



RATING ACTION COMMENTARY

Fitch Affirms NYPA Transmission Project Revenue Bonds at 'AA-'; Outlook Stable

Mon 18 Aug, 2025 - 5:44 PM ET

Fitch Ratings - New York - 18 Aug 2025: Fitch Ratings has affirmed the rating on the following New York Power Authority (NYPA, the authority) obligations at 'AA-':

- \$592 million green transmission project revenue bonds, series 2022A;
- \$734 million green transmission project revenue bonds, series 2023A.

The Rating Outlook on all bonds is Stable

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
New York Power Authority (NY) [Transmission System]				
New York Power Authority (NY) /Transmission Revenues/1 LT	LT	AA-	Affirmed	AA-

PREVIOUS

Page1of 110 rows

NEXT

[VIEW ADDITIONAL RATING DETAILS](#)

The 'AA-' NYPA's transmission project revenue bond ratings reflect the limited security pledge supporting the bonds and the credit quality of NYPA's Separately Financed Transmission Project (SFTP, the Project). The SFTP was created to finance certain transmission assets separate from those funded pursuant to NYPA's general bond resolution.

The credit quality of the SFTP is very strong. Leverage, measured as net adjusted debt/adjusted funds available for debt service (FADS), fell below 7.0x at YE 2024. Fitch expects this to stabilize between 7.0x and 9.0x, absent additional debt-funded investment. Leverage ratios could rise over time if NYPA pursues additional investment. However, the authority's disciplined approach to funding and financial management should lead to financial ratios and an overall financial profile supportive of the current rating.

The SFTP benefits from very strong revenue defensibility and very low operating risk. Revenue defensibility is supported by resolution requirements that all costs related to transmission investments by the Project must be eligible for recovery pursuant to regulatory-approved tariffs. All of the SFTP transmission lines are within the state of New York (AA+/Stable), under oversight of the New York Independent System Operator (NYISO). Transmission charges are collected from a very broad customer base encompassing around 20 million electric users across the state.

Fitch expects unit operating costs related to transmission services to remain relatively stable and a very small portion of customer electric charges.

SECURITY

The SFTP project revenue bonds are payable solely from the net revenues or other income derived from the operation of the Project assets, and all funds and accounts established under the resolution. A debt service reserve fund requirement equal to the lesser of 10% of outstanding debt, maximum annual debt service or 125% of average annual debt service, is satisfied by a surety policy.

KEY RATING DRIVERS

Revenue Defensibility - 'aa'

Very Strong Cost Recovery Framework

The SFTP's revenue defensibility is very strong and reflects the sound regulatory framework for transmission owners operating in the NYISO. This included full and timely cost recovery pursuant to Federal Energy Regulatory Commission (FERC) approved tariffs. The ability of the state's utilities, and in turn NYISO, to collect transmission charges from electric ratepayers across the state sufficient to meet obligations supports purchaser credit quality and revenue defensibility overall.

The SFTP's obligations are payable solely from revenues and income derived from the Project's assets and investments. Revenues generated by NYPA's general resolution and other operations, including other transmission investments, are not available to pay debt service on the transmission revenue bonds, limiting overall support from the authority.

Risks related to project completion and potential cost overruns are manageable given the FERC-approved framework. The SFTP's initial investments involved two undertakings: the development of the Central East Energy Connect (CEEC) project, designed to increase transmission capacity from central to eastern New York; and the Smart Path Reliability Transmission (Smart Path) project, a rebuild of a portion of NYPA's Moses-Adirondack 1 & 2 line in northern New York. The CEEC project was placed into service in December 2023 and completed on budget. The Smart Path project was completed in May 2023, also on budget.

The SFTP's latest undertaking, the Smart Path Connect (SPC) project, consists of rebuilding and upgrading roughly 110 miles of transmission in upstate New York. Construction is underway and the project is an estimated 90% complete. The remaining lines and assets are expected to be completed by June 2026. While the project costs have exceeded the original budget, NYPA expects most of the costs will be recoverable pursuant to the FERC-approved framework.

Operating Risk - 'aa'

Very Low Costs; Very Low Technology Risk

The Project's operating risk assessment is very low. Costs related to transmission remain a very small component of retail energy costs in the state of New York, despite a trend of increasing transmission investments to support clean energy initiatives. Pro forma annual costs of the Project, including depreciation, are expected to stabilize at roughly \$125 million by 2028.

The SFTP's operating risk assessment factors the Project's current investments and plans for new assets that may be added and debt funded subject to acceptable recovery

frameworks and debt service coverage (DSC) requirements (1.2x). Future investments should remain focused on construction of new transmission lines and the improvement and rehabilitation of existing lines. Projects are likely to address transmission deficiency, as determined by the New York Public Service Commission, or be required to facilitate renewable energy and carbon reduction targets.

Financial Profile - 'aa'

Stabilizing Leverage, Adequate Liquidity Support Financial Profile

The SFTP's financial profile remains very strong. Leverage fell to 6.7x in 2024 from 10.5x in 2023 reflecting stronger than anticipated revenue collections and cash balances. Fitch-calculated coverage of full obligations and DSC both totaled 2.3x in 2024 and are expected to approximate 2.0x through 2029, supporting the Project's neutral liquidity profile. At YE 2024, the Project reported unrestricted cash and investments on hand of \$168 million. Reserves for capitalized interest, and operating and maintenance expense, along with a surety policy to meet debt service reserve requirements, provide additional protection.

Financial performance and metrics have benefitted from capitalized interest and deferred principal amortization, but leverage is expected to stabilize between 7x and 9x through 2029 in Fitch's scenario analysis as additional segments of the SPC are completed, and both revenue collections and cash debt service requirements rise through 2027.

Asymmetric Additional Risk Considerations

No asymmetric risk considerations are factored in the rating.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Sustained leverage above 11x in Fitch's rating case scenario.

--Challenges related to project completion that jeopardize collection of projected transmission revenue, or the incurrence of cost overruns deemed non-recoverable pursuant to the Project's regulatory approvals.

--Although unlikely, a fundamental change in FERC's approach to the regulation of transmission and authorized rates of return.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Sustained leverage below 7x in Fitch's rating case scenario, factoring expectations for additional investment.

PROFILE

NYPA is a political subdivision of the state of New York operating with the fundamental mission to support economic growth throughout the state by providing low-cost, clean power and innovative energy infrastructure. In its capacity, the authority provides wholesale power supply and transmission to customers, such as municipal, rural electric and investor-owned utilities, direct industrial users, public corporations, and several out-of-state utilities. NYPA is the nation's largest non-federal electric utility with 16 generating facilities and is a transmission-owning member of NYISO with more than 1,500 miles of transmission lines.

NYPA has publicly noted its goal to be the leading transmission provider in the state of New York as a key strategic objective. Operating and financing new assets through the SFTP is expected to help achieve this objective and facilitate NYPA's commitment to supporting the state's renewable energy and carbon-free energy goals. The SFTP transmission investments are financed and accounted for separately from NYPA's existing general operations, and project obligations are repayable solely from revenues generated by these new transmission assets.

Revenues attributable to NYPA's other assets, including existing transmission assets, and pledged pursuant to its general bond resolution are not available to meet the SFTP's obligations. By creating the SFTP, NYPA is aggressively debt financing its growing, and comparatively lower risk transmission operations, while preserving the credit quality of the authority's outstanding general resolution obligations. Cash flow generated by the SFTP in excess of operating expenses and debt service is available to be transferred to NYPA's general operations, subject to rate covenant restrictions and reserve requirements.

NYPA is involved in the development of additional transmission projects including the \$3.3 billion Propel New York Energy Project. However, the financing requirements for these projects and the SFTP's role, if any, has yet to be determined.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The SFTP has ESG Relevance Scores of '2' for Greenhouse Gas (GHG) Emissions and Air Quality, Energy Management, Water and Wastewater Management, and Water and Hazardous Materials Management. These scores vary from public power sector guidance of scores of '3' as transmission systems are not significantly exposed to the generation of GHG emissions, and have limited exposure to waste and hazardous materials from operations. While operating within the broader public power sector, transmission systems are not exposed to energy, fuel, or water use and consumption considerations.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 10 Jan 2025\) \(including rating assumption sensitivity\)](#)

[U.S. Public Power Rating Criteria \(pub. 24 Feb 2025\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

New York Power Authority (NY)

EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating s

[READ MORE](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.