time (together with any and all reasonable costs and expenses, including reasonable counsel fees and expenses, incurred by LIPA in successfully enforcing its rights under this Guaranty, the “**Guaranteed Obligations**”). In addition, the Guarantor shall reimburse LIPA for all sums paid to LIPA by the Service Provider with respect to such Guaranteed Obligations which LIPA is subsequently required to return to the Service Provider or a representative of the Service Provider’s creditors as a result of the Service Provider’s bankruptcy, insolvency, reorganization, liquidation, receivership, or similar proceeding.

(b) Notwithstanding anything contained in Section 1(a) or otherwise in this Guaranty to the contrary, Guarantor's maximum liability hereunder to LIPA with respect to the Guaranteed Obligations shall in no event exceed Sixty Million Dollars (\$60,000,000.00) or such lower Credit Support Amount as may be in effect on the date (a) when LIPA provides notice of a demand under the Guaranty or (b) when LIPA first had knowledge that an event giving rise to a demand under the Guaranty had occurred, plus any and all costs and expenses, including reasonable counsel fees and expenses, incurred by LIPA in successfully enforcing its rights under this Guaranty. For the avoidance of doubt, the maximum liability of the Guarantor hereunder shall not exceed the liability of Service Provider under the terms of the Agreement (without regard to any bankruptcy or other impairment of LIPA's ability to enforce the Agreement). Guarantor will be liable for direct damages only and to the extent provided for herein. In no event shall Guarantor be liable hereunder whether in statute, contract, tort (including negligence, gross negligence and strict liability) under any indemnification provision or otherwise for any special, indirect, incidental, consequential, exemplary or punitive damages, lost profits or revenues arising from or relating to its or the Service Provider's performance or failure to perform their respective obligations arising under the Agreement except for such damages payable to a Third Party in respect of a Third Party Claim.

2. **Guaranty Absolute.** The liability of the Guarantor under this Guaranty shall be absolute, irrevocable and unconditional irrespective of:

(a) any defect or deficiency in the Agreement or any other documents executed in connection with the Agreement;

(b) any modification, extension or waiver of any of the terms of the Agreement in accordance with the terms thereof;

(c) any change in the time, manner, terms or place of payment of or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from the Agreement or any other agreement or instrument executed in connection therewith;

(d) any sale, exchange, release or non-perfection of any property standing as security for the liabilities hereby guaranteed or any liabilities incurred directly or indirectly hereunder or any set-off against any of said liabilities, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(e) except as to applicable statutes of limitation, failure, omission, delay, waiver or refusal by LIPA to exercise, in whole or in part, any right or remedy held by LIPA with respect to the Agreement or any transaction under the Agreement; or

(f) any change in the existence, structure or ownership of the Guarantor or the Service Provider, or any bankruptcy, insolvency, reorganization, liquidation, receivership, or similar proceeding affecting the Service Provider or its assets.

This Guaranty constitutes a guaranty of payment and performance when due and not of collection, and the Guarantor specifically agrees that it shall not be necessary or required that LIPA exercise any right, assert any claim or demand or enforce any remedy whatsoever against

the Service Provider, the Guarantor or any other Person liable for the performance of the Guaranteed Obligations either before or as a condition to the obligations of the Guarantor hereunder; provided, that the Guarantor shall have the benefit of and the right to assert any and all legal or equitable rights, set-offs, counterclaims or defenses against the claims of LIPA that are available to the Service Provider, as well as those legal or equitable rights or defenses that would have also been available to the Guarantor if the Guarantor had been in the same contractual position as the Service Provider under the Agreement other than (a) defenses arising from the insolvency, reorganization or bankruptcy of the Service Provider, (b) defenses expressly waived in this Guaranty, and (c) defenses previously asserted by the Service Provider in a prior action against the Service Provider for claims regarding the same disputed matter to the extent such defenses have been finally resolved in LIPA's favor by an arbitration award under the Agreement or a final, non-appealable court order. All sums payable by the Guarantor hereunder shall be paid by wire transfer of immediately available funds to the account designated by LIPA.

3. **Independent and Unconditional Obligations.** The obligations of the Guarantor under this Guaranty are independent of any obligations of the Service Provider under the Agreement, and an action may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Service Provider, or whether the Service Provider is joined in any such action or actions. The liability of the Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives, any circumstance that constitutes a legal or equitable discharge under applicable law of the guarantor or surety other than satisfaction in full of the Guaranteed Obligations

4. **Waiver.** The Guarantor hereby waives:

(a) notice of acceptance of this Guaranty, notice of the creation or existence of any of the Guaranteed Obligations and notice of any action by LIPA in reliance hereon or in connection herewith;

(b) notice of the entry into the Agreement between the Service Provider and LIPA and notice of any amendments, supplements or modifications thereto, or notice of any waiver of consent under the Agreement, including waivers of the payment and performance of the obligations thereunder;

(c) notice of any increase, reduction or rearrangement of the Service Provider's obligations under the Agreement;

(d) except as expressly set forth herein, presentment, demand for payment, notice of dishonor or nonpayment, protest and notice of protest or any other notice of any other kind with respect to the Guaranteed Obligations; and

(e) any requirement that suit be brought against, or any other action by LIPA be taken against, or any notice of default or other notice be given to, or any demand be made on, the Service Provider or any other Person, or that any other action be taken or not taken as a condition to the Guarantor's liability for the Guaranteed Obligations under this Guaranty or as a condition to the enforcement of this Guaranty against the Guarantor.

5. **Subrogation.** Unless and until the Guarantor has discharged in full all Guaranteed Obligations, notwithstanding any payment or payments made by the Guarantor under this Guaranty or any set-off or application of funds of the Guarantor by LIPA, the Guarantor shall not be entitled to be subrogated to any of the rights of LIPA against the Service Provider or any collateral security or guaranty or right of offset held by LIPA for the payment of the Guaranteed Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from LIPA in respect of payments made by the Guarantor under this Guaranty.

6. **Notices.** All demands, notices and other communications provided for hereunder shall, unless otherwise specifically provided herein, (a) be in writing addressed to the party receiving the notice at the address set forth below or at such other address as may be designated by written notice, from time to time, to the other party, and (b) be effective upon delivery, when mailed by U.S. mail, registered or certified, return receipt requested, postage prepaid, or personally delivered or be effective upon receipt of evidence, including facsimile evidence that facsimile transmission was received, when mailed by facsimile transmission. Notices shall be sent to the following addresses:

If to LIPA:

Long Island Power Authority
333 Earle Ovington Boulevard
Uniondale, New York 11553
Attention: Chief Operating Officer
Facsimile No: 516-719-9818

with a copy to:

Long Island Power Authority
333 Earle Ovington Boulevard
Uniondale, New York 11553
Attention: General Counsel
Facsimile No: 516-719-9812

If to the Guarantor:

PSEG Power LLC
80 Park Plaza
Newark, New Jersey 07101
Attention: Corporate Secretary
Facsimile No.: (973) 643-8349

with a copy to:

PSEG Services Corporation
80 Park Plaza, T19
Newark, New Jersey 07102
Attention: Vice President – Commercial

7. **No Waiver; Remedies.** Except as to applicable statutes of limitation, no failure on the part of LIPA to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

8. **Assignment; Successors and Assigns.** Neither the Guarantor nor LIPA shall assign its rights hereunder without the prior written consent of the other party, and any assignment without such prior written consent shall be null and void and of no force or effect except that LIPA may assign this Guaranty and its rights hereunder, or transfer such rights by operation of law, to any other governmental entity or to a subsidiary of LIPA or the Authority. This Guaranty shall be binding upon and inure to the benefit of each party hereto and their respective successors and permitted assigns.

9. **Amendments, Etc.** No amendment of this Guaranty shall be effective unless in writing and signed by the Guarantor and LIPA. No waiver of any provision of this Guaranty or consent to any departure by the Guarantor therefrom shall in any event be effective unless such waiver shall be in writing and signed by LIPA. Any such waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

10. **Expiration; Termination.** This Guaranty shall remain in full force and effect from the Effective Date until the later of (i) the date on which all Guaranteed Obligations have been fully paid or performed or (ii) the Termination Date of the Agreement; provided, however, that any expiration or earlier termination of this Guaranty shall not affect or reduce the Guarantor's obligations hereunder with regard to any obligation of Service Provider under the Agreement arising before such expiration or earlier termination.

11. **Caption.** The captions in this Guaranty have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Guaranty.

12. **Representation and Warranties.** The Guarantor represents and warrants as follows:

(a) the Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has full corporate power to execute, deliver and perform this Guaranty;

(b) the execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary action and do not contravene (i) the Guarantor's organizational

documents, (ii) any contractual restriction binding on the Guarantor or its assets or (iii) Applicable Law;

(c) this Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditor's rights and to general equity principles;

(d) no consent of any Person is required for the due execution, delivery and performance by the Guarantor of this Guaranty that has not been obtained;

(e) there is no claim now pending before or, to the best of the Guarantor's knowledge, threatened against it by, any Governmental Body or arbitral tribunal that is reasonably likely to have a material adverse effect on the Guarantor's ability to perform its obligations under this Guaranty;

(f) no bankruptcy, reorganization or insolvency proceedings are pending by or against the Guarantor, as debtor; and

(g) the Guarantor meets the creditworthiness standards required for guarantors in Appendix 2 of the Agreement.

13. **GOVERNING LAW.** THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD OR REFERENCE TO CONFLICT OF LAWS PRINCIPLES WHICH WOULD APPLY THE LAWS OF ANY OTHER JURISDICTION.

14. **WAIVER OF JURY TRIAL.** EACH PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS GUARANTY AND THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF SUCH PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF.

15. **Severability.** If any provision of this Guaranty shall be prohibited, invalid or unenforceable under Applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty, which will be enforceable to the fullest extent permitted by Applicable Law.

16. **Entire Agreement.** This Guaranty constitutes the entire agreement and understanding between the Guarantor and LIPA with respect to the Guaranteed Obligations and supersedes and replaces in its entirety any and all guaranties previously issued by the Guarantor to LIPA with respect to the Guaranteed Obligations, or any part of them.

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IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized representative effective as of this _____ day of _____, _____.

PSEG POWER LLC

By:

Name:

Title:

EXHIBIT B

**FORM OF DRAFT SUBCONTRACT
BETWEEN
THE SERVICE PROVIDER AND LOCKHEED MARTIN**