

Research Update:

New York State Power Authority 'AA' Senior Revenue Bond Rating Affirmed; Outlook Stable

July 23, 2026

Overview

- S&P Global Ratings affirmed its 'AA' rating on the [New York State Power Authority](#)'s (NYPA or the authority) senior revenue bonds outstanding.
- At the same time, S&P global ratings affirmed its 'A-1+' rating on the authority's subordinate lien commercial paper (CP) and series 1 extendible municipal CP (EMCP) notes.
- The outlook on all long-term ratings is stable.

Rationale

Security

The authority's revenue bonds are payable from the net revenues of its wholesale generation and legacy transmission systems, following the payment of operating expenses.

The liquidity support obligations of the banks backstopping NYPA's commercial paper program--other than NYPA's EMCP program, which the revolving credit agreements do not cover--could terminate before expiration, if default events tied to the utility's creditworthiness occur. Consequently, the short-term CP rating reflects our view of the authority's capacity to service short-term obligations, rather than the banks' credit quality.

Starting in 2022, the authority financed as a separately financed project (SFP) the first of several series of bonds funding the construction costs of various high-voltage transmission projects. This debt is non-recourse to the legacy system, with no cross-default provisions. This report speaks exclusively to the credit ratings of the financings that support NYPA's legacy operations and the analysis excludes the SFPs.

NYPA's audited financial statements consolidate the legacy system's financial operations with those of the separately financed transmission projects; however, the notes to the audited financial statements provided unaudited deconsolidation of its balance sheet, income statement, and cash flows. NYPA's legacy system had \$1.79 billion in long-term debt outstanding as of Dec. 31, 2025.

Credit highlights

Primary Contact

Doug Snider
Englewood
1-303-721-4709
doug.snider
@spglobal.com

Secondary Contact

David N Bodek
New York
+ 1 (212) 438 7969
david.bodek
@spglobal.com

The 'AA' rating on the senior debt reflects NYPA's consistently robust financial metrics, highlighted by its debt service coverage exceeding 8x in each of the past three years. Additionally, we calculate fixed cost coverage, which reflects generation suppliers' recovery of investments in power supply resources that are embedded in purchased power expenses, of at least 2x over the past three years. We anticipate debt service coverage (DSC) and fixed charge coverage (FCC) will be at least 7.5x and 1.8x, respectively, through 2029.

The rating further reflects our view of the authority's large size, which provides the authority with meaningful economies of scale. NYPA provides power to over 1,150 customers including municipal utilities, governmental entities, large industrial and commercial customers, investor-owned utilities, and utilities in neighboring states.

The rating further reflects our view of the following credit strengths:

- The utility's low-cost, predominately hydroelectric portfolio provides rate benefits to ratepayers; primarily upstate customers of investor-owned, municipal, and cooperative utilities. Management's forecasts suggest annual rate increases that translate to less than 3% annual end-use bill increases from 2027 to 2030, which could pressure affordability slightly, moving forward. Moreover, because of the high unpredictability of federal policy--along with the economy's stressors and the associated financial pressures consumers are facing--we are monitoring the strength and stability of utilities' revenue streams for evidence of delinquent payments or other revenue erosion. (See ["Economic Outlook U.S. Q3 2026: Resilient to Layered Supply Shocks,"](#) June 24, 2026.)
- The utility exhibits what we consider to be sound on-balance-sheet liquidity that represented about three months' operating expenses, net of depreciation, in 2025.
- In our view, NYPA's 29% debt-to-capitalization ratio is favorable for a utility of its size.

Tempering the strengths are the following factors:

- NYPA has injected \$100 million in equity into NYREDHC, and management indicated it anticipates contributing an additional \$200 million over the next two years. We believe NYPA's liquidity levels will remain healthy as it continues to generate surplus margins that should offset these outflows, but further equity infusions could constrain the legacy utility's liquidity and, in turn, its financial flexibility.
- The utility's almost exclusive reliance on term bonds that defer principal amortization to later periods and influence DSC and FCC metrics. The authority makes sinking fund payments in connection with the 2020A bonds, which tempers credit risks.
- Exposure to the costs of participating in the implementation of the state's ambitious decarbonization goals. Although NYPA's hydroelectric resources (about 80% of total generating capacity) position it to meet the 2030 goal that it has voluntarily committed to as a nonjurisdictional utility, we view the state's renewable goals as ambitious and as having the potential to add costs and present operational exposures associated with the intermittency of wind and solar generation, particularly in connection with serving the utility's downstate governmental customers that NYPA currently serves primarily with carbon-based, thermal generation resources. While the majority of proposed projects to support these goals will be separately financed, we believe the additional costs to procure these resources will be passed through to NYPA's legacy utility through its purchased power costs.
- Periodic state government intervention that has called on the utility to make loans to the state and absorb the operations and financial costs of state activities unrelated to NYPA's electric utility operations, such as the Canal Corporation.

- A sizable capital program. The authority projects about \$667 million of 2026-2029 capital spending for the legacy utility's generation business, \$798 million of legacy utility funding for replacing its aging headquarters facilities, and \$297 million for the Canal Corporation. We expect that NYPA will fund capital projects with a combination of debt, balance sheet cash, and surplus operating cash flow. The authority anticipates issuing \$350 million in debt in 2027 to support its capital plan.

Outlook

The stable outlook reflects our view that historical DSC, FCC, and liquidity provide meaningful headroom to absorb unbudgeted cost increases, surplus transfers, and/or variability in wholesale sales. Accordingly, we believe the authority will be able to produce sound FCC and leverage ratios as it pursues a sizable capital program.

Downside scenario

We could lower the rating if NYPA's liquidity or coverage deteriorate meaningfully, whether due to unbudgeted transfers or other material support for state programs unrelated to the utility's power business, subsequent equity infusions into non-legacy utility businesses, or unfavorable wholesale market activity.

Upside scenario

Based on the susceptibility of the authority to wholesale market prices and hydrological conditions for net sales of surplus power, which can collectively or separately negatively affect margins, coupled with sizable forecast capital spending, we do not expect to raise the rating during our two-year outlook period.

Credit Opinion

NYPA is a corporate municipal instrumentality and political subdivision of New York State. It sells wholesale electricity primarily to municipal utilities, governmental entities, large industrial and commercial customers, investor-owned utilities, and utilities in neighboring states. Contracts with downstate governmental entities have medium- to-long-term durations.

Unlike many other utilities, the authority does not socialize its aggregate power production and procurement costs across all customers. Rather, customers pay charges tied to the resources that supply their electricity needs.

NYPA also sells some of the hydroelectric output to industrial customers in New York State and municipalities outside the state. NYPA makes sales of hydroelectric output to municipalities outside New York to satisfy conditions of the generation facilities' Federal Energy Regulatory Commission licenses. NYPA's sales of hydroelectric energy to industrial customers advance state economic development objectives.

The authority principally serves its downstate governmental customers' needs with owned and contracted thermal resources that it supplements with market purchases. These customers pay rates that dynamically capture changes in the costs of serving them. NYPA reports that it sells electricity to the downstate governmental customers at a discount relative to the incumbent investor-owned utility.

Climate and other evolving factors

The authority faces energy transition risk, in our view. We believe securing generation resources to replace thermal resources to achieve the state's decarbonization targets could add to the cost of power supply.

In July 2019, New York enacted the Climate Leadership and Community Protection Act, directing the state's utilities to source 70% of their electricity from renewable resources by 2030 and 100% of their electricity from carbon-free resources by 2040.

To meet the state targets, NYPA is exploring the potential retirement of various gas-fired power plants as well as the addition of nearly 5.5 gigawatts (GW) of combined renewable energy and energy storage projects. NYPA anticipates funding the new projects through its subsidiary, the New York Renewable Energy Development Holdings Corporation (NYREDHC). Any debt associated with project development would be non-recourse to NYPA's legacy utility. To the extent that NYPA enters into purchased power agreements directly with NYREDHC, we would consider any associated increase in purchased power costs in our coverage calculations, as well as imputing a portion of the costs as debt-like. However, NYPA has indicated that such projects are expected to be directly supported by contracts with NYPA customers or NYSERDA Tier one renewable energy certificate contract awards. In parallel, NYPA is separately financing several high voltage transmission projects to further facilitate the renewables buildout and expand system reliability.

Finally, in June 2025, New York Governor Kathy Hochul requested NYPA to considering developing an advanced nuclear facility, with at least 1 GW of nameplate capacity in upstate New York. Management anticipates facilitating this potential project alongside third-party developers, but does not anticipate directly developing and/or funding nuclear projects.

Ratings List	
Ratings Affirmed	
Public Power	
New York St Pwr Auth, NY Wholesale Electric System	AA/Stable
New York St Pwr Auth, NY Wholesale Electric System 2nd Lien	A-1+

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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