DELIVERING ON NEW YORK STATE'S

CLEAN ENERGY VISION

INTEGRATED REPORT 2022

NEW YORK STATE | NY Power Authority | Canal Corporation

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Report Revision
On October 13, 2023, corrections were made to the following disclosures:
GRI 305-7 and SASB IF-EU-120a.1, 2021 air emissions data, and
GRI 302-1, 2022 energy consumption data

Forward-Looking Statement

Forward-looking statements in this report, including the message from the New York Power Authority (NYPA) president and CEO, may contain statements that, to the extent they are not recitations of historical fact, may constitute "forward-looking statements." In this respect, the words "may," "will," "could," "should," "plan," "predict," "schedule," "estimate," "project," "anticipate," "expect," "intend," "believe," "potential," "continue," and similar expressions or terminology, and the negative of these terms, are intended to identify forward-looking statements.

Any such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Some of the factors that could cause actual results to differ materially are discussed in NYPA's Financial Report for the year ended Dec. 31, 2022, and other reports filed with New York State, available in Section 6 of this report and include, among others, effects of pandemics, changes in economic conditions, mandates from other governments, reduced governmental allocations, and various other events, conditions and circumstances, many of which are beyond the control of NYPA.

These forward-looking statements represent NYPA's expectations only as of the date of this report, and NYPA disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in NYPA's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Recent Developments

This 2022 Integrated Report focuses on strategies, performance and data covering the reporting period ending December 31, 2022. Relevant amendments to the Public Authorities Law made through enactments occurring after that date, including those noted below, will be addressed in more detail in the Authority's 2023 Integrated Report.

Legislation Affecting the Authority:
Amendments to the Power Authority Act – As more specifically described in the enactment, and subject to the limitations described there in, the 2023-24 Enacted State Budget amended the Power Authority Act in numerous subject areas, including but not limited to: (1) expanding NYPA's authority to plan, design, develop, finance, construct, own, operate, maintain and improve, either alone, or jointly with other entities, renewable energy generation projects; (2) authorizing NYPA to develop and implement, with the Public Service Commission, a new program, the Renewable Energy Access and Community Help" or "REACH," that will enable low-income or moderate-income end-use electricity consumers in disadvantaged communities, to receive bill credits derived from a portion of the revenues generated from new renewable energy generation projects developed or contracted for by NYPA to support the REACH Program; (3) directing NYPA to (a) prepare a plan for ceasing electricity production at its small natural gas-fired power plants by December 31, 2030, and (b) cease electricity production by such date should NYPA determine, in consultation with the New York Independent System Operator and other entities, that such plant or plants are not needed for emergency power service or electric system reliability, and replacement generation resources will not result in more than a de minimis net increase of emissions of CO^2 emissions or criteria air pollutants within a disadvantaged community; and (4) authorizing NYPA to make available up to $25 million annually to the NYS Department of Labor to fund programs established or implemented by or within the DOL, including but not limited to the office of just transition and programs for workforce training and retraining, to prepare workers for employment for work in the renewable energy field. Changes made by these amendments do not affect NYPA's previously-existing statutory authority.

Sections 1 to 5 of the 2022 Integrated Report were not prepared with a view to investment decisions by investors in any of NYPA's bonds; Sections 1 to 5 of the 2022 Integrated Report are not suitable to serve as the basis for making any such investment decisions. Like other reports and documents posted on NYPA's website, Sections 1 to 5 of the 2022 Integrated Report are provided to interested stakeholders for general information only.

NYPA makes no representation concerning the accuracy or completeness of the information contained in this Report. Investment decisions by investors in any of NYPA's bonds should rely solely on the specific disclosure document prepared in connection with the applicable NYPA offering.

A Message From the Chairman

The New York Power Authority's commitment to sustainability grows stronger by the day. As you will see in this publication—our first annual Integrated Report—NYPA and the New York State Canal Corporation are positioning our organizations as leaders in Environmental, Social and Governance (ESG) topics. By embracing cleaner and greener power generation, NYPA is advancing the state's ambitious energy goals, helping our customers decarbonize their operations and improving quality of life.

The Climate Leadership and Community Protection Act (CLCPA) requires New York to reduce greenhouse gas emissions 40 percent by 2030 and at least 85 percent from 1990 levels by 2050. NYPA's VISION2030 strategic plan was developed with the CLCPA in mind. NYPA is continuing to carry out its commitment to 100 percent carbon-free electricity generation by 2035, five years ahead of the goal established with CLCPA.

As trustees and directors, we embrace the need to integrate climate change and sustainability in NYPA and Canals' decision-making processes at all levels. This approach was demonstrated in 2022 through such actions as: the growth of our EVolve NY electric vehicle charging network to include more than 100 chargers; the launch of the $70 million Clean Heat for All challenge, which will lead to development and installation of innovative technology for New York City Housing Authority residents; and our issuance of $608 million in Green Transmission Project Revenue Bonds to, in part, fund transmission projects.

NYPA owns and operates about one third of New York State's transmission lines, and we recognize our emphasis on sustainability and combatting climate change can have a meaningful impact. We are moving forward with Clean Path New York, a partnership with Invenergy and energyRe that received contract approval from the state Public Service Commission (PSC) last year. NYPA's Blenheim-Gilboa Pumped Storage Power Project will strengthen the reliability and resiliency of this $11 billion transmission and generation investment, which we expect to deliver 7.5 million megawatt hours of renewable energy per year, cut annual statewide fossil fuel-fired generation by 22 percent and eliminate an estimated 49 million tons of carbon emissions through 2040.

NYPA is also advancing Smart Path Connect, which the PSC approved in 2022. This 100-mile transmission line project being undertaken in the North Country by NYPA and National Grid, helps meet CLCPA requirements and reinforces goals set in VISION2030. Smart Path Connect will bring more clean and renewable energy into the grid, including low-cost hydropower from our St. Lawrence-Franklin D. Roosevelt Power Project.

Along the Canal System, we continue to manage our waterways responsibly. As guided by VISION2030, we are working to ensure that the canals are safe and operable for generations to come, while continuing to serve as a primary driver of local economies through recreational tourism and quality-of-life benefits.

At NYPA and Canals, we are committed to keeping New York a great place to live and do business. While there is more work to do, the Board of Trustees is proud of what has been accomplished and excited for all that's to come.

NYPA BOARD OF TRUSTEES AND CANAL CORPORATION BOARD OF DIRECTORS

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Phil Toia
President, NYPA Development

Karina Saslow
Interim VP, Human Resources

Lisa Payne Wansley
SVP, Environmental Justice, Community Affairs & Legislative Relations

A Message From the President & CEO

We are pleased to publish the first New York Power Authority and Canal Corporation Integrated Report, which explains the importance of sustainable development to NYPA and Canals, and how we create value while we execute against our strategy. As part of the efforts that went into creating our VISION2030 strategic plan, this report demonstrates how NYPA is embedding an Environmental, Social and Governance (ESG) framework across the organization, and illustrates that integrated thinking is a key component of our ESG strategy. We intend to publish an Integrated Report annually to keep you informed about how our employees are coming together to combat climate change, to expand our commitment to sustainability and show how VISION2030 helps Gov. Kathy Hochul's administration meet its clean energy goals.

For nearly a century, NYPA has been entrusted with some of the state's most important natural resources. We cherish our role as a steward of these assets, which benefit New Yorkers through generation of clean energy and the recreational opportunities provided by our subsidiary, the Canal Corporation. I know firsthand the positive impact we have on New York. NYPA and Canals' dedicated employees work hard to ensure that our state is a great place to live and do business.

Much has changed in New York State since NYPA's first generating facility—the St. Lawrence-Franklin D. Roosevelt Power Project—began generating electricity in 1958. While the turbines still spin to create power, today our plants operate with state-of-the-art digital technology to make them more efficient and resilient, and NYPA has invested billions of dollars to improve and expand our transmission network to reliably deliver more clean power to where it's needed. Today we are much more than a traditional electric utility. We deliver benefits to disadvantaged communities and businesses through NYPA's economic development, and Environmental Justice programs and innovative customer offerings which we describe in detail throughout this report.

The same push to go beyond the basics holds true with the Canals, which have a long history dating back to 1817, when construction began on the Erie Canal. The modern-day Canal System relies on time-tested technology to guide mariners, but what were once vital passageways for commerce are now a recreational haven—and not just on the water. We work to ensure that the many recreational opportunities on and off the water will support regional tourism and economic prosperity.

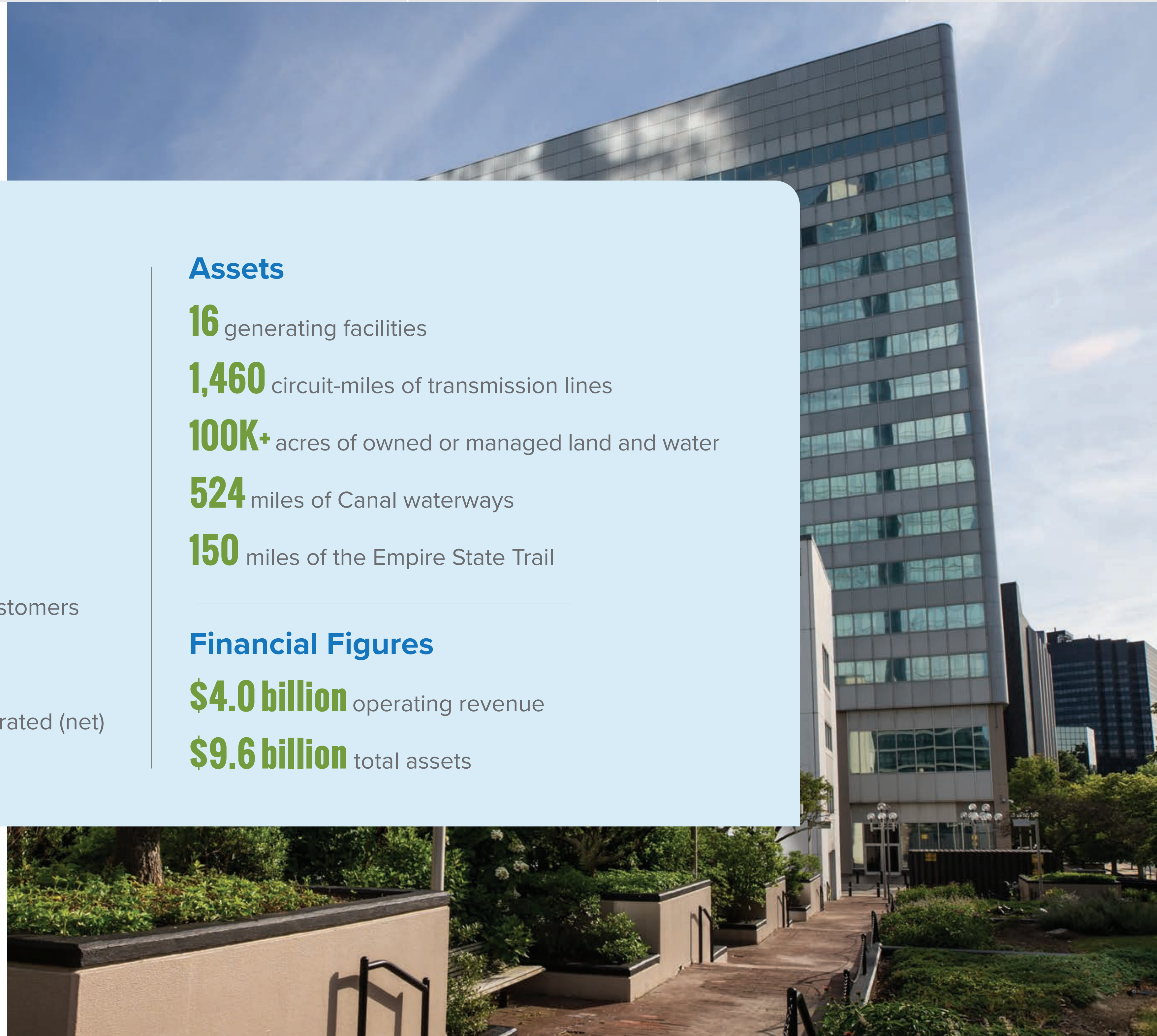
Some important ways in which we're creating a stronger, more sustainable New York State:

- 85% of NYPA's generation in 2022 came from clean, low-cost hydropower
- We're expanding our transmission network to support the integration of more solar and wind generation into the state's grid
- Our ReImagine the Canals campaign is helping to revitalize communities along the Canal System

We are also seeking to create a stronger, more sustainable New York though our commitment to diversity, equity and inclusion (DEI). We work tirelessly to ensure NYPA is a place where everyone contributes and everyone belongs. This commitment also extends to our external partnerships, as evidenced by our $12 million investment to grow small and diverse businesses though our Supplier Diversity program.

We will continue to focus on operationalizing our ESG framework by embedding the principles of integrated thinking into our strategic decision-making processes as we move toward realizing VISION2030 and continue to report on our value-creation story.

ABOUT US



Workforce

2,560 total employees

2,077 NYPA employees

483 Canals employees

Customers & Communities

1,091 power and energy services customers

38.8 million+ MWh electricity sold

26.4 million MWh electricity generated (net)

Assets

16 generating facilities

1,460 circuit-miles of transmission lines

100K+ acres of owned or managed land and water

524 miles of Canal waterways

150 miles of the Empire State Trail

Financial Figures

$4.0 billion operating revenue

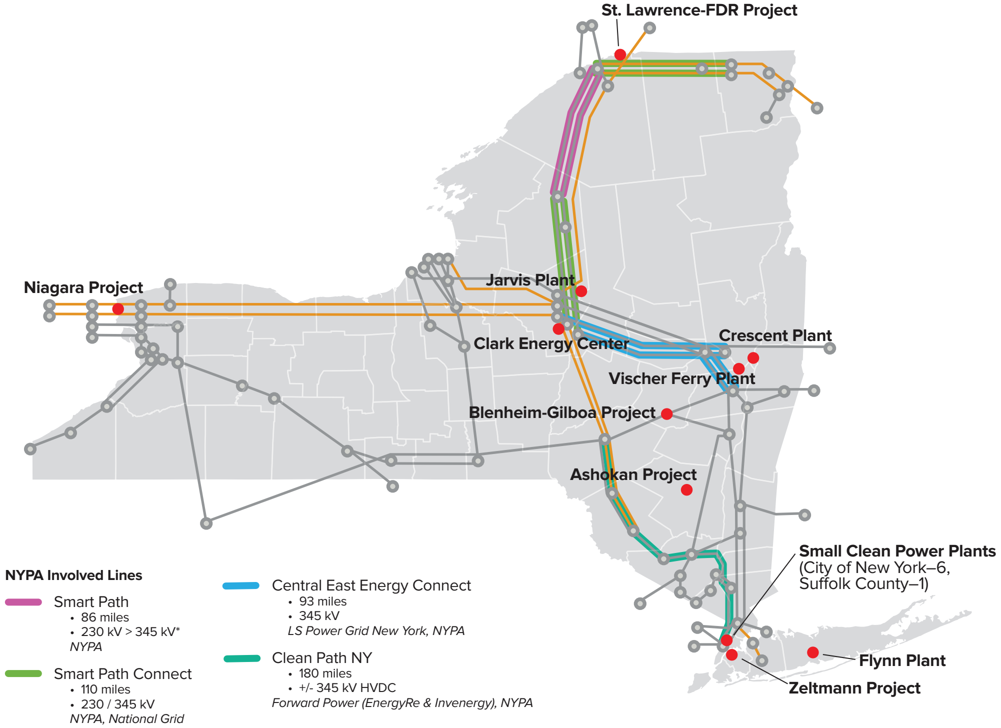
$9.6 billion total assets

New York Power Authority

NYPA's mission is to lead the transition to a carbon-free, economically vibrant New York through customer partnerships, innovative energy solutions, and the responsible supply of affordable, clean and reliable electricity

NYPA is the largest state electric utility in the country, operating 16 generating facilities and more than 1,460 circuit-miles of transmission lines. Power generation is at the heart of NYPA's mission and at the core of our business. We produce approximately 70% of New York State's renewable electricity and 25% of the state's total electricity. In 2022, 85% of NYPA's power generation came from clean, renewable hydropower.

Our clean generation sources help make New York a national energy leader. We provide customers with the lowest-cost electricity in New York State, without NYPA receiving any tax money or state credit. Our customers include large and small businesses, not-for-profit organizations, community-owned electric systems, rural electric cooperatives and government entities. Our customers provide jobs, education, health care and important services to the citizens of New York. Learn more here.



ST. LAWRENCE-FRANKLIN D. ROOSEVELT POWER PROJECT
Type: Hydroelectric
Location: Massena, St. Lawrence County
Nameplate Rating: 1,088.0 MW*
First Commercial Power: July 1958
2022 Net Generation: 7,299.0 GWh

NIAGARA POWER PROJECT
Type: Hydroelectric
Location: Lewiston, Niagara County
Nameplate Rating: 3,100.0 MW*
First Commercial Power: Jan. 1961
2022 Net Generation: 15,205.8 GWh

BLENHEIM-GILBOA PUMPED STORAGE POWER PROJECT
Type: Pumped Storage/Hydroelectric
Location: North Blenheim and Gilboa, Schoharie County
Nameplate Rating: 1,160.0 MW*
First Commercial Power: July 1973
2022 Gross Generation: 444.6 GWh

RICHARD M. FLYNN POWER PLANT
Type: Gas/Oil
Location: Holtsville, Suffolk County
Nameplate Rating: 170.0 MW*
First Commercial Power: May 1994
2022 Net Generation: 670.8 GWh

FREDERICK R. CLARK ENERGY CENTER
Function: Coordinates NYPA generation and transmission system operations
Location: Marcy, Oneida County
Opened: June 1980

SMALL HYDRO FACILITIES
Located on reservoirs and waterways around the state, facilities include the Ashokan Project, Gregory B. Jarvis Plant, Crescent Plant and Vischer Ferry Plant
Combined Nameplate Rating: 36.8 MW*
2022 Net Generation: 144.3 GWh

SMALL CLEAN POWER PLANTS
Type: Gas
Location: Six New York City sites and Brentwood, Suffolk County
Combined Nameplate Rating: 517.0 MW*
First Commercial Power: June 2001
2022 Net Generation: 676.3 GWh

EUGENE W. ZELTMANN POWER PROJECT
Type: Gas/Oil
Location: Astoria, Queens County
Nameplate Rating: 576.0 MW*
First Commercial Power: Dec. 2005
2022 Net Generation: 2,604.4 GWh

TRANSMISSION FACILITIES
1,459.5 circuit-miles of alternating current transmission lines

Size	Underground	Overhead	TOTAL
765 kV	0.0	155.2	155.2
345 kV	42.8	886.1	928.9
230 kV	0.0	338.2	338.2
115 kV	1.8	35.4	37.2
TOTAL	**44.6**	**1,414.9**	**1,459.5**

*Nameplate Rating: The maximum rated output of a generator under specific conditions designated by the manufacturer, as defined by the United States Energy Information Agency. As submitted by NYPA for inclusion in the 2022 Load & Capacity Data ("Gold Book"), The New York Independent System Operator, Inc.

New York State Canal Corporation

The mission of the New York State Canal Corportation (Canals) is to operate and maintain a premier waterway and trail system that honors the historic legacy of the Erie Canal and offers unique recreational and tourism opportunities, while also promoting sustainable economic development throughout the canal corridor.

Canals, a subsidiary of NYPA, oversees the operation, maintenance and promotion of the New York State Canal System (Canal System). The Canal System includes the Erie, Champlain, Oswego and Cayuga-Seneca Canals, and links the Hudson River with the Great Lakes, the Finger Lakes and Lake Champlain. It also includes the 365-mile Canalway Trail, which follows original towpaths running from Albany to Buffalo and from Albany to Whitehall, and is part of the 750-mile Empire State Trail—the nation's longest multi-use recreational trail network.

Our "Reimagine the Canals" initiative offers unique recreational and tourism opportunities and promotes sustainable economic development throughout the canal corridor. Learn more here.

LOCKS

Concrete chambers with a set of gates on each end that fill up or release water to enable vessels (including kayaks) to transit the changing elevations across New York State. Number of locks: 57.

POWERHOUSES

At most locks, small distinctive white structures hold the equipment which once provided electricity to operate the locks. Today, locks are powered by local electric systems.

MACHINERY CABINETS

The blue and gold box-like structures display the lock numbers. Inside, they contain the motors and gears used in operating the locks.

LIFT BRIDGES

Built to carry traffic and pedestrians over the Erie Canal while providing clearance to allow transiting vessels to pass. There are 16 lift bridges and more than 100 other types of bridges.

MOVABLE DAMS

They artificially raise the water level of the Mohawk River to support navigation. In addition to eight moveable dams, there are about 100 fixed dams.

VESSELS

Used for jobs like positioning buoys for navigation season, removing debris such as fallen trees and branches, transiting large equipment and much more. Canals owns and operates more than 100 vessels.

ABOUT OUR 2022 INTEGRATED REPORT

Our Report Scope

The 2022 Integrated Report (the Report)[1] discloses our financial and nonfinancial performance from Jan. 1, 2022, to Dec. 31, 2022. The information presented in this Report provides an overview of the operations and activities carried out by the New York Power Authority (NYPA) and our subsidiary, the New York State Canal Corporation (Canals), and includes a consolidated view of financial and non-financial data. The Report aims to reflect our strategy, performance, opportunities, outcomes and outlook in relation to material sustainability (Environmental, Social, and Governance) and financial matters.

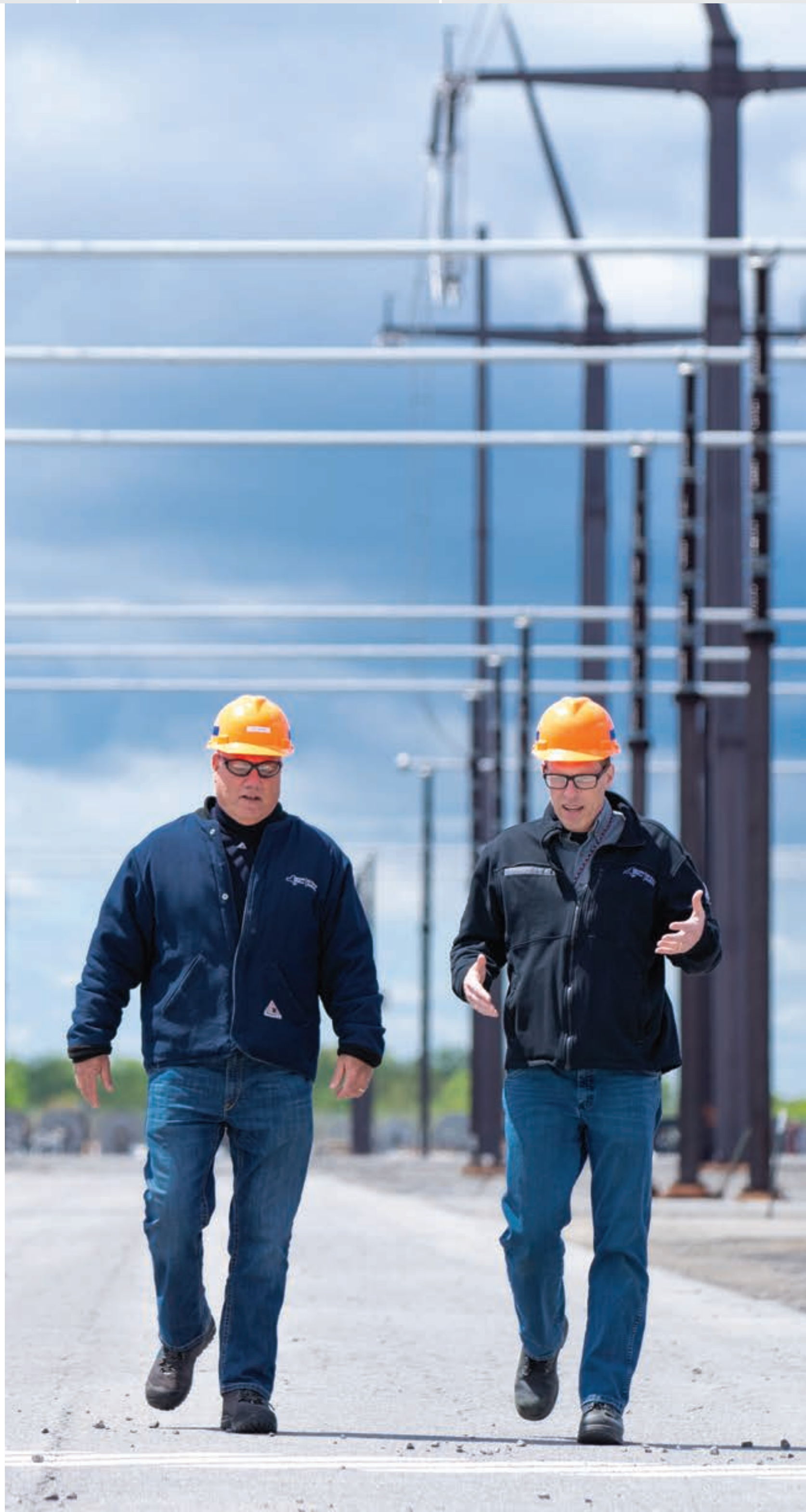
The Report is divided into six main sections. Sections 1-5 serve as NYPA's disclosure of nonfinancial ESG-related performance and identify NYPA's Strategic Priorities as set forth in our 10-year strategic plan, VISION2030, as well as our ESG material matters. Section 1 describes who we are; Section 2 presents our strategy and approach to value creation; Section 3 addresses our governance; Section 4 discusses how NYPA's 2022 business activities created value to serve the people of New York State; and Section 5 includes performance information relevant to our key stakeholders. Sections 1 through 5 are not subject to audit. Section 6 includes NYPA's audited financial statements for 2022.

Sections 1 through 4 strive to align with the International Integrated Reporting Framework (the <IR> Framework) as developed by the International Integrated Reporting Council (IRRC). In addition, the Disclosures Index (Section 5) provides information that reflects our performance in 2022 and includes content indices for:

- Global Reporting Initiative (GRI) Standards, updated in 2021
- Sustainability Accounting Standards Board (SASB) standards for electric utilities and power generators

We continue to work on aligning our disclosures with the Task Force on Climate Related Financial Disclosures (TCFD) framework through annual submissions to the Climate Disclosure Project (CDP) Public Authorities Questionnaire.

[1] In this Report, "NYPA" refers to the New York Power Authority and its subsidiary, the New York State Canal Corporation. Where relevant, references to organization-specific goals, strategies and programs are indicated.



Our Reporting Journey

This is NYPA's first Integrated Report, developed to describe how we achieve the priorities set by VISION2030 and the goals outlined in NYPA's 2021–25 Sustainability Plan, which inform our value-creation story.

We applied the <IR> Framework in this Report to show how we create, preserve and erode value and to provide a more holistic view of NYPA's impacts on society and New York State's energy needs. Using the framework, we identified "capitals," or the resources and relationships our operational and functional activities are dependent on and which they affect. These capitals are categorized in the <IR> Framework as financial, manufactured, intellectual, human, social and relationship, and natural, and they may increase or decrease as a consequence of our business activities, which we describe in the Creating Value section.

NYPA's alignment to the <IR> Framework combines our past reports (Annual Report, Sustainability Report and DEI Report) into a single document that captures a comprehensive view of our performance. This Report is the first step on our integrated reporting journey, and it positions us among the first U.S. electric utilities and government entities to issue a report adopting the <IR> Framework. In future reporting, we expect to improve and expand our disclosures, and further align with the <IR> Framework and integrated thinking principles as well as the GRI and SASB reporting standards.

Basis of Preparation for Sections 1 to 5

Our Integrated Report is based on the guiding principles and content elements contained in the latest <IR> Framework, issued in January 2021. This report describes NYPA's approach to managing our most material ESG matters through qualitative and quantitative information. Unless otherwise noted, this report and the data presented cover the 2022 calendar year.

We defined the scope of the Report based on the results of a 2020 ESG materiality assessment and the <IR> Framework's definition of materiality as presented in the section "Our ESG Material Matters." The content of the Report was identified based on input received from a cross-functional team led by NYPA's Sustainability department.

Nonfinancial and ESG data: The data in this report was collected by representatives from departments and facilities across NYPA. Estimations, exclusions and additions are noted where applicable. The relevant information is validated, reviewed and signed off by the respective data owners, and approved by the Executive Management Committee (EMC). Nonfinancial information is not subject to audit by a third party.

Concerning materiality: The terms "materiality" and "material matters" refer to ESG matters identified in NYPA's ESG materiality assessment that have the greatest potential impact on the business and that have the greatest importance to our stakeholders. This definition of materiality within the context of ESG aligns with the definitions established by the GRI and the <IR> Framework. We use these frameworks to guide reporting on relevant ESG matters.

We are not using materiality terms as they are used in securities laws or other laws in the U.S. or any other jurisdiction. We are also not using materiality terms as they are used in the context of financial statements and financial reporting.

Reporting uncertainties: Nonfinancial information is subject to measurement uncertainties inherent in the nature and methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

We have followed leading methodologies, such as the Greenhouse Gas Protocol (GHG Protocol), the Climate Leadership and Community Protection Act (CLCPA)-compliant and New York State Department of Environmental Conservation-adopted 6 New York Codes, Rules and Regulations (NYCRR) Part 496, and the USEPA-prepared supply chain greenhouse gas (GHG) emission factors, to determine measurement and calculation techniques for our Scope 1, Scope 2 and Scope 3 GHG emissions.

2022 BY THE NUMBERS

Enabling the just transition to a decarbonized New York State

$1.4 billion cumulative investments of hydropower generation assets, including modernization

22.4 million megawatt hours (MWh) of hydropower generated

440,000+ cumulative jobs created/retained through our economic development programs

$1.7 billion cumulative investments in modernization and expansion of transmission assets

$608 million in investments supported by green bonds

1.8 million metric tons CO2 equivalent (CO2e) Scope 1 emissions[2]

64,500 metric tons CO2e Scope 2 emissions

5.4 million metric tons CO2e Scope 3 emissions

[2]Scope 1 emissions: the New York Independent System Operator (NYISO) controls the dispatch of New York State generating assets. NYPA's Scope 1 emissions fluctuate as our generating assets are selected for dispatch by the NYISO.

Scopes 1, 2 and 3 emissions: the CLCPA directs state entities to use 20-year Global Warming Potential (GWP) values from the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5; see page 6 in the NYSDEC 2022 Statewide GHG Emissions Report). Read the full Statement of Greenhouse Gas Emissions with Independent Accountants' Review Report (limited assurance, Scope 1 Emissions, 2022) thereon.

Empowering a resilient New York State through partnerships

$148 million+ invested in energy efficiency projects at customer facilities

15,710 MWh conserved and **23,300** metric tons of GHG emissions saved through customer energy efficiency projects

17.76 megawatts (MW) of distributed solar and **1.34** MW of storage enabled

669 public EVolve NY electric vehicle fast chargers and customer-sited chargers installed

53% of total supplier spend invested in local suppliers

$96 million+ spent with minority- and women-owned enterprises

1,100 trees planted, sequestering **13,000** lbs. of CO2 in first year

$14 million+ invested in Reimagine the Canals

12,739 visitors to On the Canals program for tourism, recreation and education

Growing together as a team

38.8% female and **27.7%** people of color representation in executive leadership

102,596 hours of training provided to employees (regulatory, skill and developmental)

17 employees graduated from the Pathways Professional Development Program

806 knowledge transfer engagements

28 paid summer interns

103 employees and **307** volunteer hours across **7** Community Corps events

VISION2030: ROADMAP FOR A BRIGHTER FUTURE

Our Strategy

VISION2030, NYPA's 10-year strategic plan, was developed to help realize our vision of a thriving, resilient New York State powered by clean energy.

Our strategy is focused on the energy transition in line with the state's Climate Leadership and Community Protection Act (CLCPA). The CLCPA establishes a path to decarbonization of the electricity grid by 2040 and a carbon-neutral state economy by 2050. VISION2030 targets align with the CLCPA, driving our activities and investments toward achieving the state's ambitious climate and clean energy goals.

The progress we make towards these goals will strengthen the state's economy, stimulating and enabling job creation and capital investment, in line with our commitment to put the people of New York first.

Our mission as a public steward is to lead the transition to a carbon-free, economically vibrant New York through customer partnerships, innovative energy solutions, and the responsible supply of affordable, clean and reliable electricity. VISION2030 guides NYPA in accomplishing this for the benefit of all New Yorkers.

NYPA contributes to the achievement of the state's climate and clean energy goals.

Our value-creation story addresses the challenges faced by New York State, including mitigating and adapting to the rising impacts and inequities caused by climate change. We have set a target for decarbonization of generated electricity by 2035, five years ahead of the CLCPA target, to help accelerate the state's decarbonization efforts.

New York State's Climate Leadership and Community Protection Act

Electricity Targets

70% Renewable by 2030

100% Emissions Free by 2040

Renewable Targets

10 GW Distributed Solar by 2030

6 GW Storage by 2030

9 GW Offshore Wind by 2035

Economy-wide targets

185 Trillion British Thermal Units Reduction Through Energy Efficiency by 2025

40% Greenhouse Gas Reduction by 2030

85% Greenhouse Gas Reduction by 2050

35% of Benefits for Disadvantaged Communities

NYPA's Goals and Targets

Preserve Hydropower

Maintain hydropower's contribution to the grid by generating at least **21 TWh** of carbon-free electricity, providing capacity and critical ancillary services

Decarbonize Gas Plants

Achieve **zero carbon emissions** by 2035 for our natural gas fleet

Lead Transmission Expansion

Grow transmission rate base by **3 to 5 times** by 2030

Achieve **top quartile** operations and maintenance efficiency in transmission

Reimagine the Canals

Execute the Reimagine the Canals priority **capital projects** by 2025

Partner With Customers and the State

Enable **325 MW** of distributed solar at customer sites by 2025

Enable **450 MW** of storage projects by 2030

Conserve **11 TBTu** of customer energy use by 2025

Supply customers with **70 percent** renewable energy by 2030

Grow the contracted supply business by **15 percent** by 2025

Respond to **CLCPA goals** to provide available and relevant resources to disadvantaged communities

VISION2030: A Strategic Plan Built Around the People of New York State

To meet the energy demands and challenges of the next decade, VISION2030 identifies five Strategic Priorities. They are built around our commitment to partner with customers and the state to ensure a cost-effective transition to clean energy. Our Strategic Priorities require us to be innovative and resilient in adapting to change. To ensure our success, we have identified five guiding Foundational Pillars.

Strategic Priorities

1

Preserve and enhance the value of our hydropower assets as a core source of carbon-free power in New York State, and as a source of flexibility and resilience as the state's grid evolves

2

Pioneer the path to decarbonization of natural gas assets by acting as a testbed for innovation while ensuring reliability, resilience and affordability of New York State's energy grid

3

Be the leading transmission developer, owner and operator for New York State and its changing needs

4

Partner with our customers and the state to meet their energy goals in alignment with the CLCPA by providing clean and affordable energy along with innovative customer solutions

5

Reimagine the New York State Canal System for the economic and recreational benefit of New Yorkers

Foundational Pillars

Digitalization
Leveraging connectivity and cutting-edge digital infrastructure to optimize our physical and data assets, enable our workforce, and empower our customers

Environmental, Social and Governance
Fully integrating ESG into NYPA's DNA by transforming leadership practices; formalizing strategic, oversight and reporting responsibilities for ESG matters; and demonstrating our commitment over the long term through reporting

Diversity, Equity and Inclusion (DEI)
Providing equal access and opportunity for employees and strategic partners to mitigate societal inequities, and creating an environment where every employee, business partner, and community advocate feels valued

Resilience
Accelerating the adoption of an enterprise-wide resilience strategy to prepare for a more distributed and uncertain operating environment

Resource Alignment
Optimizing our core business processes and making information and knowledge readily available, so our workforce can be as skilled and flexible as possible

2021-2025 SUSTAINABILITY PLAN COMMITMENTS

Advancing the ESG Foundational Pillar of VISION2030

To help realize VISION2030, we launched our 2021-25 Sustainability Plan, which focuses on advancing the integration of ESG across our organization. The plan unites the priorities outlined in VISION2030 and NYPA's ESG ambition to deliver a sustainability strategy to meet the current and future needs of our stakeholders and enhance long-term environmental, social, governance and economic performance.

The Sustainability Plan serves as a roadmap, identifying goals and strategies for each of our ESG material matters over the next few years. In this Report, we provide information on our latest performance and outlook on sustainability and key ESG material matters.

[3] In the context of ESG materiality, the terms "issues," "topics" and "matters" are used interchangeably.

What Matters Most

Our ESG Material Matters

In 2020, we conducted a comprehensive assessment of our material ESG matters[3] using GRI and the AA1000 AccountAbility Principles. The assessment included a benchmarking analysis of peer practices, industry trends and priorities, state regulations and initiatives, and leading sustainability frameworks and standards. Stakeholders were identified, mapped and prioritized using AccountAbility's AA1000 Stakeholder Engagement Standard to ensure comprehensive identification of stakeholders and consideration of ESG matters that are most relevant to them (see "Our Stakeholders").

We engaged NYPA employees, our Sustainability Advisory Council (comprising representatives from 35 core functions), and our EMC in this assessment. The process resulted in the identification, definition and prioritization of 15 material ESG matters that we believe are most significant to key stakeholders and our business.

The ESG material matters listed here define the scope of the ESG Foundational Pillar outlined in VISION2030 and align with, and support, NYPA's Strategic Priorities and other Foundational Pillars. In the following pages, we outline the importance of ESG material matters to our organization and how each aligns with activities in our value-creation framework to advance VISION2030.

Risks, opportunities and dependencies associated with the ESG material matters are captured throughout the Report as we describe how NYPA creates, preserves and erodes value for our stakeholders. This information is presented in a narrative format throughout Section 2, while the Disclosures Index details disclosures for identified GRI and SASB metrics.

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Climate change & GHG emissions	Access & affordability	Enterprise risk & resilience
Renewable energy & energy storage	Economic development	Regulatory management & compliance
Energy reliability	Community engagement	Cyber & physical security
Energy efficiency & electrification	Health & safety	Supply chain & procurement practices
Environmental stewardship	Diversity, equity & inclusion	
	Employee development	

Our ESG Material Matters and Their Importance to NYPA

CLIMATE CHANGE & GHG EMISSIONS

Why it matters:
By generating business solutions focused on mitigating and adapting to climate change, we can advance the state's GHG reduction and climate resilience goals

RENEWABLE ENERGY & ENERGY STORAGE

Why it matters:
Increasing renewable energy capacity, generation, storage and consumption is key to advancing the state's climate goals and is at the heart of NYPA's mission.

ENERGY RELIABILITY

Why it matters:
Maintaining the reliability of NYPA's network and infrastructure, including optimization and innovation of smart grid technologies and transmission systems, enables us to deliver an uninterruptable supply of electricity to our customers.

ENERGY EFFICIENCY & ELECTRIFICATION

Why it matters:
Increasing the energy efficiency and electrification of our buildings, facilities and vehicle fleet enables NYPA to lead by example and support state goals.

ENVIRONMENTAL STEWARDSHIP

Why it matters:
Managing and minimizing water use, waste and air emissions while promoting biodiversity, allows us to protect and conserve the natural resources on which NYPA, our customers and neighboring communities depend.

Where to look in this report for our Environmental Matters: Enabling the Transition to a Decarbonized New York State

ACCESS & AFFORDABILITY

Why it matters:
Providing low-cost power and clean energy services to our customers is central to our mission and supports a just energy transition.

ECONOMIC DEVELOPMENT

Why it matters:
Promoting economic growth and driving capital investment and job creation revitalizes local economies and creates more resilient communities.

COMMUNITY ENGAGEMENT

Why it matters:
Interacting with customers, local communities and other stakeholders gives us the knowledge to make well-informed decisions and builds trust.

HEALTH & SAFETY

Why it matters:
Promoting the physical and mental health and safety of our employees and preventing harm to host communities is fundamental to delivering on NYPA's mission.

DIVERSITY, EQUITY & INCLUSION

Why it matters:
Building and maintaining a diverse, equitable and inclusive culture in the workforce and across our value chain increases our agility and our ability to respond to diverse challenges.

EMPLOYEE DEVELOPMENT

Why it matters:
Providing opportunities for professional development enables our employees to advance their careers and makes it possible for NYPA to attract and retain the best talent.

Where to look in this report for our Social Matters: Empowering a Thriving, Resilient New York State; Cultivating Success as a Team

REGULATORY MANAGEMENT

Why it matters:
Complying with relevant federal, state and local environmental and socioeconomic laws and regulations is critical to achieving our mission and building trust.

ENTERPRISE RISK & RESILIENCE

Why it matters:
Identifying, assessing, mitigating and monitoring risks and impacts related to our activities allows us to prepare for uncertainties and advance enterprise resilience.

CYBER & PHYSICAL SECURITY

Why it matters:
Protecting our networks, infrastructure, properties and personnel from threats is paramount for us to deliver on our commitments to our customers and the state.

SUPPLY CHAIN & PROCUREMENT PRACTICES

Why it matters:
Effectively managing our supply chain and using environmentally and socially responsible sourcing practices is essential to our daily operations and the delivery of capital projects.

Where to look in this report for our Governance Matters: Our Governance; Empowering a Thriving, Resilient New York State

Our Stakeholders

Understanding how NYPA's operations impact our stakeholders and understanding stakeholder expectations of our organization were fundamental to the development of our ESG materiality assessment, Sustainability Plan and VISION2030. Stakeholder needs also informed our Strategic Priorities and value-creation approach as presented in "Creating Value."

Who they are		How we contribute
New York State	Public entities, offices and committees	We support the state's commitment to sustainability, decarbonization, economic revitalization and environmental stewardship.
Employees	People who work at NYPA and Canals, including management[4] and union employees, and retirees	We offer competitive wages and benefits, and invest in career development and training. We ensure policies and practices promote equity, health, safety and well-being. In addition, we work to establish fair contracts that support our union employees.
Customers	Public entities, municipal and rural cooperative electric systems, non-profits, and eligible private commercial and industrial organizations	We invest in reliable and affordable clean energy generation, reducing energy costs for public services, including hospitals, public housing and public transportation, promoting growth and competitiveness of business and industry, and supporting local economies through customer job creation and retention.
Suppliers	Organizations that provide materials, products and services for the operation and maintenance of assets and implementation of capital projects	We work to provide economic development opportunities to local and diverse suppliers while driving socially and environmentally responsible practices.
Communities	Host communities directly impacted by our facilities and operations, and the wider New York State community impacted by the Canals and the energy we provide. This includes community and environmental advocacy organizations in the areas where we work	Our low-cost power helps create and retain jobs in the state. We implement habitat restoration and recreational projects as part of our relicensing agreements and provide programs and resources to support local communities.
Industry Organizations	Organizations that support research, innovation and advocacy	We act as a testbed for innovation and share our expertise and resources to advance the energy transition for the benefit of all New Yorkers.

[4]Management refers to non-bargaining unit employees.

NYPA Supports the United Nations' Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) are a global call to action to achieve a more sustainable and equitable future for all. The 17 interlinked global goals were set in 2015 by the United Nations General Assembly and are intended to be achieved by 2030.

At NYPA, we are working toward the transition to a carbon-free, economically vibrant New York State and the responsible supply of affordable, clean and reliable electricity. In alignment with the SDGs, our operations, products and services aim to contribute to mitigating climate change and increasing the resilience of our systems, the communities we work with and our natural environment.

While we support all the SDGs, NYPA's efforts most closely align with and support the six goals identified here. We support the SDG framework as a global aspiration for transforming our world and aim to drive transformational change based on our value-creation approach. We will continue to report on progress as we advance in our reporting journey.

CREATING VALUE THROUGH THE SIX CAPITALS

Understanding Our Value Creation Process

We have developed a framework to communicate how we create value through our business activities and where we may face challenges in achieving our goals. In this framework, value is categorized into six capitals, defined below, which reflect the resources NYPA draws on and transforms. In our value-creation framework, we have identified key inputs or resources under each capital, based on our definitions for each.

Financial

NYPA's funding is sourced from debt-capital raising through the sale of municipal bonds and revenue generated by our business activities. We strategically allocate our financial capital to maintain and grow our business and respond to obligations to bondholders and investors.

Manufactured

Our investments in plants and equipment are used to preserve our hydropower assets, expand and maintain our transmission assets, and build our decarbonization strategy while managing our environmental footprint. Our administrative and support buildings enable us to effectively monitor these efforts and deliver value for stakeholders.

Intellectual

Our investments in research and development and our strategic partnerships help us stay at the forefront of the industry. We aim to be experts in our field, retain the knowledge we gain and pass it on to future generations so we can deliver long-term results for our stakeholders.

Human

Our people and our culture are critical to our success. We are dedicated to employee engagement and continuous learning. We promote diversity and inclusion so employees can thrive.

Social

Stakeholder relationships are critical to our business and our reputation. We strive to maintain strong relationships with a variety of stakeholders, including our customers, our suppliers and the communities in which we operate.

Natural

As a steward of the state's water and other natural resources we use to generate power, the waterways we manage, and the land surrounding our assets, we aim to minimize the impact of our operations, including air emissions, GHG emissions, and waste.

This framework has increased our understanding of the value we create across the capitals listed earlier. We appreciate the impact one capital may have on others. For example, strong financial capital enables investment in manufactured capital and human capital, which in turn drives growth and innovation. This interplay makes it important for NYPA to manage and balance all the capitals strategically.

By transforming the capitals through our business activities, we hope to deliver on VISION2030 and create long-term value for our stakeholders. Our value creation framework is divided into the four parts below.

Our business model and Value Creation Framework are presented on the next page. As a purpose-led organization, our vision guides us on the path to creating a thriving, resilient New York State powered by clean energy. Our business activities show the alignment between our mission to lead the transition to a carbon-free, economically vibrant New York, and our VISION2030 strategy. As described earlier, Foundational Pillars help us to manage our business activities in an inclusive, responsible and sustainable way.

The metrics included in our Value Creation Framework are those identified for 2022. Our Outcome Descriptions summarize whether value was created, eroded or maintained. Further detail and additional metrics are embedded in the Performance & Outlook section.

Our Value Creation Framework

CAPITAL INPUTS	PROCESSES	OUTPUTS	OUTCOMES
These are the capitals (or resources) we need to operate our business. Our capital inputs, the CLCPA and our ESG material matters are all inputs to our strategy and business activities.	These are the core activities we perform that enable us to transform inputs and create value for stakeholders. Our business activities are driven by our five Strategic Priorities.	These are the key products and services that result from our business activities, such as electricity generated, delivered or stored, and customer energy services.	These refer to the internal or external consequences of our business activities and outputs. Outcomes can be negative or positive, such as job creation or GHG emissions.

CAPITAL INPUTS | PROCESSES | OUTPUTS | OUTCOMES | OUTCOME DESCRIPTIONS

CAPITAL INPUTS

Financial
- Internally generated funds
- Debt raised

$608M sales of green bonds
0.47-to-1 FERC debt to equity

Manufactured
- Generation assets
- Transmission assets
- Canal Waterways and assets
- Generation capacity
- Transmission capacity
- Energy consumed by NYPA operations

16 generation assets
1,460 circuit miles of transmission lines
524 miles of Canal waterways
$1.4B invested in hydroelectric assets
$1.7B invested in transmission asset base
449,000 MMBTU total energy consumed, including self-generated

Intellectual
- R&D investments
- Strategies, policies, programs

$8M invested in R&D
$18.6M invested in digitalization

Human
- FT, PT, contingent employees
- Health and safety policies
- Employee career development

2,560 total employees
102,596 employee training hours

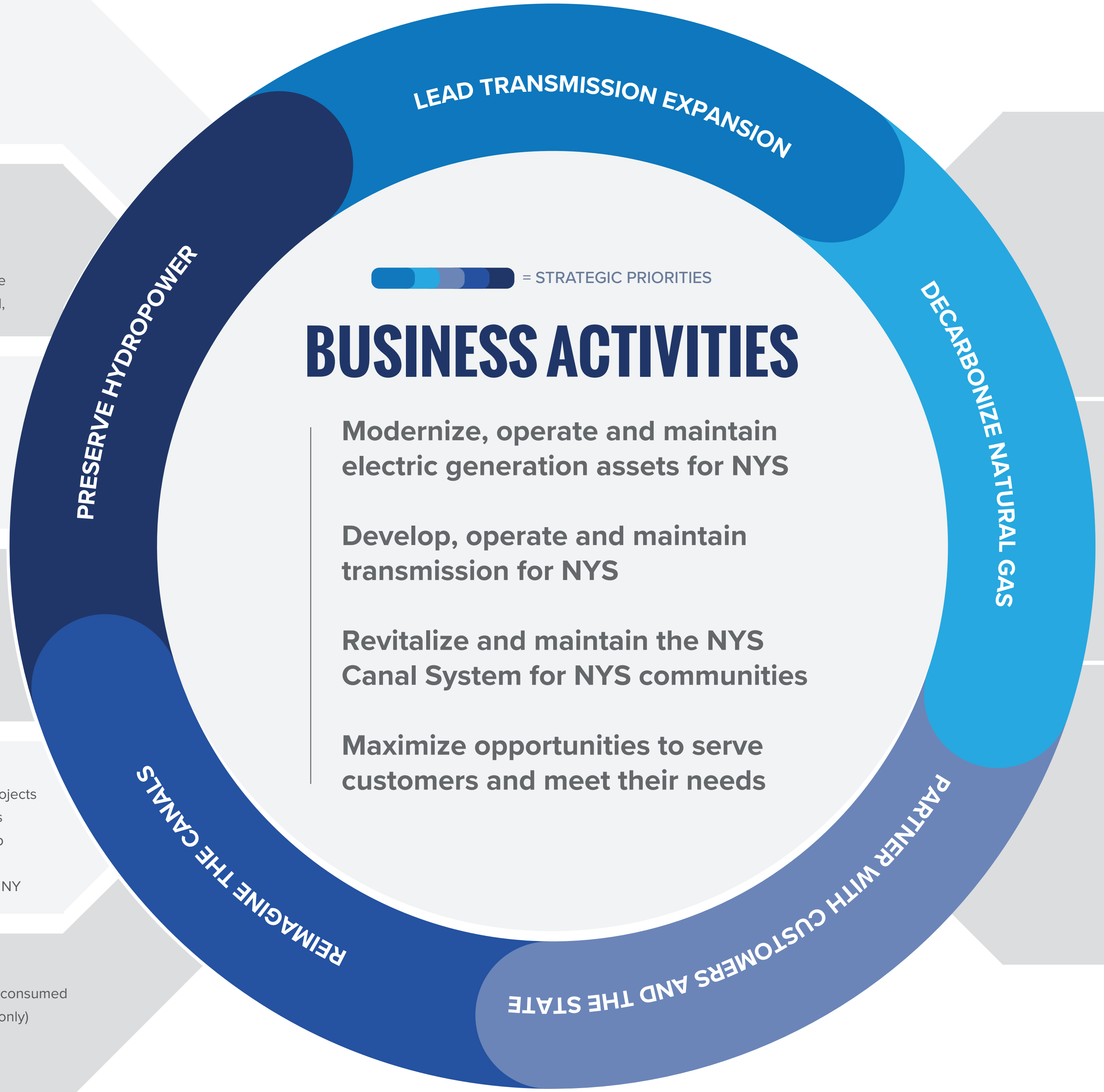
Social
- Customer account management
- Partnerships with NYS entities
- Relationships with communities
- Supplier engagement

1,091 of customers across all categories
$148M for customer energy efficiency projects
$14.3M invested in Reimagine the Canals
307 volunteer hours for Community Corp
925 suppliers engaged
$30.7M cumulative investment in EVolve NY

Natural
- Water withdrawal/consumption
- Natural gas and ULSD to process
- Land owned or managed

43.3M natural gas & 1.8M ULSD MMBTU consumed
191.4B kiloliters water withdrawn (NYPA only)
100,000+ acres owned or managed

PROCESSES



OUTPUTS

PRODUCTS

Electricity generated
26.4M MWh total net electricity generated
22.4M MWh electricity generated by hydropower

Electricity delivered
38.8M MWh electricity sold

SERVICES

Canal navigability

Canal recreational activities

Customer energy efficiency, electrification and renewable energy services

EMISSIONS & WASTE

GHG emissions generated[10]
1.8M MT CO2e Scope 1
0.06M MT CO2e Scope 2
5.4M MT CO2e Scope 3

Air emissions generated
81.2 MT Particulate Matter
242.2 MT NOX
9.9 MT SOX

Hazardous waste generated
70.57 MT Hazardous waste

OUTCOMES / OUTCOME DESCRIPTIONS

Financial
- Revenue
- Relicensing grants to communities
- Bondholder payments

$4B operating revenue
$84M debt payments to providers of capital
Aa2/AA/AA general resolution senior long-term debt ratings[5]
$1B total CapEx
$627M EBIDA[6]

In 2022, the expansion of our products and services generated $4.0 billion in revenues for NYPA. This was the first year that we utilized our Separately Financed Projects authority and issued $608 million in green bonds. These funds allow us to upgrade key manufacturing capital, such as our transmission network, which in turn contributes to transforming into value within other capitals, like meeting state carbon targets and supporting the economic development of the communities where we operate.

Manufactured
- Extended life of generation assets
- Extended life of transmission assets
- Increased integration of renewables
- More reliable and resilient grid
- depreciation and amortization of tangible assets

$411M depreciation and amortization of tangible assets
$756M operating costs
0.07 TBTU cumulative energy savings
20% light-duty fleet electrified

Our manufactured outcomes are at the core of our business activities as they represent what our stakeholders receive in exchange for our products and services. In 2022, we continued to invest in modernizing and extending the life of our assets, improving the reliability and resilience of the grid to support integration of renewables. We also continued to reduce energy consumption at NYPA buildings and to electrify our vehicle fleet.

Intellectual
- Technologies to improve performance
- Business reputation

50kW battery energy storage enabled through R&D
806 knowledge transfer engagements[7]

Our investments in innovation and technology are essential to advancing our decarbonization efforts and maintaining a skilled workforce. In 2022, we tested the potential of clean hydrogen for power generation and commissioned first-of-its-kind battery energy storage at a NYPA site*. We also continued to invest in optimizing core business processes, and focused on building a job architecture that provides employees looking for new internal opportunities with more transparency on requirements and skills.

Human
- Diversity recruitment
- Diverse workforce
- Employee health and safety

56th percentile engagement score[8]
38.8% female and **27.7%** POC[9] in executive leadership
29.8% female and **37.7%** POC in NYPA candidate hires
$386M employee wages and benefits
1.20 NYPA and **2.66** Canals DART rate

In 2022, we created value for our employees in the form of wages and benefits, as well as through skills enhancement, support for career development, and programs to foster a diverse and inclusive culture. We strive to promote safety, and this year, our commitment was reflected in the lowest DART rates in Canals' history due in part to the increased safety training. While NYPA maintains strong safety results, we acknowledge the increase in a higher DART rate compared to 2021 due to poor ergonomics. To reduce these types of injuries, NYPA will implement a new ergonomic evaluation service at all our sites.

Social
- Economic development
- Support for customer sustainability targets
- Economic support of canals communities
- Community revitalization

38% estimated rate payer savings
440,000+ cumulative jobs created/maintained
$32B in cumulative capital investments
15,710 MWh in customer energy savings
53% total spend with local suppliers
3.4M Canals visitors/users

Our social capital is significantly impacted by our relationships with customers and local communities. In 2022, NYPA's economic development programs supported the creation and retention of 440,000 jobs and triggered significant investment in local businesses. We continued to help customers meet their sustainability goals through our energy services programs, support local economies by prioritizing local and diverse spend in our supply chain, and offer programs and resources that meet the needs of our communities.

Natural
- Contribution to climate change and air pollution
- Water recycled and reused
- Water management including flood mitigation
- Natural carbon sequestration and storage
- Habitat protected, restored, or impacted

85% total generation from hydroelectric assets
25% increase in total Scope 1 GHG emissions[11]
23,300 MT CO2e savings from customer efficiency projects
99.99% of water recycled or reused
38 NYPA and **10** Canals environmental incidents

While our business activities impact the environment, we continue to work on mitigating our negative impacts on natural capital. Our hydro assets provide a critical carbon-free baseload supply, and in 2022, we maintained a share of 70% carbon-free power in the state's energy mix. While we continued to develop and implement strategies to decarbonize by 2035, our fossil assets continued to be dispatched by the NYISO and operated as needed to meet demand and support the reliability of the grid. In addition to climate change mitigation, we continued to advance our work on climate change adaptation. We conducted a study to increase our understanding of climate change impacts on NYPA assets and operations, and implemented Canals projects to enhance climate resilience in operations and canal-side communities.

[5]Aa2 Moody's credit rating, AA Standard & Poor's credit rating, and AA Fitch credit rating. [6]EBIDA represents net income (loss) before interest expense, depreciation and amortization and is a n on-GAAP financial measure. [7]Represents knowledge assets shared by subject matter experts, documented lessons learned, and employee attendance at knowledge sharing events.. [8]2021 score. The survey is conducted every other year. [9]People of Color defined as self-identified for race/ethnicity for American Indian, Asian, Black or African American, Hispanic or Latino and Two or More Races. [10]Read the full Statement of Greenhouse Gas Emissions with Independent Accountants' Review Report (limited assurance, Scope 1 Emissions, 2022) thereon. [11]Scope 1 Emissions: the NYISO controls the dispatch of New York State generating assets. NYPA's Scope 1 emissions fluctuate as our gene rating assets are selected for dispatch by the NYISO.

OUR GOVERNANCE

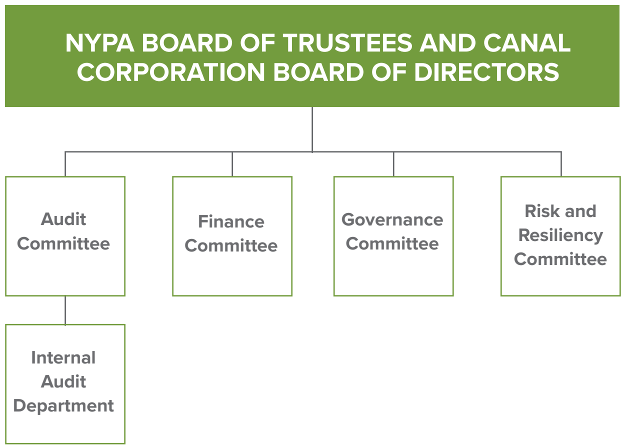
NYPA has a strong corporate governance structure, which is essential to managing our operations and achieving our goals. We clearly define roles and responsibilities, and hold ourselves accountable for our actions, and our strong ethical culture builds trust with our stakeholders.

Maintaining Sound Governance

Our corporate governance structure helps ensure compliance with applicable state laws and regulations, including the Public Authority Reform Act (2009) and the Public Authority Accountability Act (2005), which require accountability and transparency in NYPA's operations. Through internal controls, NYPA and Canals effectively meet these objectives in accomplishing our business goals.

The NYPA Board of Trustees ("Trustees") and Canal Corporation Board of Directors ("Directors") have the highest authority and provide oversight of Strategic Priorities, policies, programs and performance, and authorize certain expenditures, including those related to VISION2030. Trustees and directors are appointed by the governor with the advice and consent of the State Senate for four-year terms. The trustees and directors are independent of NYPA and Canals Corporation, and as part of their responsibilities, they ensure employees operate in a fully transparent manner.

The Executive Management Committee (EMC) is led by the president and chief executive officer, who is appointed by the trustees and confirmed by the State Senate. The EMC is responsible for upholding NYPA's integrity and accountability as well as our commitment to stakeholders by applying best practices to every element of our operations.



As members of the Board, trustees serve on multiple committees.

Audit Committee oversees the work of the Internal Audit department and monitors internal and external audits performed by the independent auditor and other external agencies. It also monitors management's corrective actions for all audit findings. The senior vice president, Internal Audit reports to the trustees.

Finance Committee provides guidance to the trustees, directors and the EMC concerning financial- and risk-related matters. It also reviews proposals for NYPA to issue debt and makes recommendations to the Board of Trustees.

Governance Committee provides guidance to the trustees, directors and the EMC on matters relating to governance, ethics and compliance, and is responsible for overseeing and monitoring the effectiveness of the organization's governance practices.

Risk and Resiliency Committee advises the trustees, directors and the EMC regarding risk management- and resilience-related programs and promotes an organization-wide approach to risk awareness and risk-based decision making.

For significant decisions and risk mitigations, internal governance structures such as the Executive Risk & Resilience Management Committee, Investment Committee, Asset Management Board and other committees focused on site-specific safety, provide clear measures to ensure the right decisions are brought to the attention of our executive leadership, and as needed, the NYPA Board of Trustees and Canal Corporation Board of Directors.

Sustainability Governance: Managing Our Impact Responsibly

NYPA recognizes the importance of strong governance to achieving our ESG goals. We rely on clear policies, practices and controls to guide our ESG efforts. Our Sustainability Policy defines responsibilities for ESG planning, executing, monitoring and reporting, and requires us to create long-term and annual action plans.

Our sustainability governance structure spans across our organization to ensure accountability.

Board of Trustees provides oversight of strategic ESG and climate priorities, including policies, programs and performance.

Finance Committee oversees financial- and risk-related matters and the implementation of policies and actions to monitor and mitigate risks, including ESG- and climate-related risks.

Executive Management Committee supports the board's governance of ESG-related matters and is responsible for execution of ESG strategy, including the goals identified in the Sustainability Plan.

EMC ESG sponsors work directly with the Sustainability department to provide guidance on ESG strategy, goal setting, climate response and reporting.

Executive Risk and Resilience Management Committee provides risk management oversight and monitors the management of ESG programs, processes and activities, including integrated reporting. The Sustainability Advisory Council is a sub-committee of the ERRMC. The Sustainability department keeps the ERRMC informed about ESG and progress on climate-related programs, activities and mitigations through regular updates.

Sustainability Advisory Council (SAC) serves as the cross-functional collaborative body to manage ESG and climate-related efforts and ensures the successful implementation of the goals, strategies and initiatives outlined in the 2021–25 Sustainability Plan. The SAC provides input to development of plans and annual reports, and consists of heads of all relevant departments.

Sustainability department leads implementation of the ESG Foundational Pillar, including developing the ESG strategy and spearheading the development of the Sustainability Plan. The department provides guidance, oversight and reporting for ESG matters, including climate change, and gives regular updates to the Finance Committee, the board, the ERRMC, and the EMC. It also convenes and manages the SAC and collaborates across business units on ESG planning and reporting.

Internal Audit department provides independent audit and advisory services, including review of ESG- and climate-related policies, programs and reporting.

Key internal stakeholders and subject-matter experts provide input to ESG- and climate-related activities to ensure relevance and applicability to business operations. They also support the implementation of ESG- and climate-related activities across the organization.

Justin E. Driscoll, president and CEO, represents NYPA on the New York State Climate Action Council. The council is authorized by law to approve and adopt a scoping plan, including measures needed to ensure attainment of the state's GHG emission limits under the CLCPA, and NYPA staff participates as part of advisory panels in furtherance of the CLCPA's implementation.

SUSTAINABILITY PLAN COMMITMENTS

ESG

RELEVANT ESG MATERIAL MATTERS

Regulatory Management & Compliance

- Remain up to date and proficient on statutes, regulations and standards applicable to NYPA and affecting employees and stakeholders
- Develop and maintain health and safety policies and procedures that describe expectations and accountability for compliance
- Develop and maintain environmental policies and procedures in alignment with applicable laws and regulations
- Ensure adherence to all applicable North American Electric Reliability Corporation Reliability Standards and promote an assertive and robust culture of compliance across NYPA through the Reliability Standards and Compliance Program
- Strengthen internal controls across the organization to improve business performance and protect NYPA from risks and compliance gaps

Driving a Risk and Compliance Culture

Our compliance- and controls-related activities are overseen by the EMC and the Board of Trustees' Audit, Governance and Finance committees, reinforcing the commitments of NYPA's leaders to foster a culture of compliance across the organization. In accordance with Public Authorities Law Section 2824, NYPA's trustees provide direct oversight of our president and CEO and senior leadership to ensure the effective and ethical management of our operations.

Maintaining and promoting an ethical culture is critical to NYPA and its compliance efforts. The Ethics and Compliance Program coordinates organization-wide policies like NYPA's Code of Conduct, which clearly identifies expectations for responsible and professional workplace conduct. The Anti-Retaliation Policy prohibits harassment, discrimination and/or retaliation of any kind against anyone who reports unethical behavior.

The Code of Conduct and Anti-Retaliation Policy are approved by the Board of Trustees and apply to all employees and the trustees. Organization-wide policies are supplemented by department-level policies and procedures that strengthen NYPA's compliance posture and strive to ensure professional workplace conduct.

NYPA's training and development programs include compliance-based training, skill development and management courses. We track mandatory employee training and reporting requirements to ensure NYPA is operating with a well-trained workforce within regulatory guidelines. Our electronic inventory tool, the Compliance Repository, is a critical component of NYPA's Corporate Compliance Program, enabling the Office of Ethics & Compliance to ensure compliance by assigning ownership for and tracking approximately 300 mandated training and reporting activities.

Regulatory management is a critical component of our operations, overseen by the Public and Regulatory Affairs team, part of the Legal Affairs business unit. Our goal is to advance the missions of NYPA and Canals while aligning with leading industry standards and best practices.

We actively participate in and monitor federal and state statutory and regulatory proceedings, and maintain proficiency in relevant energy market issues that impact renewable energy resources and transmission construction.

We believe that staying informed and engaged with the latest regulations is essential to maintaining the highest levels of integrity and transparency in our operations. Our team works closely with regulatory agencies to ensure we comply with all relevant laws and regulations, and proactively address issues that may arise.

SUSTAINABILITY PLAN COMMITMENTS

ESG Resilience

RELEVANT ESG MATERIAL MATTERS

Enterprise Risk & Resilience

- Protect and enhance the value of NYPA and Canals through effective risk management
- Ensure ESG-related issues are integrated in enterprise risk management processes and that ESG-related risks are effectively measured and managed
- Embed resilience into NYPA's culture and collaborate with industry stakeholders to prepare for a more uncertain operating environment

Risk Management Approach

We strive to prepare for a rapidly changing environment by incorporating risk management and resilience strategies in our day-to-day operations. Our strategies are supported by the identification, assessment, mitigation, monitoring and reporting of risks and impacts related to our activities.

NYPA's Risk and Resilience Policy, in conjunction with the Risk Appetite Statement, addresses a spectrum of risks from safety to cybersecurity to critical infrastructure failure. Due to the nature of our operations, we work in a variety of risk environments where we strive to understand the interconnected nature of risks and manage potential impacts and opportunities using a variety of risk management techniques.

Our enterprise risk and resilience efforts are guided by the principles of the International Organization for Standardization (ISO) 31000 Risk Management and the Committee of Sponsoring Organizations Enterprise Risk Management frameworks, and support risk-informed decision-making across the organization. All business units participate in an annual risk assessment process to update NYPA's Risk Profile and provide input to NYPA's risk appetite and strategic risk impacts. The findings are captured in the enterprise risk register and are incorporated in the Risk Appetite Statement. Our Enterprise and Operational Risk Management team maintains enterprise and operational risk information in the Enterprise Governance, Risk and Compliance system risk register.

The ERRMC provides oversight and guidance on NYPA's risk management and resilience practices and performs periodic reviews of NYPA's Risk Appetite Statement. Enterprise risks are included in an annual report to the Board of Trustees and the Finance Committee and are reported to the ERRMC, which is responsible for reviewing and monitoring top enterprise risks.

NYPA achieves ISO 55001 recertification for Asset Management

After becoming the first electric utility in North America to meet ISO 55001 Asset Management benchmarks set by the ISO in 2019, a team of independent auditors recertified NYPA in 2022 for an additional three years.

The recertification, considered the gold standard in Asset Management for the utility industry, required an assessment of our Asset Management policies, processes, and procedures relating to maintenance, risk response, emergency preparedness, safety protocols, training and communications. The audit also included visits to NYPA generation facilities to evaluate implementation of Asset Management practices in day-to-day activities.

NYPA's approach to Asset Management demonstrates tangible benefits, such as lower capital and operational costs and improved risk management and environmental compliance. As stewards of the state's resources, our goal is to efficiently manage these energy assets for the benefit of the people of New York.

Top Business Risks, Opportunities and Dependencies Influencing Our Value-Creation Story

Delivering our sustainability strategy includes identifying the top risks, opportunities and dependencies for NYPA and our stakeholders. We manage risks and opportunities by integrating ESG considerations into planning and day-to-day decision-making and identify interconnections and potential impacts across our operations.

Managing Climate Risks and Opportunities

Our governance approach includes oversight and management of climate-related strategies and programs across the organization, and enables relevant climate-related risks to be escalated as appropriate. Climate change presents physical and operational risks for NYPA, as well as risks from transitioning to a decarbonized economy. Our adaptation and resilience approach incorporates all three risk categories.

Physical risks encompass the potential direct impacts of weather on our assets and infrastructure, such as the flooding of a substation due to an extreme storm. Operational risks encompass the potential impacts of climate change on our value chain, business functions and management efficiency, such as reduced maintenance windows due to longer periods of hot weather.

For physical and operational risks, NYPA considers the potential impacts of acute hazards (e.g., storms, heatwaves), chronic hazards (e.g., increased temperatures, rising sea level) and compounding climate hazards (e.g., sea level rise and storm surge).

Transition risks encompass the potential impacts of federal or state decarbonization policies on NYPA's business strategy, products and services. An example of transition risk is incentives for renewable energy potentially impacting the rate structure of hydropower.

Climate change also presents opportunities for NYPA to advance the state's clean energy targets, expand existing services, access new markets and increase social capital. Like the risks associated with climate change, opportunities can be categorized as physical, operational and transitional. Two factors that contribute to New York's climate goals are electrification and renewables penetration, both of which have significance for NYPA.

In 2022, we submitted a response to the new CDP Public Authorities Questionnaire. Our work with CDP has strengthened our approach to addressing climate risks and opportunities. Through our annual submissions to the CDP, we will continue to align our approach with the TCFD framework.

MANAGING CLIMATE RISKS AND OPPORTUNITIES

Factor(s)	Risks	Opportunites	Dependencies
Climate Change–Operational Impacts	– Decreased efficiencies in maintenance from shorter shoulder months, damage to access roads, shifting electricity demand curves – Increased need for dredging operations from more severe stormwater runoff – Impacts to employee health and safety	– Innovation in load forecasting – Revamping of Asset Management plans – Development of best-in-class policies for extreme weather contingency plans – Creative solutions for impacts of dredging and investment in canal retrofits	– Prevalence of hands-off days from changing winter/summer demand peaks – Availability of industry guidance – Canal regulatory guidelines – Community land use – Workforce flexibility

MANAGING CLIMATE RISKS AND OPPORTUNITIES

Factor(s)	Risks	Opportunites	Dependencies
Climate Change – Physical Impacts	– Impact to hydropower generation from increased precipitation variability – Infrastructure damage from acute, chronic and compound weather hazards – Community safety from asset failure due to climate stress	– More hydropower generation from increased precipitation – Innovative hydrological modeling and solutions – Asset modernization and increased infrastructure resilience – Increased resilience from low-impact development – Increased resilience from sustainable land-management practices	– Access to capital – Size of service area and resulting distributed operations and maintenance – Accurate climate projections
Climate Change – Transition Impacts	– Inability to decarbonize all generation facilities by 2035 – Inability to meet mandated energy reduction and EV targets – Inability to meet mandated external energy efficiency, EV and distributed energy resource (DER) targets with customers and communities – Inability to meet required investment in disadvantaged communities (DACs)	– Spearheading of decarbonization solutions – Advancements in research and development – Increased issuance of green bonds – Engagement in policy development and market rules – Increased demand for clean energy services – Stronger customer and community relationships, including DACs – Natural carbon sequestration through land management	– New York Independent System Operator determination of adequate grid reliability/resilience to meet decarbonization targets – State and federal policies and programs – Stakeholder uptake of energy efficiency, EVs, and DERs
Renewables Penetration	– Cycling of hydropower facilities from intermittent renewables – Transmission congestion from integration of renewables away from population centers – Changing dynamic of electricity generation and transmission from DER penetration	– Increased flexibility and resilience from asset modernization – Reduced congestion due to upgrade and expansion of transmission backbone – Policy and regulatory shifts expanding NYPA's ability to invest in renewable energy resources	– Access to capital and real estate – Regulatory landscape – Market dynamics – Workforce expansion and specialization
Electrification	– Inability to meet increased electricity demand – Inability to provide necessary grid flexibility	– Increased flexibility and resilience from asset modernization – Increased demand for generation and transmission services – Expansion of clean energy services	– Access to capital – Availability of appropriate technology

This table includes a representative list of climate-related risks, opportunities, and dependencies, both internal and external. The list is intended to illustrate NYPA's integrated approach to climate thinking and provide insight into key factors that contribute to our value creation process. Reputational impacts from implementation ofadaptation/mitigation measures can be a risk and an opportunity for all factors.

NYPA Improves Resilience by Understanding Our Climate Vulnerability

Climate change poses a risk to our infrastructure, operations, employees and community, potentially impacting our ability to generate and transmit electricity. Gaining a better understanding of our climate vulnerability is vital to managing and adapting to climate threats and ensuring the reliable supply of electricity for New York State.

In 2022, we partnered with the U.S. Department of Energy's Argonne National Laboratory to create detailed projections of how climate change will affect NYPA's service territory. Representative Concentration Pathways (RCP 8.5) were used to predict the prevalence of climate hazards to midcentury (2045-2054).

RCP 8.5 presents a conservative basis for informing our planning. The developed climate and hydrological data sets project changes to (1) the magnitude and frequency of temperatures; (2) intensity, frequency and duration of extreme precipitation and winter storms; (3) the frequency and magnitude/depth of extreme inland flooding; and (4) coastal flooding. These climate projections were integrated into Argonne's electric transmission grid load-flow model to evaluate system-level impacts, asset-specific disruptions and cascading failures.

The study will help inform our climate resilience strategy. Our coordinated approach will address governance, asset management, employee health and safety, stakeholder engagement, communication, risk management, investments, and management of our supply chain and employees.

SUSTAINABILITY PLAN COMMITMENTS

ESG **Digitalization** **Resilience**

RELEVANT ESG MATERIAL MATTERS

Cyber & Physical Security

- Protect NYPA's business and operations systems from cyber and physical threats
- Maintain and grow partnerships and collaborations to gain better awareness of trending threats and enhance the security of bulk electric systems (BES)
- Conduct internal drills to test the effectiveness and preparedness of NYPA's cyber and physical Incident Response Plan

Cyber and Physical Security at NYPA

Protecting NYPA from cyber and physical threats is critical to organizational safety, security and resilience. The Risk & Resiliency Committee of the Board of Trustees and the ERRMC provide strong oversight and management of NYPA's physical security and cybersecurity management processes.

A defense-in-depth strategy is in place to address security risks across all systems controlled by NYPA. The systems are designed to meet or exceed industry standards and comply with applicable regulations[12] for the protection of our facilities, technology systems, employees, and generation and transmission assets. NYPA works with government and industry partners and participates in information-sharing events, drills and industry conferences to closely track new and emerging threats. To protect against threats, our cyber and physical security programs implement layered defenses and detection capabilities. We also provide user awareness training and share best practices across the organization to minimize risks, such as reporting suspicious activity and phishing-based threats. In addition, NYPA continues to mature and exercise its Business Continuity and Information Technology Disaster Recovery programs to ensure quick and seamless responses to unplanned business disruptions and the recovery of critical business processes and applications. NYPA maintains a broad cyber insurance policy with coverage for information technology activities and infrastructure.

Enhancing the Cyber and Physical Security Around Our Assets and Systems

We work to protect critical operations, maintenance, capital projects, BES[13], power plants, Canal System, trailway, and energy-efficiency projects through the following actions:

- Developing collaborative pilot projects as part of NYPA's Cyber Collective Defense Consortium
- Participating in industry conferences and information-sharing with peers
- Collaborating in more than 40 information-sharing events and drills with government and industry partners in 2022

Protecting Cyber Assets

NYPA utilizes the National Institute of Standards and Technology (NIST) Cyber Security Framework (CSF) to apply the principles and best practices of risk management to identify, protect, detect, respond and recover from cybersecurity threats across our organization.

We continuously monitor the maturity and performance of the program with a range of assessments and metrics including an annual, external, independent assessment against the NIST CSF and the BitSight Cybersecurity score. In the most recent BitSight assessment, NYPA scored 770, putting us in the top quartile of evaluated organizations.

[12]NYPA complies with all regulatory and industry-specific regulations and requirements, such as NERC Critical Infrastructure Protection ReliabilityStandards and Federal Energy Regulatory Commission hydrosecurity standards.

[13]The BES comprises the electrical generation resources, transmission lines, interconnections with neighboring systems and associated equipment. This system is the backbone of our nation's energy infrastructure. It is fundamental to national security, the U.S. economy and our way of life

Cyber Collective Defense Consortium

Our digital ecosystem and the cyber threat landscape are constantly evolving. In response, NYPA continues to evolve our cybersecurity efforts across all NYPA sites and to protect systems and data through industry-leading technologies and best practices.

In 2020, NYPA announced a collaboration to establish a Cyber Collective Defense Consortium. This first-of-its-kind initiative is focused on delivering capability, capacity and enhanced security through mutually beneficial solutions and innovations for NYPA and our municipal and rural electric cooperative customers. In 2022, we:

- Engaged 12 municipal and rural cooperative electric systems in the Cybersecurity & Infrastructure Security Agency's Cyber Hygiene Program, which provided them with their first external vulnerability assessments (at no cost) for proactive remediation of findings
- Conducted NYPA's first incident response exercise with five of our municipalities/co-ops, which improved their overall ongoing readiness
- Completed nine cybersecurity incident response plan drills/exercises to improve NYPA readiness to respond to an incident (NYPA has had no material cybersecurity incidents observed)

This section describes how we are driving progress on the following Strategic Priorities and Foundational Pillars in alignment with our ESG Material Matters

1 Preserve Hydropower

2 Decarbonize Natural Gas

3 Lead Transmission Expansion

ESG
Digitalization
Resilience

Environmental

Climate Change & GHG Emissions
Renewable Energy & Energy Storage
Energy Reliability
Energy Efficiency & Electrification
Environmental Stewardship

Social

Access & Affordability
Economic Development
Community Engagement

Governance

Regulatory Management & Compliance
Enterprise Risk & Resilience

ENABLING THE JUST TRANSITION TO A DECARBONIZED NEW YORK STATE

Our decarbonization efforts are driven by NYPA's culture of innovation and contribute to the state's commitment to enable a just transition. In addition to investing in the development of new projects and upgrading our existing generation and transmission assets, we create high-quality and safe jobs in the clean energy sector, offer access to employment and job training opportunities with a focus on local and disadvantaged communities, and strive to improve public health and environmental quality equitably across the state.

In 2022, we upgraded our hydropower and transmission assets to better prepare for an increasingly renewable energy mix. We also continued to work with stakeholders and partners to decarbonize our fossil-based generation and test technologies that support customer needs and expectations for zero-emission electricity. In 2023, we will develop a strategic roadmap to continue to transform our Southeast New York assets into low- and zero-emissions facilities without compromising grid safety or reliability.

SUSTAINABILITY PLAN COMMITMENTS

1 Preserve Hydropower | ESG | Digitalization | Resilience

RELEVANT ESG MATERIAL MATTERS

Renewable Energy & Energy Storage

- Preserve and enhance the value of NYPA hydropower
- Support the achievement of CLCPA renewable energy goals by providing clean energy
- Support the achievement of CLCPA energy storage goals by developing 300 MW of utility-scale storage by 2030

Energy Reliability

- Upgrade and modernize NYPA's generation and transmission assets to improve efficiency, reliability, security and resilience
- Optimize Asset Management strategies to ensure an agile response to changing industry landscape

Harnessing the Power of Water

Our hydropower assets are a critical component of a carbon-free future for New York State and our customers. Hydropower supports a cleaner, more resilient grid by providing a reliable, clean, baseload electricity supply and balancing the fluctuations of other renewable energy sources while adjusting to daily and seasonal changes in supply and demand. This clean, low-cost electricity source also provides significant economic benefits to the state, powering public services and supporting job creation and retention.

We are implementing several initiatives to extend the operating life and enhance the resilience of our hydropower assets. This includes the $1.1 billion Next Generation Niagara program, the largest capital project ever undertaken by NYPA. The program is a multiyear effort to modernize and further digitalize the Niagara Power Project. The program improves the reliability and operational efficiency of the generating facility by replacing old mechanical equipment with digital sensors and state-of-the-art technology.

As part of Next Generation Niagara and the expansion of our sensor deployment program, we are utilizing continuous monitoring of our most critical assets to detect and avoid potential equipment failures. The Integrated Smart Operations Center (iSOC) which uses generation and transmission models, or digital twins, in combination with on-the-ground sensors and Asset Performance Management systems, provides integrated and actionable data to keep generation and transmission infrastructure operating as efficiently as possible. This aligns closely with the goals of NYPA's Asset Management program, which aims to optimize risk, cost and performance while ensuring NYPA hydropower generation is competitive in the energy market.

NYPA proposed a project in the New York Independent System Operator (NYISO) stakeholder process to study the future needs of the grid to balance the fluctuations in energy output from intermittent renewables. Due to their dispatchable nature, NYPA's hydropower facilities are critical to supporting the integration of additional intermittent renewable resources while safeguarding the reliability of the grid.

The NYISO's Balancing Intermittency project will evaluate the operational needs of the grid, and findings will inform potential reforms to the ancillary services market to incentivize and adequately compensate flexible dispatchable resources, like NYPA's hydropower assets.

Low-cost, clean and reliable hydropower enables economic development across the state. NYPA hydropower projects supply 22.4 million MWh of power, and since inception of the ReCharge NY program in 2012, have supported the creation and retention of more than 441,000 jobs, and resulted in $32 billion in capital investments in New York State.

NYPA Leverages Pumped Storage Hydropower to Increase Energy Storage, Essential to Grid Reliability and Stability

One of the benefits of hydropower is pumped storage, which is the ability to store water for power generation during peak times. Pumped storage facilities like NYPA's Blenheim-Gilboa Power Project (B-G) and Lewiston Pump-Generating Plant help balance fluctuations in daily energy demand and support the integration of more intermittent renewable energy sources. B-G also provides critical black start capabilities for the state, helping to restore electric service during blackouts.

Pumped storage is complemented by battery storage, which stores energy for release when demand is high, helping to improve grid reliability and stability, and supporting the phasing out of natural gas peaker plants. New York has set an ambitious target to have 6,000 MW of energy storage deployed by 2030.

Installing battery storage capacity in the North Country: In 2022, we made progress with the construction of a battery storage facility designed to store electricity from NYPA's St. Lawrence-Franklin D. Roosevelt Power Project in Massena and a local wind generation facility. The $38.5 million battery storage project, which is expected to be completed in 2023, includes a unique lithium-ion battery system with an annual installed capacity of 20 MWh that will help New York State meet its peak power needs.

Innovating on battery storage in Southeast New York: In 2022, we piloted a first-of-its-kind battery energy storage system using patented, high-safety lithium-ion superCell technology from Cadenza Innovation. The system is delivering energy peak-shaving capabilities to NYPA's administrative offices in White Plains. We received an Innovation Icon award from Cloud for Utilities for the project.

SUSTAINABILITY PLAN COMMITMENTS

2 Decarbonize Natural Gas

ESG

Resilience

RELEVANT ESG MATERIAL MATTERS

Climate Change & GHG Emissions

- Manage Scope 1, 2 and 3 emissions and implement GHG reduction strategies
- Conduct climate impact study and identify resilience strategies

Energy Efficiency & Electrification

- Increase the efficiency of buildings and maximize on-site renewable energy capacity to reduce building load and work toward net zero emissions
- Promote vehicle electrification and reduce GHG emissions from vehicle fleets and commuting

Environmental Stewardship

- Implement programs to promote biodiversity, carbon sequestration and resilience

Clearing the Path From Fossil Fuel Generation to Clean Energy

Transitioning to Zero-Emissions Electricity Generation

In alignment with the CLCPA, VISION2030 identifies decarbonization of our fossil generating assets as an important step to reducing the state's reliance on fossil-fuel generation, curtailing greenhouse gases and other emissions. We are committed to decarbonizing our fossil assets by 2035, five years ahead of the CLCPA target of 100% zero emissions electricity by 2040.

NYPA is actively exploring opportunities to transition to low- and zero emission electric generation. In September 2022, NYPA and EPRI issued a report, Hydrogen Cofiring Demonstration at NYPA's Brentwood Power Station: GE LM6000 Gas Turbine, on the successful blending of natural gas and hydrogen at the plant's Simple Cycle Unit. This first-of-its-kind test demonstrated the potential of hydrogen as a clean fuel for electric generation. Also, in April 2022, NYPA issued a request for proposals (RFP) for bulk energy storage at six of its fossil sites. This RFP is a significant step towards developing and implementing a plan to transition fossil-based electrical infrastructure to zero-emission technology such as utility-scale battery storage.

NYPA has a strong legacy of community engagement. As part of NYPA's decarbonization efforts, we signed a Memorandum of Understanding in October 2020 with the PEAK Coalition, a group of five leading environmental justice groups advancing clean energy efforts in the New York City metropolitan area. As a result of this collaboration, a report, NYPA Small Clean Power Plant Adaptation Study, was issued in April 2022 that focuses on opportunities for battery storage at our New York City peaking facilities. The report informed the development of our bulk energy storage RFP.

While we are forging ahead towards decarbonization, NYPA still needs to provide affordable, safe, reliable and clean energy to New Yorkers. To achieve this, NYPA uses technology and good maintenance practices to ensure that our generating facilities are among the most efficient and lowest emission non-renewable units in the New York City metropolitan area.

The New York Independent System Operator (NYISO) controls the dispatch of New York State generating assets, and dispatch of assets is largely dependent on energy market forces. NYPA's Scope 1 emissions fluctuate as our generating assets are selected for dispatch.

Among the factors in 2022 that influenced dispatch and the consequent increase in total Scope 1 emissions from NYPA fossil assets are changes in generation resources (e.g., retirement of other generating assets in the region), availability and pricing of fossil-based fuels and weather patterns. NYPA's Scope 1 emissions intensity for total electricity generated also increased in 2022, largely because our total hydropower generation decreased from 23.7 million MWh in 2021 to 22.4 million MWh in 2022 and fossil generation increased. Generation from our fossil assets is anticipated to decrease as renewable power is added to the grid mix in the Southeast New York region.

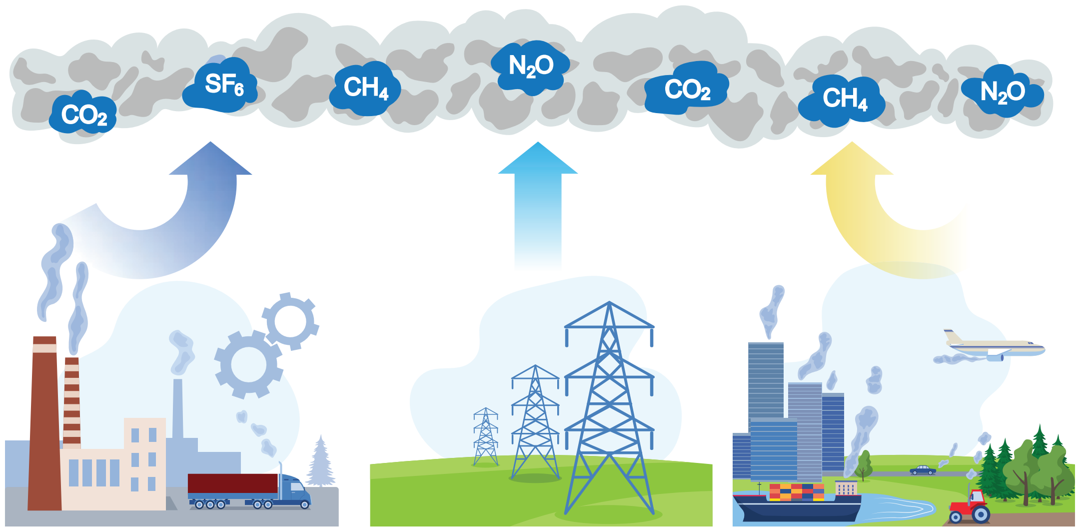
NYPA's GHG Emissions in 2022

To calculate our emissions, NYPA follows the Greenhouse Gas Protocol (GHGP) and uses U.S. Environmental Protection Agency emission factors while aligning with CLCPA-compliant emission limits. See more about our emissions calculation methodology in this report's Basis of Preparation.

In 2022, we expanded our GHG emissions inventory to introduce Scope 2 and Scope 3 emissions, in addition to existing Scope 1 emissions calculations. This allows us to better understand and manage emissions across our value chain.

Due to increased need for electric generation in the New York City metropolitan area, the NYISO dispatched our fossil units at a greater frequency and duration to maintain the safety and reliability of the grid; as a result, NYPA's total Scope 1 GHG emissions increased in 2022.

	Scope 1[14]	Scope 2[15]	Scope 3[16]
Emissions[17]	2022: 1,769,533 MT CO2e 2021: 1,426,651 MT CO2e 2020: 1,539,119 MT CO2e	2022: 64,495 MT CO2e	2022: 5,353,300 MT CO2e
Main sources	Stationary combustion of fuels (power plants, building heating systems), vehicle fleet, corporate airplane and sulfur hexafluoride losses associated with electrical equipment	Purchased electricity and transmission line losses	Electricity sales from contracted and wholesale market purchases, upstream emissions from purchased fuels, business travel and employee commuting
Highest emission source	Fossil fuel power plants, which provide critical and mandated generation capacity for the Southeast New York region	Transmission line losses	Upstream emissions from purchased fuels



SCOPE 1 DIRECT

- Stationary combustion of fuels (power plants, facilities)
- Mobile combustion (fleet vehicles, corporate airplane)
- Fugitive emissions (sulfur hexafluoride (SF_6) associated with electrical equipment)

SCOPE 2 ENERGY INDIRECT

- Consumption of purchased electricity, heat or steam
- Transmission line losses

SCOPE 3 OTHER INDIRECT

- Employee commuting
- Employee business travel
- Emissions associated with electricity sales (contracted and wholesale market purchases)
- Upstream emissions from purchased fuels

[14] *Read the full Statement of Greenhouse Gas Emissions with Independent Accountants' Review Report (limited assurance, Scope 1 Emissions, 2022) thereon. Includes CO2, CH4, N2O, and SF6 emissions.*

[15] *Includes CO2, CH4, and N2O emissions.*

[16] *Includes CO2, CH4, and N2O emissions.*

[17] *The CLCPA directs state entities to use 20-year Global Warming Potential (GWP) values from the Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report (AR5; see page 6 in the NYSDEC 2022 Statewide GHG Emissions Report).*

Investing in Innovation and Collaborative Research

NYPA acts as a testbed for new technologies and invests in supporting the development of capabilities necessary for a decarbonized future.

Through Partnerships With the Electric Power Research Institute (EPRI), we are Testing Innovative Solutions to Address the Challenges of Decarbonization and Climate Resilience

NYPA collaborates with EPRI on many areas of work, including energy generation from alternative sources, climate resilience, water pollution prevention, and protection of ecosystems and biodiversity. Through this collaboration, we leverage the intellectual value of EPRI and NYPA to preserve natural value for the communities in which we operate. Our 2022 projects addressed a broad range of issues. Two highlights include testing of natural gas decarbonization technology and development of a climate resilience framework.

Testing power generation with clean hydrogen: In 2022, NYPA and EPRI issued the final project report on the potential of hydrogen produced using renewable energy to serve as a substitute for natural gas. The demonstration, conducted in partnership with General Electric, Airgas, Sargent & Lundy, and Fresh Meadow Power, at NYPA's Brentwood Power Station, successfully injected up to 44% hydrogen by volume into the natural gas stream. The demonstration showed a reduction of up to 14% in CO_2e, and the ability to maintain nitrogen oxides, carbon monoxide and ammonia slip levels below regulatory operating permit limits.

Understanding climate resilience and adaptation: NYPA joined with EPRI and 13 other utilities to launch Climate READi (the Climate Resilience and Adaptation Initiative). The three-year program, which as of March 2023 includes 38 utilities with service territories in the U.S., U.K. and Canada, will develop a comprehensive and integrated approach to managing physical climate risk in the power sector.

The initiative is made up of three workstreams: physical climate data and guidance, energy system and asset vulnerability assessments, and resilience adaptation planning and prioritization. Subject-matter experts from across NYPA are participating in the concurrent workstreams, sharing our expertise and gaining insights from our peers.

SUSTAINABILITY PLAN COMMITMENTS

3 Lead Transmission Expansion | ESG | Digitalization | Resilience

RELEVANT ESG MATERIAL MATTERS

Renewable Energy & Energy Storage

- Upgrade NYPA's transmission system to support the integration of intermittent renewable energy sources into the grid

Energy Reliability

- Upgrade and modernize NYPA's generation and transmission assets to improve efficiency, reliability, security and resilience
- Optimize Asset Management strategies to ensure an agile response to changing industry landscape

Interconnecting New York State Through a Leading Transmission Network

NYPA is focused on expanding and optimizing our transmission network to relieve congestion and efficiently deliver electricity from where it is generated to the state's most-populated areas. This work will reduce transmission losses, lower customer costs and reduce dependency on fossil-fuel power generation by facilitating the integration of large-scale renewables, including offshore wind downstate and onshore wind in Northern New York.

Funding Our Transmission Goals

We are investing $1.4 billion over the next four years to upgrade the transmission network and build new transmission infrastructure. We are also partnering with state and federal entities, as well as the private sector, to accelerate clean energy infrastructure investments in New York. In 2022, we utilized our Separately Financed Projects (SFP) authority for the first time to issue $608 million in green bonds. By end of 2022, 93% of the SFP green bonds had been spent. This additional capital directly supports the development of two ongoing, large transmission projects, worth over $694 million:

Smart Path is a $484 million project that will rebuild and upgrade 78 miles of 230 kV of NYPA's Moses-Adirondack transmission line. The project reached the two-thirds completion milestone in 2022 and is scheduled to be completed in 2023.

Central East Energy Connect, a $281 million project, also reached a significant milestone in 2022 with the upgrade of half of the 93-mile transmission line. NYPA collaborated with LS Power Grid New York to install more than 270 steel transmission monopoles and renovate the 345-kilovolt lines. The project will help to harden the grid against extreme weather and relieve a major energy bottleneck in the state.

NYPA Green Bond Framework

NYPA's Green Bond Framework was developed in accordance with the Green Bond Principles issued by the International Capital Market Association and certified in a second-party opinion. It comprises four core components:

Use of proceeds in infrastructure upgrades that lead to positive environmental impacts and advance SDG 7, Affordable and Clean Energy

Project evaluation and selection process based on NYPA's four-year Capital Plan and in line with the Framework

Management of proceeds that separates and allocates proceeds through its internal tracking system

Reporting on the allocation and impact of projects and their alignment to state environmental objectives

Strengthening Our Transmission Portfolio

Increasing our focus on transmission as a core business is crucial to achieving our Strategic Priorities and advancing New York State's clean energy goals. In 2021, we created the NYPA Development business unit to lead transmission expansion and identify project opportunities, build partnerships, secure funding, and oversee implementation.

We aim to invest up to $2.5 billion by 2030 to expand our transmission system. Our investment will focus on high-impact projects like Smart Path and Central East Energy Connect (described on previous page), as well as Smart Path Connect, Clean Path New York and Propel NY Energy.

Smart Path Connect is a $790 million project, approved by the state in August 2022, that will upgrade a 100-mile transmission line to make it more efficient and reduce transmission losses. NYPA will upgrade 45 miles of the transmission line, with National Grid upgrading the remainder. It is estimated that the Smart Path Connect project will prevent 953,000 tons of CO2e and 167 tons of nitrogen oxide emissions annually and provide more than $447 million in annual savings from congestion mitigation in Northern New York, while also creating clean energy jobs in the region.

Clean Path New York is a collaboration with Forward Power to deliver more than 7.9 million MWh of emissions-free energy to New York City. Once operational, the project is expected to deliver 1,310 MW through an underground and submarine transmission system, extending from Delaware County to Queens. Major permitting processes were initiated in 2022, and the project is expected to be completed in 2027.

To strengthen our transmission network and support the integration of renewables, we will continue to move key projects forward in 2023. We will also continue ongoing efforts to upgrade the vital Y-49 transmission line (also known as the Long Island Sound Cable).

NYPA's transmission network serves a double purpose by also helping improve access to broadband service in remote communities

NYPA's transmission system is supporting the ConnectALL program, New York's first municipal broadband network, and will bring affordable high-speed internet to more than 3,000 residents and businesses in rural and underserved communities. NYPA is conducting a $10 million pilot bringing fiber to homes using our existing transmission fiber optic infrastructure.

SUSTAINABILITY PLAN COMMITMENTS

2 Decarbonize Natural Gas | ESG | DEI | Resilience

RELEVANT ESG MATERIAL MATTERS

Climate Change & GHG Emissions

- Manage Scope 1, 2 and 3 emissions and implement GHG reduction strategies
- Conduct climate impact study and identify resilience strategies

Energy Efficiency & Electrification

- Increase the efficiency of buildings and maximize on-site renewable energy capacity to reduce building load and work toward net-zero emissions
- Promote vehicle electrification and reduce GHG emissions from fleets and commuting

Environmental Stewardship

- Implement programs to promote biodiversity, natural carbon sequestration and resilience
- Protect riparian ecosystems and increase resilience in NYPA watersheds
- Reduce the frequency, magnitude and duration of high-water levels that lead to flooding along the Canal System
- Minimize the impact of nonoperational water use and increase water efficiency
- Reduce waste generation and divert recoverable materials and recyclable waste from landfill and incineration

Leading Through Actions

Reducing NYPA's carbon footprint across the value chain and protecting our environment are key elements of our VISION2030 ESG strategy and core requirements of state Executive Order 22 Leading By Example: Directing State Agencies to Adopt a Sustainability and Decarbonization Program (EO22). Our 2021-25 Sustainability Plan outlines commitments that support the EO22 directives, including commitments on climate change and GHG, energy efficiency and on-site renewables, fleet electrification, green procurement[18], zero waste and sustainable land management.

Leading the Way to Decarbonization With Our Buildings and Vehicle Fleet

One of our flagship sustainability efforts is the BuildSmart 2025 program. NYPA manages this statewide program that identifies and implements cost-effective methods to reduce energy and resource consumption and enhance energy efficiency in state-owned buildings, including NYPA facilities.

Another component of NYPA's decarbonization strategy is the electrification of our vehicle fleet. We have set a target of 50% light-duty fleet electrification by 2025 and 100% by 2030. At the end of 2022, we had electrified 20% of our light-duty fleet. We also completed a charging infrastructure assessment to determine the upgrades needed to achieve our fleet goals and support the continued adoption of electric vehicles by our employees. (For details on our eMobility work with customers and the New York community, see the "Empowering a Resilient New York State" section).

BuildSmart 2025 Achievements in NYPA's Facilities During 2022

- Conducted energy audits at NYPA sites to identify opportunities for energy efficiency, electrification and on-site renewable energy in line with Level 2 guidance of the American Society of Heating, Refrigerating and Air-Conditioning Engineers
- Reached the halfway mark for our BuildSmart 2025 energy efficiency target of 0.12 TBtu by 2025. The reductions were achieved through installation of LED lighting, lighting controls and HVAC upgrades, among other measures
- Installed a 175-kW roof top solar array at our Eugene W. Zeltmann Power Project, in Southeast New York, which will avoid an estimated 193 metric tons of greenhouse gas emissions annually
- Implemented new HVAC controls as part of an upgrade at the Blenheim-Gilboa Pumped Storage Power Project that will be completed in 2023
- Installed the first of six new HVAC chillers at the Niagara Power Project. The project will also install smart controls, sensors and variable frequency drives and is expected to increase energy efficiency by up to 20%

[18] Find more about NYPA's supply chain and procurement practices to reduce the environmental and social impacts of our purchased products in Championing a resilient and inclusive supply chain.

Advancing Environmental Stewardship

NYPA and Canals maintain more than 100,000 acres of water and land in New York State to serve the people of New York and achieve our business objectives. This includes facility grounds, parks, wildlife areas, rights-of-way, canal waterways and canal-adjacent land. We strive to enhance the resilience of the natural ecosystems under our stewardship, often surpassing federal and state regulatory and policy requirements to ensure the preservation of our land and water for generations to come.

Water is central to our operations, and we strive to better understand and reduce our impacts on water resources. In 2022, we completed a Water Resources Resiliency Roadmap that received a Technology Transfer Award from EPRI. The roadmap identified water-related challenges for NYPA, such as climate change-induced flooding or regulatory changes, and identified adaptation and mitigation strategies to manage these challenges. In 2023, we will continue to explore ways to manage our water resources, including establishing baselines for water use reduction targets.

We also work hard to preserve the land where we operate. As an accredited right-of-way steward utility, we manage vegetation on our rights-of-way by using sustainable resource management practices to promote compatible plant communities while ensuring the safe and reliable transmission of power. At our visitors centers, facilities and along the canals, we are establishing native gardens and meadows to support beneficial pollinators and promote biodiversity.

On the land surrounding our generation facilities, we continue to enhance and restore habitat of critical species as a part of our federal licensing agreements. Further expanding our efforts, in 2022 we conducted a study, with grant support from the American Public Power Association, that identified best practices for co-locating agriculture and solar generation to minimize environmental and social impacts and protect New York's natural and cultural heritage.

In addition to our land and water stewardship, we are monitoring waste streams to manage and mitigate the negative effects of our operations on the environment. In 2022, we initiated our Zero Waste Program and completed our first waste assessment at the Niagara Power Project as a step towards TRUE Zero Waste certification. We are also looking upstream on our value chain and working to procure products that meet EO22 green procurement specifications, generate less waste, have lower carbon intensities, and use less harmful chemicals and materials.

Our stewardship of the state's natural capital is a long-term commitment and the foundation of our trusting relationships with local communities. We will continue to honor this commitment in 2023 and onwards, leading by example and striving to have a positive impact on the environment and our stakeholders.

This section describes how we are driving progress on the following Strategic Priorities and Foundational Pillars in alignment with our ESG Material Matters

4 Partner With Customers and the State

5 Reimagine the Canals

ESG
DEI
Resilience

Environmental
Climate Change & GHG Emissions
Renewable Energy & Energy Storage
Energy Reliability
Environmental Stewardship

Social
Access & Affordability
Community Engagement
Economic Development
Health & Safety

Governance
Supply Chain & Procurement Practices

EMPOWERING A RESILIENT NEW YORK STATE THROUGH PARTNERSHIPS

NYPA supports customers and communities across New York State through a variety of programs and partnerships. We provide clean, low-cost power and energy services to state government customers, helping them reach their decarbonization goals. Through our economic development programs, we support eligible industrial and commercial customers in achieving their commitments to invest locally, create jobs and grow their businesses.

We work closely with the communities that host our generation facilities and build relationships that help inform decisions on how to best preserve local natural, financial and human value through our activities. As part of our relicensing agreements and central to minimizing negative impacts on host communities and the environment, we allocate low-cost hydropower to settlement partners and fund ecosystem preservation and recreation-enhancing projects. In addition, we strive to enable the participation of disadvantaged communities in STEM and the energy sector by offering educational and training opportunities as well as programs and exhibits at our visitors centers.

We also acknowledge our potential to drive impact through our value chain. Strengthening diversity, equity and inclusion among our supplier network has been a priority since the inception of our Supplier Diversity program in 1983. The supplier programs launched this year are a testament to that commitment and are discussed in the section below.

ELECTRIC RATES AND RATE COMPARISONS 2022

NYPA Customer Segments	NYPA Rates[19] ($/MWh)	Utility/Market Rate Estimates ($/MWh)
Residential	N/A	N/A
Hydro Cost-Based ($)	12.63	58.23
Hydro Economic Development ($)	51.83	90.91
Hydro Industrial ($)	39.22	50.98
NYC Governmental ($)	103.20	120.12
Westchester County Governmental ($)	99.57	111.26

NYPA's low-cost electricity powers public services and drives economic development in the state

[19] *Production rates include market costs that are passed through to customers as incurred by NYPA, as applicable.*

SUSTAINABILITY PLAN COMMITMENTS

4

Partner With Customers and the State

ESG

DEI

RELEVANT ESG MATERIAL MATTERS

Renewable Energy & Energy Storage

- Install 150 MW of distributed storage and 500 MW of distributed solar to scale clean energy across New York State by 2030

Access & Affordability

- Supply low-cost power to support the economic development, resiliency and reliability of municipal and rural cooperatives and the communities they serve
- Implement energy efficiency projects to reduce energy use and associated costs, as well as GHG emissions, in communities in which NYPA operates
- Provide customers access to clean energy by increasing the uptake of solar
- Promote the adoption of EVs by developing charging infrastructure for government and public transport fleets, and the public
- Enhance customer relationships and serve as a trusted energy advisor through frequent customer engagements

The canals are vital to NYPA and the state as a community resource and a source of water and energy. The focus of our activities on the canals is to transform financial investments into economic, natural, cultural and recreational value for New York State. Our programs demonstrate the value of the Canal System and encourage communities to utilize the reimagined infrastructure in which we are investing. In 2023, we will continue to advance priority revitalization projects and expand the catalog and accessibility of recreational activities on the canals.

Through all activities, NYPA aims to be a steward of natural resources and to preserve and enhance the state's natural capital by managing the resources we use appropriately. We acknowledge that our business activities can erode the state's natural capital and it is our responsibility to ensure that any potential negative impacts are minimized, avoided or offset.

Bringing Solutions to Customer Energy Needs

We place customers at the center of our value-creation story as partners to help accelerate the decarbonization of New York State and revitalize our economy. As a trusted energy advisor, NYPA is uniquely positioned to help customers achieve their sustainability goals.

Our customer programs focus on three key areas: helping reduce energy usage by providing solutions for buildings, street lighting and other applications; assisting with the electrification of vehicle fleets by installing EV infrastructure; and offering support with distributed energy resources, such as on-site solar and energy storage. These initiatives deliver value by increasing energy efficiency and resilience and reducing GHG emissions.

One of the ways we engage with customers is through the Voice of Customer program, which aggregates and measures customer feedback to gain actionable insights and enhance operations and services.

As a public-serving entity, we strive to benefit disadvantaged communities through our activities with customers and partners. According to NYPA's preliminary analysis, a sizable portion of our energy services projects (by dollar value) executed in 2022 was in disadvantaged communities. We expect to begin reporting in line with CLCPA-compliant disadvantaged community criteria and reporting metrics when they are finalized.

Our 2022 Projects Include:

Optimizing energy efficiency at Empire State Plaza: NYPA and the state Office of General Services have been working together since 2019 to design and implement a comprehensive energy efficiency and resiliency plan for Empire State Plaza in Albany. The project made significant progress in 2022, ahead of its completion date in 2023. We are working to deploy a 30 MW remote solar array and invest more than $100 million to replace steam-driven air conditioning equipment (chillers), emergency generators and lighting with low-emission alternatives, including a 6,500-ton electric chiller.

Installing community solar arrays in Westchester County: The goal for our Westchester County project is to make solar energy accessible to homes, including properties that are rented, shaded or have poor roof conditions. In 2022, NYPA, in partnership with Sustainable Westchester and Westchester County, selected three developers under the Westchester Community Solar Partnership to install solar arrays for municipalities and school districts within the county. NYPA also collaborated with the City of White Plains to support the development of a portfolio of 6.8 MW community solar and 1.76 MW/8 MWh of community energy storage, consisting of canopy, rooftop and ground-mount installations. Solar arrays will be installed at nine properties, which are expected to generate enough energy to power more than 700 homes a year, offset more than 1,250 tons of GHG emissions and create 185 green jobs.

Making residential heating safe and affordable: In New York City, we spearheaded the Clean Heat for All Challenge to deliver window-based cooling and heating technology to 30,000 households. In partnership with the New York City Housing Authority and the New York State Energy Research and Development Authority, the initiative secured a $72 million investment to develop and deliver packaged window heat pump units for existing multifamily housing developments. The electric heat pumps will significantly reduce the need for fossil-based heating sources and deliver cold climate window-based cooling and heating technology, improving household air quality, health and climate control.

Installing smart street lighting to light the way: Through our Smart Street Lighting NY program, we have installed 250,000 streetlights to support the state's call to replace at least 500,000 streetlights with LED technology by 2025. In 2022, we kicked off a project to replace approximately 1,400 streetlights in Plattsburgh with energy-saving LED fixtures. The $1 million upgrade includes the installation and maintenance of automated nodes on existing LED streetlights and the introduction of a new asset management system. The project is expected to reduce GHG emissions by 70 metric tons and save the town more than $76,000 in energy and maintenance costs annually. Other municipalities that have converted to LED streetlights in collaboration with NYPA include Albany, Rochester, Syracuse, Utica and White Plains.

Partnering with transit agencies to advance electric public transportation: Transportation electrification projects also moved forward in 2022. NYPA partnered with the Metropolitan Transportation Authority (MTA) and the Niagara Frontier Transportation Authority (NFTA) to deliver new carbon-free infrastructure for public transit. The project included the development of overhead charging infrastructure for 60 new electric buses for MTA and the commissioning of overhead bus charging for 10 new electric buses at NFTA in Buffalo. This project included a new substation to futureproof the bus depot design and enable 100% fleet electrification.

In 2022, NYPA installed 1.34 MW of customer-sited storage, enabled 17.76 MW of distributed solar resulting in 3,200 tons of CO_2e savings annually[20], and saved 15,710 MWh from customer energy efficiency projects resulting in 23,300 tons of CO_2e savings.[21]

[20] NYPA acts as project manager, or for solar, may serve in an advisory capacity. Annual savings are projections.
[21] Represents projected electricity savings based on industry standards for measures implemented.

NYPA Continues to Partner With State Entities to Achieve BuildSmart 2025 Goals

For over a decade, NYPA has supported state entities in meeting ambitious state building energy efficiency goals and is working with customers to achieve the BuildSmart 2025 target of 11 trillion British thermal units (TBtu) of energy savings at state facilities by 2025.

As one of our partnerships, OGS and NYPA are working together to develop and implement an energy reduction and generation strategy that will reduce OGS source Energy Use Intensity by 29.4%. The plan includes an emergency generator replacement, electric chiller installation, interior and exterior LED lighting at the Empire State Plaza, a large solar photovoltaic (PV) Power Purchase Agreement at Oneida County Airport, and ongoing energy audits at multiple facilities, including the New York State Executive Mansion in Albany.

In another project, the state Department of Corrections and Community Supervision (DOCCS) and NYPA are building the largest solar PV portfolio of any New York State entity. The portfolio will create 30 MW of solar PV capacity and save DOCCS over $10 million over the contract term. The second phase of the project is in the works and will create even more solar generation capacity.

Our EVolve NY Program is Accelerating Adoption of EVs With Public Charging

NYPA's EVolve NY program continued to advance the state's plan in 2022 to electrify the transportation sector and reduce GHG emissions by 85% by 2050. Since 2019, NYPA's cumulative investment of $30.7 million has enabled EVolve NY to install 118 fast chargers at 31 sites, making travel by EV possible in several areas of the state. These fast-charge stations will also save an estimated 2,635 tons of direct GHG emissions. On behalf of our customers, NYPA has installed 551 chargers across New York State since 2019, including overhead chargers for electric transit buses.

In 2022, we unveiled our 100th electric vehicle fast-charge station as part of EVolve NY, a NYPA program to develop a public, easy-to-find, fast-charge network that supports EV adoption across the state. Fifty-eight EV fast-charge stations were installed across the state in 2022. The newest deployment includes 12 EV chargers along the primary travel corridor from the Mid-Hudson region to Western New York.

At the end of 2022, state entities had logged 6.54 TBtu of energy savings through BuildSmart 2025, putting them on track to meet New York State's goal of 11 TBtu of energy savings by 2025.

NYPA's Advisory Services Help Customers Meet Their Energy Goals

NYPA Ventures was created in 2022 to respond to customer needs. It combines our more recent programs and services, including eMobility, Distributed Energy Resources Advisory, Demand Flexibility, and NY Energy Manager, and offers customers a one-stop solution by advising on technology adoption and use. These advisory services include helping customers identify decarbonization and electrification technologies and anticipate their impact over time. For example, widespread adoption of electrification technologies, particularly in buildings and transportation, could increase electricity demand, putting additional pressure on the grid. To counter this, distributed energy resources such as solar and battery storage can help customers manage changes in demand and associated energy costs.

NYPA and customers partner to plant trees

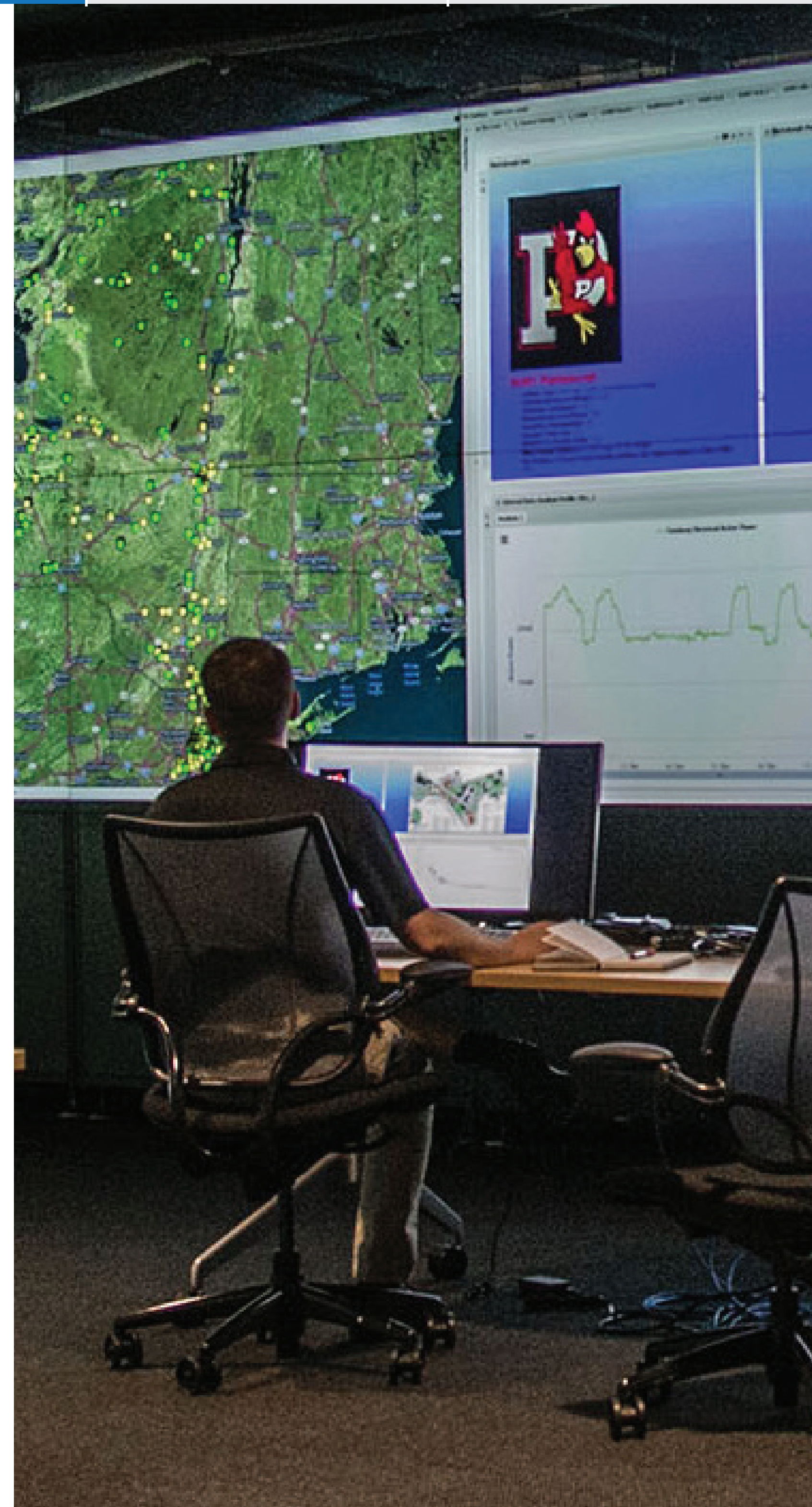
NYPA's Tree Power program helps customers meet their energy efficiency and environmental stewardship goals by providing a one-to-one match for native trees purchased through the program. More than 1,100 trees were planted through Tree Power across New York State in 2022. Customers can pick from a variety of native trees, including firs, maples, spruces and oaks, which were selected because of their value to native biota.

Benefits of the program include:

Decarbonization: The program helps mitigate the impact of GHG emissions by removing carbon from the atmosphere and storing it in the biomass of the trees

Energy efficiency: When planted next to buildings, trees can improve energy efficiency by providing shade and windbreak, saving customers money and reducing their environmental impact

Environmental stewardship: Native trees provide habitat for pollinators and wildlife, reduce stormwater and improve air quality



SUSTAINABILITY PLAN COMMITMENTS

4 Partner With Customers and the State

ESG

DEI

RELEVANT ESG MATERIAL MATTERS

Economic Development

- Support NYPA's economic development customers in achieving their energy and decarbonization goals, while also supporting their sustainable economic growth
- Accelerate clean, diverse, inclusive and equitable economic growth in New York State

Powering Prosperity Through Economic Growth, Job Creation and Resilience

NYPA's economic development efforts support the promotion of local industry, commerce and communities through programs that drive capital investment and help create jobs. These programs provide project funding or low-cost power, including hydropower, to eligible businesses and non-profits when they pledge to invest locally and remain in the state, create or retain jobs, or expand their operations. Organizations are selected based on considerations such as the impact on the local economy, jobs, and capital retained in New York State, as well as the state's diversity, equity and inclusion commitments.

Every year, NYPA designates 910 MW of electricity to support the ReCharge NY program, our largest economic development initiative. In 2022, ReCharge NY allocated more than 97 MW of low-cost power to 104 customers, which is expected to retain 32,949 existing jobs and create 2,701 new jobs in the state, while spurring more than $11.8 billion in private capital investments. Nearly 60% of low-cost power allocations went to businesses and non-profits in disadvantaged communities.

SUSTAINABILITY PLAN COMMITMENTS

4 Partner With Customers and the State

ESG

DEI

RELEVANT ESG MATERIAL MATTERS

Community Engagement

- Conduct outreach and provide programs and services to local communities and key stakeholders
- Engage with and support historically underserved communities located near NYPA facilities and contribute to New York State's just transition
- Accelerate clean, diverse, inclusive and equitable economic growth in New York State

Establishing Trust With Our Host Communities

Our partnership with host and neighboring communities is critical to our success. We engage with communities to understand the social and environmental impacts of NYPA's business activities and work collaboratively to find innovative solutions that preserve and create value. Our community collaborations allow us to leverage our assets and resources to positively impact underresourced and underserved communities.

As part of the responsibilities outlined in our relicensing agreements, we work with communities on programs and initiatives designed to reduce the negative impacts of hydropower development on local communities and ecosystems. For example, the Niagara Power Project's federal operating license, renewed in 2007, safeguarded more than $1 billion worth of benefits to Western New York during its initial 50-year period and allocated 32 MW of low-cost hydropower to settlement partners at as low as 25% of the cost of energy. Relicensing funds are also used to drive Habitat Improvement Projects and Recreation Enhancing Projects, and engage with local communities.

We support local communities with programs and events tailored to meet specific community needs on a day-to-day basis by offering access to our visitors centers as a community resource. Our visitors centers provide opportunities for guests to learn about NYPA, our generation and transmission facilities and infrastructure, new technologies within the industry, and our programs and projects. In 2022, our visitors centers welcomed over 144,000 people, provided over 715 educational tours to student groups, and hosted over 200 community functions. Additionally, we held numerous public events throughout the year, including annual Wildlife Festivals, auto shows, STEM-related activities and holiday events.

Underwater robotics takes the plunge

Mine Kill State Park, adjacent to NYPA's Blenheim-Gilboa Pumped Storage Power Project, hosted a SeaPerch underwater robotics competition camp in summer 2022. During the weeklong event, children tested their underwater robots in the park's pool. The competition was held in partnership with the Schoharie Mohawk Initiative for Science and Technology.

Supporting the creation of knowledge and capabilities is essential to strengthening resilience in local and disadvantaged communities, and aligns with our efforts to build a more diverse and inclusive workforce.

Pathways in Technology Early College High School (P-TECH) offers disadvantaged students the training and educational credentials needed to land competitive jobs in the fields of science, technology, engineering and mathematics. In 2022, 28 high school students completed P-TECH internships.

Future Energy Leaders program supports diversity in the electricity sector. In 2022, we awarded one-time $10,000 scholarships to 10 academically accomplished, economically challenged, and under-represented high school seniors to pursue energy-related undergraduate studies.

Fleet Donation program offers opportunities for young people in underserved communities to develop technical skills and explore career opportunities in the clean energy workforce. In 2022, we donated 13 hybrid and fully electric fleet vehicles designated for retirement to regional automotive training programs located near NYPA or Canals sites.

Community Energy Efficiency program leverages expertise in energy and energy technology to provide no-cost programs and services that meet the unique needs of our communities. We are collaborating with the Niagara Wheatfield Central School District on a project to provide Tuscarora Elementary School with energy-efficient upgrades to heating systems. The work will be completed in 2023.

Through urban farming, NYPA promotes food justice

NYPA supports the research and development of controlled agricultural environments to address climate change and to understand the intersection between food insecurity and historically disadvantaged communities. These projects help communities grow produce throughout the year and are coupled with a curriculum focused on sustainability, climate justice and environmental stewardship.

Driving local and urban food production in Harlem: NYPA invested $250,000 in a hydroponic greenhouse pilot in partnership with EPRI and Harlem Grown, a local non-profit. The pilot investigates how to increase yields and manage resources while reducing GHG emissions and water and electricity use. All food production management and community distribution are supported by Harlem Grown.

Working with students to develop green classrooms in New York City: We leveraged our collaboration with P-TECH to implement a soilless garden complemented by a sustainability and food justice curriculum. The Green Classroom at the Energy Tech High School in Queens is NYPA's first lab developed with a partner in the P-TECH program and is one of 23 NYPA-funded green classrooms in New York City.

SUSTAINABILITY PLAN COMMITMENTS

4 Partner With Customers and the State

ESG

DEI

RELEVANT ESG MATERIAL MATTERS

Supply Chain

- Reduce the environmental and social impacts of NYPA and Canals suppliers
- Reduce the environmental and social impacts of NYPA- and Canals-purchased products
- Increase number of and spend with New York State, local and diverse suppliers

Championing a Resilient and Inclusive Supply Chain

We recognize the vital importance of our contractors, consultants and equipment suppliers on our operations, and the value of meaningful engagement with our diverse and local suppliers. We work to integrate sustainability considerations into our procurement processes, mitigate environmental and social risks, and drive equity in our contract portfolio to be inclusive and reflective of the communities we serve. Our actions strengthen the resilience of our supplier network and deliver value to our communities by supporting the economic vitality of New York State.

NYPA onboards and monitors approximately 900 new suppliers annually. As part of the onboarding process, all suppliers are added to a platform where we monitor environmental and other risks. Any risks identified for suppliers participating in active procurements are included in our evaluation process.

In 2022, we incorporated sustainability language in evaluation criteria for certain solicitations to identify suppliers whose sustainability management and governance processes align with NYPA's sustainability goals. In collaboration with other electric utility members in the Sustainable Supply Chain Alliance (SSCA), we also administered sustainability assessments to our strategic and key alliance suppliers. NYPA contributes to the ongoing development and use of the SSCA's supplier assessment tool, which helps improve the consistency, response rates and efficiency of supplier assessments.

Since the inception of NYPA's Supplier Diversity program in 1983, we have awarded more than $1.7 billion in contracts to minority- and women-owned enterprises (MWBEs), service-disabled veteran-owned businesses (SDVOBs), and small business enterprises. In support of VISION2030, in 2020 NYPA committed to doubling the annual spend with diverse suppliers to $160 million in five years. Within two years, through increased supplier outreach and engagement, NYPA has achieved an annual spend of over $170 million.

We distributed annual sustainability assessments to strategic suppliers, recording a response rate close to 80% in 2022. The assessments include questions on suppliers' carbon footprint, which will be used in the future to inform our Scope 3 GHG emissions calculation and management.

In 2022, our engagement efforts included 24 Supplier Diversity outreach events. With more than 2,070 attendees in person and virtually, these events supported NYPA's Supplier Diversity outreach strategy to meet MWBEs, SDVOBs, and small and local businesses in the neighborhoods where they operate. These engagements provided potential suppliers with information on upcoming procurement opportunities and our procurement process. We also established three programs to build the capacity and competencies of diverse businesses interested in working with NYPA and Canals:

Small and Local Business Education and Capacity Building Program was launched in 2022 to support businesses in the early and mid-stages of their growth. Sixty-six participants graduated from the program, which provides comprehensive support, including a resource-rich educational platform with one-on-one business advisory services, instructor-led group discussions, and virtual classroom-style workshops on business topics.

Surety Bond Training Program, created in 2022, helps established mid-stage businesses bid on larger NYPA and Canals projects by teaching skills and providing access to bonding capacity and working capital training. Sixty-five businesses participated in the initial year. Ten graduates have obtained more than $7.5 million in new bonding capacity while participating in the program.

Mentor Protégé Program (MPP) encourages prime government contractors to provide mutually beneficial developmental assistance to diverse and local businesses within specific industry sectors. After the pilot phase was completed in August 2022 with three MPP pairs, NYPA launched its first cohort in December 2022 and will continue accepting applicants on a rolling admissions application process.

NYPA's Engagement With Suppliers in 2022

In 2022, Empire State Development presented NYPA with the MWBE Champions Award, celebrating New York State agency and authority staff who are dedicated to the state MWBE program and help increase opportunities for MWBE businesses.

925 suppliers engaged

53% local supplier spend (for services)

22% MWBE spend to eligible spend

21% SDVOB spend to eligible spend

SUSTAINABILITY PLAN COMMITMENTS

5 Reimagine the Canals

ESG

DEI

Resilience

RELEVANT ESG MATERIAL MATTERS

Economic Development

- Adaptively reuse Canals infrastructure and land bordering the waterways to improve recreational opportunities in neighboring communities
- Adaptively repurpose and reuse Canals infrastructure and land bordering the waterways to create economic opportunities for neighboring communities

Community Engagement

- Build and sustain relationships with local, state and other government officials, and educate key stakeholders on Canals programs

Reimagining the Canals

As the Canal System enters its third century of operations, our focus is on building resilient and accessible infrastructure to preserve and revitalize the state's resources for current and future generations. In 2022, we invested more than $14.3 million in the Canal System to increase climate resilience and create opportunities for recreation and economic development. This investment is part of a larger commitment to invest $300 million over 10 years for canal revitalization and is in addition to NYPA's annual $140 million investment for continued maintenance, operation and infrastructure.

Communities are at the center of our strategy to help preserve the value of historic Canals structures, which will begin their third century of operation in 2025. The Reimagine the Canals initiative engages with canal-adjacent communities in developing plans to adapt Canals infrastructure for public benefit and repurpose the land and waterways. We have also established a grant program to develop tourism opportunities, amenities and events on the canal system in partnership with local governments, non-profits and federally recognized Native American tribes.

Our focus on community revitalization and development has inspired NYPA's continued investment in the On the Canals program for a third year. On the Canals attracts new users to the waterways and the adjoining Empire State Trail, amplifying the benefit of recreational tourism and creating opportunities for economic development for nearby communities. In 2022, On the Canals expanded its activities to offer year-round recreational opportunities, including snowshoeing and winter birding, and attracted more than 12,000 participants, up from 4,500 in 2021.

Designing for resilience at Guy Park Manor

2022 marked the beginning of the Guy Park Manor flagship project in Amsterdam. With resilience as a driver for its design, the project will restore the historic property for public use with educational exhibits, upgraded facilities and a reinforced design built to withstand future weather events. The park may include features like native landscape habitats, picnic areas, an outdoor pavilion for group activities and access to the canal for fishing.

We also work with community-based organizations to make the canals a more inclusive destination for all potential visitors. In 2022, we worked on increasing the number of accessible trails and offered On the Canals excursions with adaptive equipment.

Scout Park in Hamlin, currently in design, prioritizes universal accessibility as a guiding design principle while using sensitive and sustainable best management practices to preserve the park's natural capital. This includes increasing the resilience of the park's creek shoreline with flood-tolerant infrastructure and planting strategies.

Little Falls Connector, an ongoing project in Little Falls, transforms a former canal pool area into a public park with a range of family-friendly activities. The project preserves the area's natural value by conserving mature trees and prioritizing native ecotypes and encourages community accessibility by building a pedestrian and cyclist bridge to the Empire State Trail.

We recognize that connecting waterways and facilitating community access to the Canal System has the potential to affect ecosystems by introducing invasive species and allowing visitors to impact the natural environment. Protecting natural areas like the Montezuma Wetlands Complex in Cayuga, Seneca and Wayne counties is crucial. This area is a refuge for wildlife, supporting diverse habitats, including wetlands, grassland and forest. The wetlands provide a home for numerous species of migratory birds and help maintain the Canals' overall biodiversity. Our investment in the Montezuma Wetlands Complex includes removing invasive species, adjusting topography for water flow and planting natives to recreate habitat supportive of more diverse wildlife while creating controlled access for recreational use.

In 2022, we worked with the New York State Department of Environmental Conservation on Lake Champlain's rapid response plan to address the spread of invasive species in previously disconnected basins. Through the plan, we aim to limit the disruption to the ecosystem and negative impacts on local economies dependent on recreation.

Building Resilience for a Changing Climate

Water from the Canal System is essential to the operation of 28 hydropower facilities, including three owned by NYPA. These 28 facilities have a combined maximum generating capacity of approximately 154.4 MW, making them a vital element in creating clean energy, reducing carbon emissions and mitigating the impacts of climate change.

We work to leverage Canals infrastructure to enhance climate resilience in our operations and canal-adjacent communities. For example, ice jams and flooding are recurring challenges for the people along sections of the Mohawk River. We have responded by launching an Ice Jam Mitigation pilot program and deploying tugboats to break the ice on the river and reduce ice jams and flooding. In 2022, after a second successful season, we were recognized by the Schenectady Stockade Neighborhood Association for our efforts on the Erie Canal and the Mohawk River.

As the Canal System enters its third century of history, we look forward to fulfilling our commitment to revitalization while continuing to expand the offerings and capabilities of canal infrastructure for the benefit of the people of New York State.

This section describes how we are driving progress on the following Foundational Pillars in alignment with our ESG Material Matters

ESG
DEI
Resource Alignment

Social

Health & Safety
Employee Development
Diversity, Equity & Inclusion

Governance

Enterprise Risk & Resilience
Regulatory Management & Compliance
Cyber & Physical Security

CULTIVATING SUCCESS AS A TEAM

Our employees are our greatest asset becuase they drive and support the daily operations of our businesses. A diverse, equitable, and inclusive corporate culture is ingrained in our core values and foundational to VISION2030.

We are committed to treating people with respect and fostering an inspiring work environment, which is reflected in our values:

- We work for the greater good and a stronger, sustainable New York
- We hold ourselves to the highest standards of integrity, safety and excellence
- We are resilient and use our ingenuity to make big things happen
- We draw strength from our diversity—*everyone contributes, everyone belongs*
- We work as one team, putting our trust and confidence in each other

Fostering diversity and inclusion and attracting talented and skilled people is essential to our mission. We are preparing our workforce for the future by broadening career pathways and providing professional development opportunities.

We also recognize our responsibilities for ensuring a safe workplace and for protecting the health and safety of the communities in which we operate. We strive to promote a safety-first culture, with commitment driven from the top, and to communicate the shared responsibility of all our people to promote health and safety across the organization. Our commitment to health and safety also includes promoting mental health and well-being and a supportive workplace environment. Our employee benefits include health and welfare, time off, and retirement plans.

As a testament to the strength of our employee development programs, NYPA was awarded Forbes' Best Mid-Size Employer distinction in 2018, 2019, 2021 and 2022.[22]

Key Employee Demographics

2,560 total employees

2,077 NYPA employees

483 Canals employees

2,495 full-time employees

16 part-time employees

111 contingent workers

[22]*Forbes did not hold the competition in 2020.*

SUSTAINABILITY PLAN COMMITMENTS

ESG

DEI

Resource Alignment

RELEVANT ESG MATERIAL MATTERS

Health & Safety

- Support employee physical and mental well-being to create a more resilient workforce
- Ensure the health and safety of employees working at NYPA sites and projects
- Support public safety in the communities that host NYPA facilities

Protecting Our People and Promoting Well-Being

Proactively Driving a Culture of Health and Safety

NYPA's Health & Safety Program is managed by regional Environment, Health & Safety (EH&S) staff, with our corporate EH&S department supporting site-specific programs and the development of organization-wide policies. Our management and union safety committees conduct regular safety inspections and employee safety talks to identify and address health and safety issues at all NYPA operational sites. To keep our Health & Safety Program running strong, we conduct internal and third-party EH&S compliance audits at different facilities every year.

Our Safety Committee ensures that key issue escalation, training requirements and operational safety communications are consistent and effective, and include appropriate employee and union representation. Under Safety Committee oversight, any potential or current employee safety concern can be escalated to a supervisor for immediate review. NYPA also tracks mandatory health and safety training and required reporting to ensure we are operating with a well-trained workforce within regulatory guidelines. NYPA training programs range from compliance-based training to skill development and management courses.

Strong Foundations Through Compliance

Our Health and Safety Program complies with all regulatory requirements[23], including those mandated by the New York State Department of Labor's Public Employee Safety and Health Bureau (PESH) and adheres to best management practices. In 2022, EH&S implemented a Health and Safety Policy that outlines key commitments from leadership and essential responsibilities for all roles in the organization. This policy is the first step to implementing an Occupational Health and Safety (OH&S) management system that is aligned with the ISO 45001 OH&S standard and focused on improving health and safety performance and preventing work-related injury. EH&S also updated more than 30 governance documents in 2022 that describe how we manage high-risk areas of our operations including procedures such as:

- Confined spaces
- Fall protection
- Respiratory protection
- Evacuation plan
- Bloodborne pathogen exposure plan
- Safety meetings and committees

Additionally, EH&S developed and implemented an intuitive Policy & Procedure Tracker to compliment EH&S management procedures and support business continuity and resilience. The tracker allows us to better manage and maintain governance documents and track progress.

[23]Including requirements from the state Public Employee Safety and Health Bureau, Occupational Safety and Health Administration, and the U.S. Coast Guard.

Strong Foundations Through Health and Safety Training

In 2022, NYPA made major improvements in the management and structure of Canals' Safety Training Program. EH&S outlined a standardized curriculum based on job titles and tasks, and procured new interactive and user-friendly e-learning content. We contracted with dozens of vendors across the state to deliver mandatory training to more than 500 employees, and developed digital tracking tools to manage courses, content, and other program elements. Additionally, EH&S led the development of a Canals Safety Work Planning Procedure that outlines the processes and methods used to manage risk and control hazards through all scopes of work.

By the end of 2022, total training hours by employees were up by 46% from the previous year and at least 75% of employees had received training in basic Dam Safety. Our commitment to increasing knowledge on safety procedures has resulted in reduced recordable workplace injuries and illnesses, and an improved DART rate. DART (Days Away, Restricted or Transferred) is a critical U.S. Occupational Safety and Health Administration metric used to measure the impact of recordable workplace incidents and monitor safety practices. In 2022, Canals' DART rate reached a record low of 2.66 compared with 4.37 in 2021.

NYPA's DART rate increased from prior years to 1.20. This is slightly above the U.S. Bureau of Labor and Statistics industry average of 1.1 and below the American Public Power Association's average of 1.73 for like-sized electric utilities. Evaluation of this increase determined that 40% of injuries were due to poor ergonomics, typically muscle sprains, strains and tears caused by awkward postures, pushing/pulling, over-reaching and repetitive motions.

To reduce ergonomic injuries, NYPA is implementing a new ergonomic evaluation service at all our sites. This initiative will outline proactive activities to reduce ergonomic injuries, such as ergonomic and body mechanics training and dynamic stretching. NYPA has also been giving safety talks on ergonomics injuries to improve our employee's understanding of this risk.

NYPA also redesigned its Electrical Safety Program in 2022 and formulated plans for a comprehensive rollout in 2023. Over 750 employees in a wide variety of crafts and other technical disciplines have been identified to receive instructor-led training on the new program, and several existing electrical safety topics are being refreshed. This training is also being incorporated into NYPA's core safety training for 2023. NYPA utilizes online training to cover key areas that apply to all personnel, and over 2,000 employees received this training in 2022. Additionally, NYPA revamped and streamlined the annual safety training process at generation and transmission sites in 2022, resulting in more focused training and more flexibility for supervisors in assigning work.

HEALTH AND SAFETY BY THE NUMBERS

	2020	2021	2022
NYPA DART Rate	0.39	0.59	1.20
Canals DART Rate	5.07	4.37	2.66

NYPA uses technology to make operations safer and more efficient

We work diligently to ensure NYPA's infrastructure exceeds regulatory standards and we use technology to anticipate potential issues. This includes placing sensors on transmission lines to capture more accurate information and increasing the use of drones to inspect transmission lines and rights-of-way. These technologies provide real-time and hard-to-see information for our transmission assets database and make work safer by reducing the need to climb transmission towers.

SUSTAINABILITY PLAN COMMITMENTS

ESG DEI

RELEVANT ESG MATERIAL MATTERS

Diversity, Equity & Inclusion

- Promote a DEI culture at NYPA through education
- Ensure employee and leadership accountability
- Increase the transparency of DEI programs, practices and policies

Strengthening Dam Safety to Support Canals Employees

Safety is key to the Canals' 524 miles of navigable waterway, 150 miles of maintained trails and various water-impounding structures. One of NYPA's highest priorities is the security of Canals dams and water-impounding structures. These structures are needed to run the Canal System, providing adequate supply and depth of water for navigation and lowering the risk of the release of water that would impact surrounding environment and communities. Canals owns the most intermediate- and high-hazard dams of any state entity.

In 2022, we started an Asset Management and Dam Safety project for inspection of the canals. The project will provide a better understanding of the state of existing assets and the actions needed to mitigate potential risks. As a first step, we established an overarching governance policy that outlines all dam safety requirements. In addition, we initiated an effort to engineer a voltage verification device on Canals lock equipment to mitigate physical hazards. The devices will become standard at all locks and will be installed in 2023.

Promoting the Well-Being of Our Employees

Physical health and safety is only part of our more holistic approach to employee health. The mental health and well-being of our employees are also top priorities. We want our employees to be at their best, and that starts with a healthy state of mind. That is why we offer support services, encourage time off for self-care and foster a supportive workplace culture. Our Employee Assistance Program is available at no cost to employees and their families for assistance with a wide range of issues, including mental health, legal and financial assistance, and child and elder care. Additionally, employees have free access to a meditation and mindfulness app.

We believe an engaged and inclusive work environment, in which everyone feels valued and heard, is key to promoting mental health and well-being, and we strive to have a positive impact and to help break down the stigma associated with mental health issues.

Fostering an Enriching Workplace

Every achievement at NYPA starts with our people. We aim to attract, develop and retain diverse talent and provide the foundation for growth across the organization. With the launch of VISION2030, NYPA began our Workforce Development Initiative focused on creating flexibility, empowerment and transparency in career planning. VISION2030 also strengthened our DEI strategy, and we are making sure employees understand, embrace and integrate diversity, equity and inclusion into all areas and at every level of NYPA and Canals. NYPA is continuing to develop a hybrid and in-person work environment that provides employees with the required technology, comfort, and flexibility to succeed in their jobs. At the same time, we are broadening our talent management efforts to build a workforce that represents the communities we serve.

Advancing and Embedding DEI in Everything We Do

Advancing diversity, equity and inclusion is a top priority and Foundational Pillar of VISION2030, and NYPA is committed to enhancing its DEI program, which is led by the Office of Civil Rights & Inclusion.

We collaborate with departments across NYPA to embed a DEI focus on processes impacting the employee lifecycle, such as onboarding, career advancement, professional development, conflict resolution, attrition, workplace interventions and pay equity. We also continue to invest in training that will mitigate bias across the organization and help build a diverse and skilled workforce and inclusive culture.

In 2022, NYPA incorporated new DEI Evaluation Competency criteria in our annual performance review process, criteria for individual employees (called *Be Inclusive*) and criteria for managers (called *Champion Diversity*). These competencies align with NYPA's core value drawing strength from our diversity—*everyone contributes, everyone belongs*. By adding these DEI competencies to our evaluations, we hold ourselves accountable and measure how we are contributing to achieving our personal and collective DEI goals and an inclusive, equitable culture. We also developed introductory DEI Foundations training for newly hired employees with a goal of providing them with tools necessary to embrace diversity, spark an interest in knowledge and self-awareness, and learn how to best support their colleagues.

We are still on a journey to increase DEI awareness, knowledge and skills among employees. We are developing an action plan to further integrate DEI commitments across the organization with a focus on fostering an inclusive workplace that promotes higher employee retention.

NYPA's SELECT training mitigates unconscious bias across the organization

Our 2022, SELECT training was delivered to 500 people managers as the final module in a three-part series for NYPA team leaders. The training is designed to reduce unconscious biases that undermine decisions for better organizational performance. It teaches managers how to make fair and informed choices about hiring people, and helps to increase diversity by reducing bias in the hiring process.

Earlier modules focused on how unconscious bias may show up during performance reviews (DIFFERENTIATE, held in 2020) and how to remove its influence to help leadership make effective and confident decisions (DECIDE, held in 2021). All the modules will be made available to new people managers going forward.

Our Employee Resource Groups Support a More Inclusive Workplace

NYPA aims to provides a dynamic work environment, rich in history and culture, that empowers each employee to be authentic in the workplace. Our Employee Resource Groups (ERG) are voluntary, employee-led teams that foster and encourage employee engagement and participation. Each ERG has workstreams that tie to critical business drivers and can have a direct impact on the business: Recruitment & Retention, Talent Development & Mentoring, Engaging in Energy & Utilities, and Community & Philanthropy.

Women in Power
Develops exceptional leadership skills and enables women to achieve their maximum potential in an inclusive and challenging work environment

Veterans
Provides peer support and professional and personal development opportunities for employees who serve(d) in the armed forces and fosters a successful transition into civilian life

Eco Team
Inspires colleagues to live more sustainable lives and develop a deeper awareness of the benefits of sustainability through educational seminars and experiential learning

Generations
Provides engagement opportunities that help build employee relationships and collaboration across generations to create a more satisfying work experience

Pride in Power
Raises awareness about what it means to embrace diversity and inclusion, creating a safe and supportive workplace where employees can be themselves and achieve their full potential

Multicultural
Creates an inclusive environment that welcomes, respects, develops and leverages our individual differences as a competitive strength

Courageous Conversations, a DEI speaker series, creates safe spaces

Launched in 2022, the Diversity Speaker Series recognizes, acknowledges and creates a space for employees to celebrate cultural differences, encourage dialogue and foster learning about societal issues bias, microaggressions, intersectionality and allyship. The initiative enables the creation of psychologically safe spaces to discuss crises or tragedies affecting our staff, such as human rights, women's issues and gun violence. The series emphasizes positive, equitable, and inclusive employment experiences, builds awareness and understanding of sensitive subjects, and increases our ability to address difficult subjects.

In our first year, guests included Dr. Hakeem Oluseyi (astrophysicist), Jane Hyun (author), Dominique Hollins (business leader and social justice advocate), Karen Fleshman (attorney and author), and Edward Simon (vice president for the Los Angeles LGBT Chamber of Commerce).

SUSTAINABILITY PLAN COMMITMENTS

ESG

Resource Alignment

RELEVANT ESG MATERIAL MATTERS

Employee Development

- Engage and develop a resilient workforce at NYPA
- Attract talent to shape NYPA's organizational culture and future growth
- Shape Canals' organizational culture and future growth
- Cultivate a sustainability mindset throughout NYPA's workforce

Preparing Our People for the Future of Work

Our employees' unique abilities, strengths and differences are fundamental to making NYPA a great place to innovate, collaborate, and better understand the customers and the communities we serve. Employee development at NYPA focuses on growing and retaining a diverse and resilient workforce. We foster a culture of learning and aim to curate the most appropriate learning experiences for professional and personal growth. We are also taking steps to enhance internal processes to enable more of our people to grow their careers through internal mobility and to take ownership of their career development.

Laying the Path to a Meaningful Career

NYPA is committed to providing learning experiences for our employees designed to foster career and professional development. We have a robust portfolio of learning and development opportunities for individuals, teams and managers. These include participation in Bard College's Master of Business Administration program, use of LinkedIn Learning resources and participation in Six Sigma/Agile/Lean Foundations certification courses. We also conduct manager and leadership development programs and offer individualized development opportunities through personalized assessments and executive coaching.

Our Talent Development curriculum, available to all full-time management employees, provides training opportunities curated annually to meet NYPA's current learning needs. Additionally, an annual goal-planning program involving employees and their managers gives our people the opportunity to discuss individual development planning in the context of the work we do. Our approach to learning is to make it available broadly through the "3 Es" of education, exposure, and experience, build it into the flow of work and provide opportunities for it to be applied on the job.

SustainAble U: Cultivating a sustainability mindset throughout NYPA's workforce

Ensuring our employees understand and embrace our strategic vision is key to our success. We have invested in education to increase sustainability and climate literacy across the organization.

In 2022, NYPA completed our year-long comprehensive climate science educational program. Employees learned from leading climate science researchers and educators from Cornell University, Clarkson University, and the SUNY College of Environmental Science & Forestry, with NYPA employees facilitating class discussions.

5 e-learning modules

431 hours of live classes

2,637 employee participants

22,000 total course element completions

Making Organizational Knowledge & Capabilities Available to Our People

It is essential for NYPA to offer growth opportunities that sustain and develop its workforce. The multi-year Workforce Development Initiative aims to engage employees building a career development plan that leverages transferrable skills and opens opportunities across the organization.

In 2022, NYPA focused on building an architecture that provides consistency and transparency on job requirements and skills. In 2023, we will identify the focused competencies and career path options needed for current and future roles. This initiative is organization-wide, requiring the expertise of multiple specialties in Human Resources and the support of all business units to transform the definition of jobs and careers.

Driving More Equitable Career Advancement

Our DEI programs embrace Black, Hispanic-Latino and Asian employees at every level of the organization and enable them to make meaningful contributions while improving their experiences.

Pathways Professional Development is a six-month group program, established in 2021, that combines training and mentorship to position People of Color employees for success. In 2022, 17 employees graduated from Pathways, which guides participants as they explore topics tailored to the unique needs of employees in historically under-represented groups. It includes group learning, skill application, peer coaching and mentoring. We intend to continue the program in future years.

Connected Leaders Academy was expanded in 2022 to include cohorts targeted at Black, Hispanic and Asian leaders. The program instructs early- to mid-career leaders with digital modules and virtual webinars that acknowledge their unique skills and challenges, explore leadership mindset topics, and provide practical tools to address common behavior patterns.

LOOKING TO THE FUTURE

This past year was an exciting one for NYPA and the development of our people. In 2023, we will continue to build on our existing initiatives, driving innovation and creating a safe space for employees to engage and grow.

DISCLOSURES INDEX

Performance Data

The metrics included in this section cover the period from Jan. 1, 2022 to Dec. 2022. NYPA is reporting certain Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) metrics during this period. The Performance Data tables include key metrics that NYPA tracks and which also align with GRI-related disclosures. The GRI and SASB indices can be found on pages 73 and 89 respectively.

GRI 2-7 - Employees[1]

Head count of active employees as of Dec. 31, 2022

	Female	Male	Total
NYPA Employees (number)	**510**	**1,567**	**2,077**
Permanent	490	1,518	2,008
Provisional	1	6	7
Temporary	19	43	62
or			
Full-time	505	1,565	2,070
Part-time	5	2	7
Canals Employees (number)	**74**	**409**	**483**
Permanent	65	360	425
Provisional	0	9	9
Temporary	9	40	49
or			
Full-time	74	409	483
Part-time	0	0	0

[1]In the Disclosures Index, "employees" refers to active permanent, provisional, and temporary employees, full-time and part-time, unless otherwise indicated

GRI 405-1 - Diversity of Governance Bodies

Board of Trustees and EMC composition as of Dec. 31, 2022

	Female	Male	Total
NYPA & Canals Governance Members (number)			
Under age 30	0	0	0
Age 30-50	2	1	3
Over age 50	5	10	15
Total	**7**	**11**	**18**

GRI 2-30 - Collective Bargaining Agreements

Employee composition as of Dec. 31, 2022

	Female	Male	Total
Employees Covered by Collective Bargaining Agreements (%)			
NYPA (%)	4.7	24.1	28.8
Canals (%)	12.6	78.7	91.3

GRI 405-1 - Employee Diversity

Employee composition as of Dec. 31, 2022
Includes permanent, provisional, temporary, full-time and part-time employees

	# of Female Employees	% of Total Employees	# of Male Employees	% of Total Employees	Total Employees	% of Total Employees
NYPA						
Under 30	53	2.6	131	6.3	184	8.9
30 - 50	265	12.8	831	40.0	1,096	52.8
Over 50	192	9.2	605	29.1	797	38.4
Total	**510**	**24.6**	**1,567**	**75.4**	**2,077**	**100**
CANALS						
Under 30	7	1.4	56	11.6	63	13.0
30 - 50	32	6.6	165	34.2	197	40.8
Over 50	35	7.2	188	38.9	223	46.2
Total	**74**	**15.3**	**409**	**84.7**	**483**	**100**

	Amer Indian		Asian		Black		Hispanic		Two or More Races		Unknown		White		Grand Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
NYPA															
Management	1	4	62	162	57	46	39	90	5	8	0	2	248	754	**1478**
Union	1	8	1	4	8	15	1	8	1	0	1	1	85	465	**599**
Total	**2**	**12**	**63**	**166**	**65**	**61**	**40**	**98**	**6**	**8**	**1**	**3**	**333**	**1219**	**2077**

	Black		Hispanic		Unknown		White		Grand Total
	Female	Male	Female	Male	Female	Male	Female	Male	
CANALS									
Management	1	1	1	1	0	0	11	27	**42**
Union	2	3	3	11	1	4	55	362	**441**
Total	**3**	**4**	**4**	**12**	**1**	**4**	**66**	**389**	**483**

Other Diversity Indicators Used by NYPA

At NYPA our commitment to DEI compels us to embrace the characteristics that make our employees unique and create an environment where every employee feels valued. NYPA strives to develop and maintain a workforce that represents the communities where we live and work by building an organization whose culture, behaviors, and actions demonstrate our dedication to prioritizing DEI as an imperative. We have set goals around increasing representation, building management and staff capability, creating an inclusive culture, and improving transparency and accountability in policies and programs.

We continue to lean in to this commitment by building the pipeline and representation as we broaden our workforce development programs, expand recruiting channels, measure engagement, and create more opportunities to hear from our employees about what support they need to grow and belong. We want to be able to source internal talent and retain more of the people we are attracting and developing to positively impact the trends and build the energy sector's pipeline of diverse talent.

NYPA compared to Utility and New York State - Gender

	NYPA	Utility Benchmark[3]	New York State Population
CIVILIAN LABOR FORCE, 16 YEARS AND OVER[2]			
Male (%)	75.4	75.7	51.5
Female (%)	24.6	24.6	48.5

[2]NYS DOL division of research & statistics Source: 2017-2021 American Community Survey, ACS. Demographics of the Civilian Labor Force for NYS and the NYS Labor Market Regions.NYS employable population is defined as 16 years and older.

[3]From PriceWaterhouse Coopers 2020 Benchmark Survey of 59 public and private utilities and the Women in the Workplace 2021 report.

NYPA[3] Compared to Utility[4] and NYS[5] - Ethnicity (% of regional workforce population)

NYPA Total	Capital Region	Central New York	Hudson Valley	Long Island	Mohawk Valley	New York City	North Country	Western New York
2,077	81	6	937	16	343	75	279	340
100%	3.9%	0.3%	45.1%	0.8%	16.5%	3.6%	13.4%	16.4%

[3]Does not include Canals employees.

[4]From PriceWaterhouse Coopers 2020 Benchmark Survey of 59 public and private utilities and the Women in the Workplace 2021 report.

[5]NYS DOL Division of Research & Statistics Source: 2017-2021 American Community Survey, ACS. Demographics of the Civilian Labor Force for NYS and the NYS Labor Market Regions. NYPA's White Plains office is in the Hudson Valley, Albany administrive office is in the Capital Region, Syracuse administrative office is in Central NY, Flynn Plant is in Long Island, Small Clean Power Plants and Zeltmann Power Project are in NY City, Clark Energy Center and Blenheim-Gilboa Pumped Storage HydroProject and small hydro facilities are in Mohawk Valley, St. Lawrence-FDR Power Project and Massena office are North Country, and Buffalo office and Niagara Power Project are in Western NY.

BY RACE OR ETHNICITY	NYPA	Utility Benchmark (%)2	NYS Population (%)[4]	Capital Region		Central New York		Hudson Valley		Long Island		Mohawk Valley		New York City		North Country		Western New York	
				NYPA	Labor Force	NYPA	Labor Force	NYPA	Labor Force	NYPA	Labor Force	NYPA	Labor Force	NYPA	Labor Force	NYPA	Labor Force	NYPA	Labor Force
White, excluding Hispanic or Latino	74.7	84.7	57.7	91.4	84.1	83.3	86.4	56.9	63.1	75.0	65.0	95.0	89.2	45.3	34.8	97.5	92.4	87.1	83.6
Black or African American, excluding Hispanic or Latino	6.1	7.5	13.7	0.0	6.0	0.0	6.1	9.1	11.0	0.0	9.3	2.0	2.9	14.7	21.1	0.4	1.9	6.5	8.5
American Indian and Alaska Native, excluding Hispanic or Latino	0.7	0.0	0.2	1.2	0.2	0.0	0.4	0.0	0.1	0.0	0.1	0.3	0.2	0.0	0.1	2.2	1.0	1.8	0.5
Asian, excluding Hispanic or Latino	11.0	1.7	8.4	2.5	3.5	0.0	2.1	21.6	4.8	6.3	6.3	1.7	2.1	17.3	14.3	0.0	1.1	1.5	2.2
Native Hawaiian and Other Pacific Islander, excluding Hispanic or Latino	0.0	0.0	<0.1	0.0	<0.1	0.0	<0.1	0.0	<0.1	0.0	<0.1	0.0	<0.1	0.0	<0.1	0.0	0.1	0.0	<0.1
Other Race, excluding Hispanic or Latino	0.9	1.0	2.0	0.0	2.0	16.7	1.6	1.2	1.7	0.0	1.5	0.0	1.1	4.0	2.6	0.0	1.2	0.9	1.3
Hispanic or Latino	6.6	3.4	17.9	4.9	4.2	0.0	3.4	11.3	19.2	18.8	17.7	0.9	4.5	18.7	27.1	0.0	2.2	2.4	3.8

NYPA DEI Recruitment & Engagement Indicators

	Female	Male	POC[7]	White
Candidate Offers (%)	28.2	71.8	46.2	53.8
Candidate Hires (%)	29.8	70.2	37.7	61.7
Staff in Mentorship (3% of eligible management population elected mentoring opportunity)[6]	47.5	52.5	60.0	40.0

[6]Mentoring available to permanent management employee with at least a year of service.

[7]People of Color defined as self-identified for race/ethnicity for American Indian, Asian, Black or African American, Hispanic or Latino and Two or More Races.

GRI 403-9 and SASB IF-EU-320a.1 - Work-Related Injuries

Categories	2020	2021	2022
NYPA Health & Safety Performance			
Employee DART rate	0.39	0.59	1.20
Total employee recordable injury rate	0.49	1.28	2.06
Total employee fatality rate	0	0	0
Number of near misses	466	517	439
Canals Health & Safety Performance			
Employee DART Rate	5.07	4.37	2.66
Total employee recordable injury rate	6.19	5.58	4.35
Total employee fatality rate	0	0	0
Number of near misses[8]	Data not available	Data not available	Data not available

[8]Canals does not have a Near Miss program. Safety program development has been focused on incidents (i.e., injuries), DART rate and safety training. We are in the process of developing a Near Miss program, and data will be included in future reports.

NYPA and Canals' MWBE and SDVOB Spend

NYPA and Canals total MWBE[9] and SDVOB[10]utilization are based upon established New York State criteria, representing total expenditures over eligible spend. Eligible spend is determined by considering NYPA and Canals' contracting portfolio to identify areas of available expenditures based on various regulatory factors (for example, availability in geographical location, type of certified suppliers, contract value, the scope of work, project size, and term). This review is submitted to the State of New York as part of our Master Goal Plans and is approved.

CATEGORIES	2020	2021	2022
Percent of total identified MWBE spend with New York State certified suppliers (%)	24	22	22
Percent of total identified SDVOB spend with New York State certified suppliers (%)[11]	22	21	21

[9]Minority and Women's Business Enterprise (MWBE)

[10]Service-Disabled Veteran Owned Businesses (SDVOB)

[11]In 2022, new industry sectors have been included as part of identified SDVOB spend. Historical SDVOB percentages have been normalized to 2022 methodology

GRI 303-3, GRI 303-5 and SASB IF-EU-140a.1 - Water Withdrawal and Consumption

Municipal water is not included in the data points below.

Categories	2020	2021	2022
Total volume of water withdrawn (billion kiloliters)[12]	211.63	197.57	191.42
Water withdrawn from surface water (billion kiloliters)	211.63	197.57	191.41
Water withdrawn from ground water (kiloliters)	884,334	206,116	928,172
Water withdrawn in regions with high or extremely high baseline water stress (%)	0.000418	0.000104	0.000485
Total volume of water consumed (kiloliters)[13]	6,863,514	6,472,783	6,927,283
Water consumed in regions with high or extremely high baseline water stress (%)	7.73	2.16	8.47

[12]Water withdrawn to serve NIA and STL turbines at hydro facilities (and returned/discharged). Also includes water withdrawals for operating Flynn power station.

[13]Consists of water evaporation at NIA plus at Flynn power station, calculated as the difference between well water withdrawn and water reinjected

Water Recycled and Reused

Categories	2020	2021	2022
Total volume of water recycled and reused by NYPA (billion kiloliters)	211.63	197.56	191.41
Total volume of water recycled and reused as a percentage of the total water withdrawal (%)	99.99	99.99	99.996

GRI 306-3, 306-4, 306-5 - Waste Generated, Directed to Disposal, and Diverted from Disposal

Non-hazardous wastes are not included in reporting scope for 2022 or prior years. NYPA is currently evaluating ways to track non-hazardous wastes in the future.

Categories	2022
NYPA Hazardous Waste (Metric Tons)	
Total weight of hazardous waste[14]	57.8
Reuse	0.00
Recycling	2.71
Recovery, including energy recovery	0.00
Incineration (mass burn)	5.77
Landfill	0.15
Other[15]	49.2
Canals Hazardous Waste (Metric Tons)	
Total weight of hazardous waste[16]	12.77
Incineration (mass burn)	1.33
Recovery, including energy recovery	0.00
Landfill	8.32
Other[17]	3.12

[14]All hazardous waste disposed or diverted from disposal conducted off-site for NYPA.

[15]Largely represents sulfuric acid and debris spill response at the Flynn site.

[16]All hazardous waste disposed or diverted from disposal conducted off-site for Canals.

[17]Lead impacted waste water, treatment via filtration techniques.

GRI 305-1, 305-2, 305-3 and 305-4, and SASB IF-EU-000.D - GHG Emissions

Scope 1 GHG included: CO2, CH4, N2O, SF6. Scope 2 and Scope 3 GHG included: CO2, CH4, N2O.

Approximately 99% of our total Scope 1 GHG Emissions come from our fossil generation. **In alignment with VISION2030, we are committed to decarbonizing these fossil assets by 2035, five years ahead of the state's Climate Leadership and Community Protection Act (CLCPA) target of 100% zero emissions electricity by 2040.**

The New York Independent System Operator (NYISO) controls the dispatch of New York State generating assets and dispatch of assets is largely dependent on energy market forces. NYPA's Scope 1 emissions fluctuate as our generating assets are selected for dispatch.

Among the multiple factors that influenced dispatch and the increase in total Scope 1 emissions from NYPA fossil assets in 2022 are changes in generation resources (e.g., retirement of other generating assets in the region), availability and pricing of fossil-based fuels, and weather patterns. Generation from our fossil assets is anticipated to decrease as renewable power is added to the grid mix.

NYPA's Scope 1 emissions intensity for total electricity generated also increased in 2022, largely because NYPA's total hydroelectric generation decreased from 23.7 million MWh in 2021 to 22.4 million MWh in 2022 and fossil generation increased in 2022.

Categories	2020	2021	2022
GHG Emissions (Metric Tons)[18]			
Total Scope 1 emissions (MT CO2e)	1,539,119	1,426,651	1,769,533
Total Scope 2 emissions (MT CO2e)	-	-	64,495
Total Scope 3 emissions (MT CO2e)	-	-	5,353,300
Total power generated (MWh)	28,611,838	26,918,953	26,389,752
Total non-renewable power generated (MWh)	3,576,073	3,364,015	3,951,430
Scope 1 Emissions intensity (MT CO2e/MWh)	0.0538	0.0530	0.0671
Scope 1 Emissions intensity non-renewable (MT CO2e/MWh)	0.4304	0.4241	0.4478

[18] Read the full Statement of Greenhouse Gas Emissions with Independent Accountants' Review Report (limited assurance, Scope 1 Emissions, 2022) thereon.

The CLCPA directs state entities to use 20-year Global Warming Potential (GWP) values from the IPCC's AR5 (see page 6 in the NYSDEC 2022 Statewide GHG Emissions Report). Calculations for 2020 and 2021 total Scope 1 total emissions and emission intensity use conventional accounting 100-year GWP values from the IPCC's AR4. For purposes of comparison with previous years, 2022 Scope 1 emission calculations using 100-year GWP are provided here: 1,777,830 MT total CO2e emissions and 0.0674 emissions intensity.

GRI 305-7 and SASB IF-EU-120a.1 - Nitrogen Oxides (NOX), Sulfur Oxides (SOX), and Other Significant Air Emissions

Reportable emissions from our fossil generating assets, located in Southeastern New York.

The NYISO controls the dispatch of New York State generating assets and dispatch of assets is largely dependent on energy market forces. NYPA's air emissions fluctuate as our generating assets are selected for dispatch.

Various factors influenced dispatch and the increase in air emissions from NYPA fossil assets in 2022. These include transmission system outages, which reduced the delivery of electricity from mainland sources to Long Island and resulted in increased dispatch of NYPA's Richard M. Flynn Power Plant. Flynn's 2022 generation output was five times greater than in 2021, when the plant was in an extended outage. This significant increase in runtime is reflected in the near-doubling of NYPA's NOx emissions.

Categories	2020	2021	2022
NO_x (excluding N_2O) (kg)	161,038	121,330	242,202
SO_x (kg)	9,382	14,074	9,874
Volatile Organic Compounds (VOC) (kg)	14,163	9,915	14,283
Hazardous Air Pollutants (HAP) (kg)	12,752	12,088	14,141
Particulate Matter - Total PM (kg)	67,137	75,163	81,161

SASB IF-EU-240a.1 & IF-EU-240a.4 - Electric Rates and Rate Comparisons

NYPA Customer Segments	NYPA Rates ($/MWh)[19]	Utility/Market Rate Estimates ($/MWh)
Residential	N/A	N/A
Hydro Cost-Based ($)	12.63	58.23
Hydro Economic Development ($)	51.83	90.91
Hydro Industrial ($)	39.22	50.98
NYC Governmental ($)	103.20	120.12
Westchester County Governmental ($)	99.57	111.26

[19]Production rates include market costs that are passed through to customers as incurred by NYPA, as applicable.

IF-EU-240a.4: Representative Risks and Opportunities Arising From External Factors, and Actions NYPA Is Taking That Affect Affordability

External Factor[20]	Risks	Opportunities	NYPA Actions
Economic hardships	Customer inability to pay electric bills	• Build strong relationships with communities and customers • Promote business growth and economic resilience	• Offer tailored rate structures • Execute long-term contracts • Provide customer and community energy efficiency programs and services that lower bills (and reduce greenhouse gas emissions)
Carbon transition	Transition to microgrids, wind and solar, reducing NYPA's competitive advantage and increasing rates	• Expand customer clean energy services programs	• Expand transmission to interconnect renewables • Continue generating clean reliable energy for NYS (hydropower) • Provide building and vehicle energy efficiency, electrification and renewable energy services to customers
Physical impacts of climate change	Physical impacts to infrastructure and inability to meet customer needs	• Invest in innovation, efficiency and growth to meet changing customer and stakeholder needs	• Conduct climate vulnerability assessment and spillway analysis • Harden NYPA assets • Enhance biodiversity and climate resilience of NYPA land • Expand clean energy services offerings

[20]This list of external factors is not exhaustive.

2022 GRI Index

This report covers calendar year 2022 and covers NYPA and Canals' sustainability and ESG related information with reference to the Global Reporting Initiative (GRI) Standards. Data included in this disclosure may differ from data otherwise included in the report or other disclosures in order to conform to GRI reporting requirements, such as calculation methodology and boundary determination.

GRI #	GRI Disclosure	Location in the Report & Notes
GRI 2: General Disclosures 2022		
2-1	Organizational details	About Us NYPA's headquarters are located in White Plains, NY
2-2	Entities included in the organization's sustainability reporting	About Us
2-3	Reporting period, frequency, and contact point	About Our 2022 Integrated Report 01-01-2022 to 12-31-2022 Annual
2-4	Restatements of information	None
2-5	External assurance	This report did not undergo external assurance.
2-6	Activities, value chain, and other business relationships	About Us NYPA and Canals secure suppliers to support critical operations, maintenance and capital projects, as well as bulk electric system, power plant, canal system, trailway and energy efficiency projects. 925 contractors, consultants and equipment suppliers, among others, are engaged to support both NYPA, and Canals.
2-7	Employees	Performance Data Cultivating Success as a Team
2-8	Workers who are not employees	As projects warrant, non-employees (consultants and contractors) are hired to augment design work, inspection, and construction activities.
2-9	Governance structure and composition	A Message from the Chairman A Message from the President and CEO Maintaining Sound Governance
2-10	Nomination and selection of the highest governance body	Maintaining Sound Governance
2-11	Chair of the highest governance body	A Message from the Chairman

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
2-12	Role of the highest governance body in overseeing the management of impacts	Our Governance
2-13	Delegation of responsibility for managing impacts	Our Governance
2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance: Managing our Impact Responsibly
2-15	Conflicts of interest	NYPA's Code of Conduct requires its employees, officers and trustees to disclose any potential personal or professional conflicts of interest to the Ethics and Compliance Office. Reported conflicts are evaluated to determine their relevancy and whether correction actions, including recusals from participation in certain business activities and projects, need to be implemented. Conflicts of interests may arise from various events, including former employment, current or former board or commission affiliations, familial relationships, personal investments, community activities and otherwise. NYPA's Board of Trustees is also subject to the "Board of Trustees Conflicts of Interest Procedure", which requires the disclosure of any potential conflict of interest with individuals or entities that will appear on Trustees' meeting agendas. The Corporate Secretary's Office provides the agendas to the Trustees in advance of the meetings and records conflict of interest disclosures in the meeting Minutes. In certain instances, these disclosures lead to recusals from participation on the identified items.
2-16	Communication of critical concerns	Concerns are raised to the Executive Management Committee and Governance Committee of the Board of Trustees on an as-needed basis. The Investigative Trends Committee (Ethics and Compliance, Employee Relations, Labor Relations, Office of Civil Rights and Inclusion) reports to the Governance Committee of the Board of Trustees on allegations and concerns statistics, including volume of cases, substantiation rates and corrective actions. NYPA employees are required by law to report instances of fraud, waste and abuse to the NYS Inspector General's Office. NYPA's Office of Ethics and Compliance collaborates with the NYS Inspector General's Office and NYS Commission on Ethics and Lobbying in Government on investigations and information requests.
2-17	Collective knowledge of the highest governance body	NYPA's Board of Trustees are advised regularly on sustainable development through presentations by staff on implementation of NYPA's strategic VISION2030, review of annual integrated reports and reports on NYPA's Sustainability program, and through proposed capital projects that are aligned with sustainable development, CLCPA and New York state's sustainable energy policy.
2-18	Evaluation of the performance of the highest governance body	On an annual basis, each board member completes a self-assessment survey on understanding of board roles and responsibilities, the Authority's mission and objectives, the Authority's performance, financials, and activities to ensure their ability to be informed decision-makers. These surveys help to improve the Board's ability to meet its obligations under Public Authorities law.

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
2-19	Remuneration policies	Senior executives and non-represented employees at NYPA are compensated under the same compensation philosophy and remuneration policies. Variable pay is not part of our compensation program. The philosophy is built on total remuneration including base salary and benefits. Fixed pay We provide annual merit increases based on performance against pre-established goals and leadership competencies. Senior executives set goals in alignment with the company's VISION2030. Each executive is assessed on their performance against those goals and competencies and the result of the assessment forms the foundation for a salary increase. Sign-on statement Recruitment incentives for the purpose of attracting staff may be recommended for VP and above positions, however these incentives may also be offered for high skill, high demand positions primarily in STEM fields. Incentives may be offered up to 10% of the midpoint of the job grade and include a two-year full repayment agreement in the event of voluntary resignation or termination for cause. Separation from Service/Severance Policy Severance pay shall be given to an eligible employee who is involuntarily terminated through no fault of their own as a result of a layoff; reduction-in-force; restructuring; or reorganization. Eligible employees are offered severance based on length of service ranging from 2 weeks to a maximum of 12 weeks. Retirement plan statement NYPA participates in the NYS Retirement system with individuals selecting a defined benefit or defined contribution option based on employment and salary. Additionally, employees may elect to participate in NYPA's defined contribution savings plan options which include a 401k plan providing a match for the first 6% of pre-tax contributions at a rate of $0.50 per dollar. There is also a 457 plan. Those employees who meet eligibility criteria, including length of are eligible for NYPA Retiree benefits which provide retiree medical, part B reimbursement and life insurance plans.

2022 GRI Index

<table>
<tr><th>GRI #</th><th>GRI Disclosure</th><th>Location in the Report & Notes</th></tr>
<tr><td>2-20</td><td>Process to determine remuneration</td><td>
The Power Authority of the State of New York (“NYPA”) By-laws empower the Trustees to establish policies regarding the payment of salary to management staff in accordance with NYPA program guidelines.
The program structure is designed using multiple independent assessments of Total Remuneration (Total-R) within government and public and private utilities and is regularly assessed using national and global best practice methodologies. Compensation packages within the markets assessed vary greatly based on organizational structure, position responsibilities and government sector limitations. NYPA’s target Total-R strategy uses a competitive approach to determine the current market value of our jobs. The program is designed to be objective and non-discriminatory. It is also flexible enough to ensure that the company is able to recruit and retain a highly qualified workforce.
NYPA’s compensation philosophy guides decision-making for compensation program administration taking into consideration market competitiveness, internal equity, flexibility, and performance management. An individual’s placement within a salary grade depends upon an individual’s skill and experience.
<table>
<tr><td>Market Competitiveness</td><td>Ensure pay rates reflect comparable jobs in the relevant external labor markets.</td><td> Total Remuneration Studies are conducted by independent compensation experts to assess the value of NYPA’s total remuneration package compared to public, private, government and utility sectors. This is a custom survey conducted every 3-5 years. Annual salary surveys, from up-to 5 independent third- party providers utilizing company reported data, are utilized to price jobs in local, national, and industry-specific markets. We evaluate external equity, which is the relative marketplace value of jobs directly comparable to our jobs. Salary ranges are structured based on the mid-point (50th percentile) of the relevant market data. </td></tr>
<tr><td>Internal Comparability</td><td>Ensure similar internal jobs are paid equitably.</td><td>The grading process is designed to align jobs of comparable scope and responsibility to grades for equity and consistency.</td></tr>
</table>
</td></tr>
<tr><td>2-21</td><td>Annual total compensation ratio</td><td>
A. Annualized base ratio 3.30, Annualized actual earnings 3.17
B. Ratio of the percent increase in base annual compensation for the organization’s highest-paid individual to the median percentage increase base annual compensation for all employees is 3.18. In 2022 the president and CEO was promoted from within the organization, the annualized ratio reflects that promotion. Ratio of the percentage increase in annual actual compensation for the organization’s highest-paid individual to the median percentage increase actual compensation for all employees is 2.39.
Information based on all NYPA and Canals full time represented and non-represented individuals employed for the full year 2022. (PT employees make up <2% of the population; 2022 hires make up just over 10% of the population). Ratio for increase in annual actual compensation is based on same criteria for individuals employed the full year of both 2022 and 2021.
</td></tr>
</table>

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
2-22	Statement on sustainable development strategy	A Message from the President & CEO
2-23	Policy commitments	Compliance-related activities are overseen by the EMC and the Board of Trustees' Audit Committee, Governance Committee, and Finance & Risk Committee, reinforcing the commitments of NYPA and Canals' leaders to institutionalize a culture of compliance across the organization. NYPA has a company Sustainability Policy as well as comprehensive company policies and procedures that address our material ESG issues. These include NYPA's Code of Conduct, eGRC Governance, Health & Safety Program, Reasonable Accommodations, Anti-Retaliation, Workplace Violence, Equal Employment Opportunity, Anti-Harassment, Anti-Discrimination, Environmental, Internal Controls, FERC Standards of Conduct (SOC), Energy Market Manipulation, NERC Critical Infrastructure Protection (CIP), Risk & Resilience, Cyber Security, Guidelines for Procurement Contracts, Expenditure Authorization Procedure, Strategic Supply Management, Supplier Diversity, Environmental Health & Safety Compliance Audit Program, Internal Audit Charter, Physical Security Policy, Ethics and Compliance Program, Crisis Management, Reliability Standards Compliance, and Asset Management. Company policies are also supplemented by department level policies and procedures as well as NYPA's Code of Conduct. Additional information on policy commitments relating to specific material ESG issues can be found in Our Governance and throughout the report. Additional information on policy commitments relating to specific material ESG issues can be found in Our Governance and throughout the report.

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
2-24	Embedding policy commitments	To ensure compliance on an enterprise-wide level, the Office of Ethics and Compliance (OEC) maintains a Compliance Repository, an electronic inventory of mandatory external reporting and training requirements (statutory and regulatory) affecting NYPA, Canals and its employees. The Repository contains detailed information about reports required to be developed and submitted to external parties, as well as training required to be provided to employees. There are more than 300 profiles affecting NYPA and Canals. Designated Compliance Liaisons are required to review and update the Compliance Repository twice annually and confirm that the content is accurate, revise actual reporting dates, add new reporting or training requirements, or delete items which are no longer applicable. The OEC initiates annual individual reviews of the repository by Business Unit Heads, who certify that the information under their responsible areas is accurate. NYPA's attorneys are requested to validate the requirements assigned to them and ensure these obligations remain applicable to NYPA and Canals. The OEC annually issues training content focused on the Compliance Repository with the goal of helping Compliance Liaisons reinforce and understand their roles related to maintaining and tracking reporting and training requirements in compliance with statutory and regulatory mandates. The Repository is a critical component of NYPA and Canals' Corporate Compliance Program, which directly supports the missions of NYPA and Canals and VISION2030. NYPA also has an Employee Code of Conduct which provides clear expectation for responsible and professional workplace conduct. NYPA has developed and delivered a number of programs aimed at increasing upstander behavior and familiarity with the Equal Employment Opportunity (EEO) process including an EEO Complaint Procedure and Know Your Rights FAQs (EEO and Reasonable Accommodations) and Training materials.
2-25	Processes to remediate negative impacts	NYPA provides different channels to report grievances and has various processes and Key Performance Indicators in place to remediate negative impacts. For example, the Strategic Supply Management department has established a Supplier Relationship Management (SRM) Division geared to extract value, promote innovation, improve quality, and drive supplier performance. Other examples include NYPA's public fast chargers (EVolve NY charging network) where NYPA vendors operate 24/7 call centers and NYPA staff monitor Plugshare scores and emails from end users. NYPA processes are also overseen by regulatory agencies, such as the North American Electric Reliability Corporation (NERC) and Northeast Power Coordinating Council (NPCC). NYPA's Reliability Standards and Compliance (RSC) group interfaces with external and internal stakeholders to ensure robust regulatory posture. Internal controls such as Potential Non-Compliance hotline to report NERC non-compliance issues. All complaints of protected class employment discrimination are investigated internally via the NYS Anti-Discrimination Investigations Division, and externally by Federal, State, and Local enforcement bodies (Equal Employee Opportunity Commission and NYS Human Rights Commissions).

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
2-26	Mechanisms for seeking advice and raising concerns	The Human Resources Department is available to all employees to provide advice or address concerns. All employees may report to the Office of Ethics and Compliance any issues relating to potential violations of the NYS Public Officers Law, failure to comply with policies, regulations and laws and misconduct. Bargaining unit employees can also report grievances pursuant to their collective bargaining agreements and may seek assistance from Labor Relations Managers. All employees may report discrimination via the Equal Employee Opportunity (EEO) Complaint process set forth in the EEO policy: internally via the NYS Anti-Discrimination Investigations Division, and externally to Federal, State and Local oversight bodies (Equal Employment Opportunity Commission and Human Rights Commission). NYPA also has an external Employee Concerns Line (877-TEL-NYPA) for employees to report allegations or concerns related to ethical issues, statutory and regulatory compliance and adherence to policies and procedures. All New York State employees have a statutory obligation to report suspected fraud, waste and abuse to the New York State Office of the Inspector General. NYPA's Discrimination and Harassment Investigation Executive Review Committee prescribes administrative action where NYPA's Office of Civil Rights and Inclusion (OCRI) investigation of allegations of Employment-Related Protected Class Discrimination results in (1) an unsubstantiated determination against the Respondent in the case; and (2) the identification of other conduct or policy violation results in the recommendation of further administrative action. There is also a cross-departmental Investigative Trends Committee (Employee Relations, Ethics and Compliance, Labor Relations, OCRI) which meets quarterly and provides updates to the Governance Committee of the Board of Trustees to review investigations, and related data and activities enterprise-wide.

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
2-27	Compliance with laws and regulations	NYPA has internal controls to ensure compliance with laws and regulations including governance documents internalizing legal and regulatory requirements. NYPA received no financial penalties for non-compliance with environmental laws and/or regulations in 2022. NYPA has an internal EH&S audit program where potential non-compliances and internal control improvements are identified and addressed via a corrective action program. For NERC Reliability Standards, as mandated by FERC, NYPA has established internal controls to ensure compliance with applicable Standard requirements. Through NYPA's oversight and management of our Reliability Standards Compliance Program, NYPA identified and self-logged/self-reported to our regulator's instances of non-compliance: 2020: 7, 2021: 1, 2022: 7. As part of the self-logging/self-reporting process, NYPA developed and implemented mitigation plans which were approved and accepted by our regulator. None of the instances of non-compliance from these reporting years incurred monetary fines.
2-28	Membership associations	NYPA is an active member of the American Public Power Association (APPA), the Electric Power Research Institute (EPRI), National Hydropower Association, Electric Utility Industry Sustainable Supply Chain Alliance, NYS Economic Development Council and the Large Public Power Council (LPPC). Other memberships and partnerships are referenced throughout the report where relevant.

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
2-29	Approach to stakeholder engagement	Our Stakeholders We view engaging our stakeholders as integral to the success of our operations. Through all our work—from planning and developing infrastructure projects, to customer service and community engagement—we involve key stakeholders to ensure their perspectives are heard, their expectations are understood and, where possible, their needs are met. We communicate through regular channels like traditional and social media, and personal contact through, community programs, workshops, town hall meetings, surveys, policy dialogues, industry conferences and our own visitor centers. Representative stakeholders include the people of New York State, NYPA and Canals employees, community organizations, customers, suppliers, contractors and business partners, regulators and elected officials, industry organizations and peers, investors and strategic partners, rating agencies, and membership associations.
2-30	Collective bargaining agreements	Performance Data Percentage of employees covered by collective bargaining agreements: NYPA: 2020: 29%, 2021: 29%, 2022: 29% Canals: 2020: 93%, 2021: 91%, 2022: 91%
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	What Matters Most In 2020, NYPA conducted a comprehensive assessment of our material ESG topics which included a benchmarking analysis of peer practices, industry trends, state regulations and initiatives, and sustainability frameworks and standards. Stakeholders were mapped and prioritized using AccountAbility's AA1000 Stakeholder Engagement Standard to ensure a robust and inclusive process. NYPA and Canals employees, our Executive Management Committee and the Sustainability Advisory Council were engaged throughout the assessment. The process resulted in the identification and prioritization of 15 material ESG topics deemed to be important to key stakeholders and to have a potentially significant impact on our business.
3-2	List of material topics	Our ESG Material Matters

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
3-3	Management of material topics	Our ESG Material Matters For additional information on management approach and strategies for material topics, see also: 2021-25 Sustainability Plan
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	• Direct economic value generated, operating revenues: $4B • Economic value distributed (operation and maintenance expenses including employee wages and benefits): $756M • Economic value distributed (employee wages and benefits): $386M • Economic value distributed (payments to providers of capital): $84M based on interest on all forms of debt and borrowings. • Economic value retained – please refer to financial statements for consolidated net income and earnings before interest, depreciation, and amortization (EBIDA): $627M
201-2	Financial implications and other risks and opportunities due to climate change	Managing Climate Risks and Opportunities
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported	2022 by the Numbers Empowering a Resilient New York State Through Partnerships NYPA makes significant investments in the development of customer-sited solar and storage, implementation of energy efficiency projects at customer facilities, and installation of electric vehicle charging infrastructure at customer and public locations. These efforts positively impact our stakeholders, community and climate by reducing energy consumption, greenhouse gas emissions and other air emissions, creating green jobs, and supporting community development. NYPA's Reimagine the Canals initiative is investing $300 million in the New York State Canal System and will yield positive impacts for communities and local economies by promoting outdoor recreation and fishing, encouraging canal side living, and expanding regional tourism. Many of our capital projects are still in design so it is too early to assess the community impact, but programs such as On the Canals, Public Fishing, and Ice Breaking have made very positive impacts on Canal communities. Our fishing program has had two successful annual pilots and a full season as a program and will continue in 2023. Our fourth season of On the Canals excursions to promote recreation and tourism along the Canal will also continue in 2023. The Canastota Pocket Neighborhood will start construction in 2023.Reimagine the Canals projects are all public benefit projects for which we are receiving no revenue.

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	Championing a Resilient and Inclusive Supply Chain Empowering a Resilient New York State Through Partnerships Local is defined as New York State. Our significant locations of operation are all within New York State. Proportion of spending on local suppliers as percentage of total procurement budget: NYPA: 2020: 53%, 2021: 56%, 2022: 52% Canals: 2020: 90%, 2021: 94%, 2022: 85%
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	Clearing the Path from Fossil Fuel Generation to Clean Energy Enabling the Just Transition to a Decarbonized New York State • Fuel consumption from non-renewable sources (fossil fuels, nuclear, etc.): 39,700 MMBTu • Fuel consumption from renewable sources: Not available • Annual electricity utilization for NYPA and NYSCC facilities (all building stock) excluding self-generated electricity: 38,449,380 kWh • Total energy consumption (including fossil fuel consumption plus electricity utilization, not including self-generated electricity): 170,877 MMBTU For all data, if metered data is not present, an industry accepted standard, Commercial Building Energy Consumption Survey (CBECS) is used.
302-3	Energy Intensity	Energy intensity ratio measured as total energy consumed MMBTU per total Net MWh generated: 0.017
302-4	Reduction of energy consumption	Leading through Actions NYPA tracks reductions in energy consumption achieved through energy efficiency initiatives as part of the BuildSmart 2025 program. Under this program, NYPA has an overall energy savings target of 0.12 TBTU from a FY14-15 baseline by 2025. Energy reductions are calculated at the project level, typically supported by an ASHRAE analysis. As of the end of 2022, NYPA has implemented projects (to at least 30% design phase) to achieve a 0.0667 TBTU reduction towards the overall goal. NYPA started developing a Clean Energy Master Plan in 2022 for identifying additional energy efficiency opportunities across both NYPA and Canals.

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
GRI 303: Water and Effluents 2018		
303-1	Interactions with water as a shared resource	About Us Advancing Environmental Stewardship Harnessing the Power of Water Reimagining the Canals With respect to the hydroelectric generating facilities, each power project utilizes a certain amount of water to generate power for users statewide. The project is required to meet state standards, regulated by the NYS Department of Environmental Conservation, through the issuance of a 401 Water Quality Certificate that verifies compliance with state water quality requirements. Water passes through the project via an intake structure, flows through the project and returns to the river once utilized to generate power. Additionally, our fossil fuel plants utilize water for cooling that is returned to the environment through evaporation in cooling towers. These systems also discharge back into the environment by blowdowns which are monitored and regulated by State Pollution Discharge Elimination System Permits (SPDES). In cases where these discharges are to Publicly Owned Treatment Works, those blowdowns are monitored and regulated by NYCDEP Commissioners orders. Water withdrawal and consumption is reported annually in accordance with New York State water withdrawal regulations. Annual reviews are conducted of SPDES permit-required Best Management Plans (BMPs). These BMP Plans must be updated to address any permit exceedances or upsets. Discharge Monitoring Reports (DMRs) are filed monthly for locations with SPDES permits. These reports include pollutant concentrations, mass loading and flows for each regulated outfall as needed and specified. An internal environmental performance report is issued monthly by the EH&S department. Goals have been established for environmental incidents for all regions and activities. An environmental performance report is issued monthly. This report includes water related metrics for water quality as it pertains to permit parameters. The target for each region and activity is reviewed and approved on an annual basis. NYPA funds research through its participation in Electric Power Research Institute (EPRI) programs. The review of the participation in programs and approval of supplemental studies is conducted by the NYPA EPRI steering committee, composed of senior leadership which includes the head of research department. Members of NYPA staff advise EPRI on water-related topics of concern for further research. NYPA recently approved an EPRI supplemental project on an emerging water contaminate perfluorooctane sulfonate (PFOS). This study will evaluate fate and transport, sampling and monitoring methods. A Water Resiliency Roadmap was developed in 2021 in collaboration with the EPRI. The report outlines opportunities for water-related activities and engagement. In 2022, the report was used to prioritize the development of water quality improvement projects. High priority projects will be implemented starting in 2023.
303-3	Water withdrawal	Performance Data
303-5	Water consumption	Performance Data

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
GRI 304: Biodiversity 2016		
304-2	Significant impacts of activities, products and services on biodiversity	NYPA continues to use best management practices to limit environmental impacts. On our transmission ROWs (rights-of-way), NYPA employs best practices to minimize the transport of invasive species during large-scale transmission projects and ROW maintenance activities. NYPA manages the ROW vegetation using Integrated Vegetation Management. This vegetation management strategy promotes stable and diversified compatible plant communities which enhances the establishment of diverse assemblages of pollinators, and wildlife habitats on the ROW while ensuring the safe and reliable transmission of power. As a part of NYPA's commitments to environmental stewardship and biodiversity, NYPA conducts annual surveys of pollinator habitat quality, vegetation inventory, invasive plant species assessment and inventory of milkweed populations on the ROWs. In 2022 we also completed an assessment of monarch habitat quality across all NYPA and Canals land. Results of this assessment will be used to identify locations where projects and practices may be implemented to support Monarch butterflies and other pollinators. NYPA's Tree Power program also increases native biodiversity statewide by enabling and promoting the planting of native trees. This customer-facing program provides a 1:1 match for trees purchased through the program. The trees were selected to provide habitat value for native butterflies, birds, and other wildlife. In 2022, over 1100 trees were planted through the program. Learn more about ROW maintenance in Advancing Environmental Stewardship
304-3	Habitats protected or restored	NYPA continues to maintain more than 3,850 acres of restored wildlife habitat as part of its commitment with State and Federal Agencies. We plan to expand our habitat restoration efforts in the future.
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Performance Data Clearing the Path from Fossil Fuel Generation to Clean Energy
305-2	Energy indirect (Scope 2) GHG emissions	Performance Data Clearing the Path from Fossil Fuel Generation to Clean Energy
305-3	Other indirect (Scope 3) GHG emissions	Performance Data Clearing the Path from Fossil Fuel Generation to Clean Energy
305-4	GHG emissions intensity	Performance Data
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Performance Data

2022 GRI Index

GRI #	GRI Disclosure	Location in the Report & Notes
GRI 306: Waste 2020		
306-3	Waste generated	Performance Data Advancing Environmental Stewardship
306-4	Waste diverted from disposal	Performance Data
306-5	Waste directed to disposal	Performance Data
GRI 308: Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	Championing a Resilient and Inclusive Supply Chain
GRI 403: Occupational Health and Safety 2018		
403-6	Promotion of worker health	Protecting Our People and Promoting Well-being
403-9	Work-related injuries	Performance Data Strong Foundations through Health and Safety Training
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Performance Data Fostering an Enriching Workplace Preparing Our People for the Future of Work

NYPA	2020	2021	2022
Female		36.5	21.7
Male		54.4	42.7
Total	25.5	50.0	37.6

Canals	2020	2021	2022
Female		25.5	25.6
Male		31.4	55.5
Total	8.7	30.5	50.9

<table>
<tr><th>GRI #</th><th>GRI Disclosure</th><th>Location in the Report & Notes</th></tr>
<tr><td>404-3</td><td>Percentage of employees receiving regular performance and career development reviews</td><td>Performance Data
The overall percentage of full-time NYPA unrepresented employees receiving regular performance reviews was
<table>
<tr><th>NYPA</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Female (%)</td><td></td><td>92</td><td>90</td></tr>
<tr><td>Male (%)</td><td></td><td>97</td><td>94</td></tr>
<tr><td>Total (%)</td><td>91</td><td>96</td><td>93</td></tr>
</table>
Canals currently does not have a formal performance review process but is in the process of developing a comprehensive plan.</td></tr>
<tr><td colspan="3">GRI 405: Diversity and Equal Opportunity 2016</td></tr>
<tr><td>405-1</td><td>Diversity of governance bodies and employees</td><td>Performance Data
Advancing and Embedding DEI in Everything We Do

Represents NYPA/Canals trustees and Executive Management Committee (EMC) members</td></tr>
<tr><td colspan="3">GRI 418: Customer Privacy 2016</td></tr>
<tr><td>418-1</td><td>Substantiated complaints concerning breaches of customer privacy and losses of customer data</td><td>NYPA has had no material cybersecurity incidents observed.

NYPA continuously monitors the maturity and performance of the cyber security program with a range of assessments and metrics including an annual, external, independent assessment against the NIST CSF and the BitSight Cybersecurity score. In the most recent BitSight assessment, NYPA scored 770 out of 900, which is an advanced security rating indicating a strong security performance and lower security risk.</td></tr>
</table>

SASB Electric Utilities & Power Generators

We have included the SASB topics related to the Electric Utilities and power generators. The report covers calendar year 2022.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Category	Code	Response
Greenhouse Gas Emissions & Energy Resource Planning	(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	Quantitative	IF-EU-110a.1	(1) Performance Data (2) 98.2%, (3) 99.8% as per the Greenhouse gas Protocol[22] New York participates in the Regional Greenhouse Gas Initiative (RGGI), the first mandatory market-based program in the United States to reduce greenhouse gas emissions. All NYPA's Southeast New York generating facilities are subject to RGGI.
	Greenhouse gas (GHG) emissions associated with power deliveries	Quantitative	IF-EU-110a.2	5,239,131 MT CO2e This is the sum of emissions directly associated with NYPA-owned power generation, power contractually purchased from Astoria Energy II, wholesale market purchases, transmission line losses, and upstream emissions from fossil fuel. NYPA does not deliver this power to retail customers.
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	IF-EU-110a.3	Clearing the Path from Fossil Fuel Generation to Clean Energy
	(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market	Quantitative	IF-EU-110a.4	Not applicable. New York State does not have a Renewable Portfolio Standard. New York does have a Clean Energy Standard issued by the Public Service Commission, but NYPA is not subject to the jurisdiction of the Public Service Commission
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) particulate matter (PM10), (4) lead (Pb), and (5) mercury (Hg); percentage of each in or near areas of dense population	Quantitative	IF-EU-120a.1	Performance Data Note: Data in the Performance Data tables are for total particulate matter (PM). The emissions of PM10 for oil operations, which is a subset of total PM, for 2022 were 5,000 kg. Percentage of each in or near areas of dense population: 2020: 100%, 2021: 100% 2022: 100%

[22] Read the full Statement of Greenhouse Gas Emissions with Independent Accountants' Review Report (limited assurance, Scope 1 Emissions, 2022) thereon.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Category	Code	Response
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or extremely high baseline water stress	Quantitative	IF-EU-140a.1	Performance Data
	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Quantitative	IF-EU-140a.2	In 2022, NYPA had 1 incident of noncompliance associated with water quantity and/or quality permits, standards, and regulations that resulted in enforcement action, including individual State Pollutant Discharge Elimination System (SPDES) permits for operational facilities, construction SPDES permits, as well as any deviation from the Article VII Certificate Conditions and Environmental Management & Plan (EM&CP) narrative compliance requirements. In 2022, Canals had 0 environmental incidents or noncompliance that resulted in a formal enforcement action.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	IF-EU-140a.3	See indicator GRI 303 -1
Coal Ash Management	Amount of coal combustion residuals (CCR) generated; percentage recycled	Quantitative	IF-EU-150a.1	We do not own or have specified coal generation contracts.
	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	Quantitative	IF-EU-150a.2	We do not own or have specified coal generation contracts.
Energy Affordability	Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers	Quantitative	IF-EU-240a.1	Performance Data
	Typical monthly electric bill for residential customers for (1) 500 kWh and (2) 1,000 kWh of electricity delivered per month	Quantitative	IF-EU-240a.2	Not applicable, NYPA does not directly serve residential customers
	Number of residential customer electric disconnections for non-payment, percentage reconnected within 30 days	Quantitative	IF-EU-240a.3	Not applicable, NYPA does not directly serve residential customers.
	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	Discussion and Analysis	IF-EU-240a.4	Performance Data
Workforce Health & Safety	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Quantitative	IF-EU-320a.1	Performance Data Protecting Our People and Promoting Well-being

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Category	Code	Response
End-Use Efficiency & Demand	Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)	Quantitative	IF-EU-420a.1	Not applicable, NYPA does not have a decoupled rate structure.
	Percentage of electric load served by smart grid technology	Quantitative	IF-EU-420a.2	As a generation and transmission company, NYPA installs smart grid technology to support integration of distributed generation and increase generation and transmission efficiency across the transmission system—not tied to specific loads.
	Customer electricity savings from efficiency measures, by market	Quantitative	IF-EU-420a.3	2020: 27,110 MWh 2021: 58,286 MWh 2022: 15,710 MWh Represents projects managed by NYPA on behalf of customers. The values represent projected electricity savings based upon industry standards for measures implemented.
Nuclear Safety & Emergency Management	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	Quantitative	IF-EU-540a.1	Not applicable. NYPA does not own or operate nuclear power generation.
	Description of efforts to manage nuclear safety and emergency preparedness	Discussion and Analysis	IF-EU-540a.2	NYPA and Canals do not own or operate nuclear power generation. NYPA does have an Emergency Management program for NYPA assets such as our hydroelectric facilities and dams.
Grid Resiliency	Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	Quantitative	IF-EU-550a.1	Due to FERC restrictions, this information cannot be released
	(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days	Quantitative	IF-EU-550a.2	Not applicable, NYPA does not provide distribution services

SASB Electric Utilities & Power Generators | Table 2. Activity Metrics

Activity Metric	Category	Code	Response
Number of: (1) residential, (2) commercial, and (3) industrial customers served	Quantitative	IF-EU-000.A	(1) NYPA does not directly serve residential customers. (2, 3) NYPA has 1,091 customers, including governmental agencies, municipal/rural electric cooperatives, businesses, neighboring states and investor-owned utilities.
Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers	Quantitative	IF-EU-000.B	Direct Sales to Commercial and Industrial Customers (includes sales to 789 companies and not-for-profit organizations): 8,459,000 MWh Sales to Municipal Electric Systems, Rural Electric Cooperatives, and Other Public Customers (Includes sales to 51 municipal electric utility systems, 4 rural electric cooperative systems, and more than 100 public agencies in NYS, 7 neighboring states, and 9 host communities): 15,688,000 MWh Sales to Utilities and the New York Independent System Operator for Resale (includes sales to the five investor-owned utilities in NYS, the Long Island Power Authority, and the NYS ISO. Portions were designated for resale to residential and farm customers or to business and not-for profit customers in the state.): 14,616,000 MWh Total electricity sold across above categories: 38,763,000 MWh
Length of transmission and distribution lines	Quantitative	IF-EU-000.C	Transmission lines: 1,459.5 circuit-miles Distribution lines: Not applicable. NYPA is a generation and transmission owner only.
Total electricity generated, percentage by major energy source, percentage in regulated markets	Quantitative	IF-EU-000.D	2022 Net Generation: 26,389,751.5 MWh Hydropower: 85% Fossil: 15% Excludes Astoria Energy II (affiliated facility), which generated 3,583,970 MWh. Includes Blenheim-Gilboa pumped storage facility (BG) at net generation. Gross generation for BG was 444,608 MWh
Total wholesale electricity purchased	Quantitative	IF-EU-000.E	Total wholesale electricity purchased excluding electricity consumed at generating facilities: 8,627,000 MWh

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Financial Report

December 31, 2022

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KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

Board of Trustees
Power Authority of the State of New York:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and fiduciary activities of the Power Authority of the State of New York (the Authority), a component unit of the State of New York, as of and for the year ended December 31, 2022, and the notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the Authority as of December 31, 2022, and the respective changes in financial position and where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in

KPMG

the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

New York, New York
March 31, 2023

March 31, 2023

Management Report

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements of the Authority, as well as all other information contained in the Annual Report. The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and, in some cases, reflect amounts based on the best estimates and judgments of management, giving due consideration to materiality. Financial information contained in the Annual Report is consistent with the financial statements.

The Authority maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with U.S. generally accepted accounting principles and that the assets of the Authority are properly safeguarded. The system of internal controls is documented, evaluated and tested on a continuing basis. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived.

The Authority maintains an internal auditing program to independently assess the effectiveness of internal controls and to report findings and recommend possible improvements to management. This program includes a comprehensive assessment of internal controls to ensure that the system is functioning as intended. Additionally, as part of its audit of the Authority's consolidated financial statements, KPMG LLP, the Authority's independent auditors, considers internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls over financial reporting. Management has considered the recommendations of its internal auditors, the Office of the State Comptroller (OSC), and the independent auditors concerning the system of internal controls and has taken actions that it believed to be cost-effective in the circumstances to respond appropriately to these recommendations. Based on its structure and related processes, management believes that, as of December 31, 2022, the Authority's system of internal controls provides reasonable assurance related to material items, as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting.

The members of the Authority's Board of Trustees (the Authority's Trustees), appointed by the Governor, by and with the advice and consent of the Senate, are not employees of the Authority. The Authority's Trustees' Audit Committee meets with the Authority's management, its Sr. Vice President of Internal Audit and its independent auditors periodically, throughout the year, to discuss internal controls and accounting matters, the Authority's financial statements, the scope and results of the audit by the independent auditors and the periodic audits by the OSC, and the audit programs of the Authority's internal auditing department. The independent auditors and the Sr. Vice President of Internal Audit have direct access to the Audit Committee.

Adam Barsky
Executive Vice President and Chief Financial Officer

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2022

(Unaudited)

Overview of the Consolidated Financial Statements

The New York Power Authority (the "Power Authority") is considered a special-purpose government entity engaged in business-type activities and follows financial reporting for enterprise funds. Effective January 1, 2017, the New York State Canal Corporation (the "Canal Corporation") became a subsidiary of the Power Authority, and the Power Authority assumed certain powers and duties relating to the Canal System to be exercised through the Canal Corporation. The Power Authority and its subsidiary (collectively the "Authority") follow financial reporting for enterprise funds. The consolidated financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). Under the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--an amendment of GASB Statements No. 14 and No. 34*, the Authority considers its relationship to the State to be that of a related component unit. The Power Authority and its subsidiary, the Canal Corporation, are referred to collectively as the "Authority" in the consolidated financial statements, except where noted.

This consolidated report consists of three parts: Management's discussion and analysis ("MD&A"), the consolidated financial statements, and the notes to the Consolidated Financial Statements. Following the consolidated report is the Authority's required supplementary information.

Management's discussion and analysis provides an overview of Authority's financial information for the year ended December 31, 2022, with comparative information as of and for the year ended December 31, 2021. The Authority adopted GASB Statement No. 87 ("GASB No. 87"), *Leases*, in 2022, effective January 1, 2022. The financial information presented in the MD&A as of and for the year ended December 31, 2021, has not been restated to reflect the adoption of GASB No. 87.

The consolidated financial statements provide summary information about the Authority's overall financial condition. The notes provide explanation and more details about the contents of the consolidated financial statements. The required supplementary information includes unaudited information required by GASB and relate to the Authority's OPEB and pension plans.

Forward Looking Statements

The statements in this MD&A that are not purely historical facts are forward-looking statements based on current expectations of future events. Such forward-looking statements are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes to or development in various important factors. Accordingly, actual results may vary from those we presently expect and such variations may be material. We therefore caution against placing undue reliance on the forward-looking statements contained in this MD&A. All forward-looking statements included in this MD&A are made only as of the date of this MD&A and we assume no obligation to update any such forward-looking statements as a result of new information, future events, or other factors.

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2022

(Unaudited)

Summary of Consolidated Revenues, Expenses and Changes in Net Position

The following is a summary of the Authority's consolidated financial information for 2022 and 2021:

	2022	2021	2022 vs. 2021 favorable (unfavorable)	
	($ In millions)		($ In millions)	(In Percentages)
Operating revenues	$ 4,007	$ 2,741	$ 1,266	46%
Operating expenses:				
Purchased power	839	539	(300)	(56)
Fuel oil & gas	470	190	(280)	(147)
Transportation and delivery	1,304	849	(455)	(54)
Operations and maintenance	756	743	(13)	(2)
Depreciation & Amortization	411	281	(130)	(46)
Total operating expenses	3,780	2,602	(1,178)	(45)
Operating income	227	139	88	63
Nonoperating revenues, gains and (losses)	(11)	17	(28)	(165)
Nonoperating expenses	86	84	(2)	(2)
Net income and change in net position	130	72	58	81
Net position – beginning	4,815	4,743		
Net position – ending	$ 4,945	$ 4,815	$ 130	3

In April 2022, the Authority issued $608 million of tax-exempt Green Transmission Project Revenue Bonds, Series 2022A (the "Transmission Resolution Revenue Bonds") which are separate and apart from the Authority's General Bond Resolution. The proceeds from the issuance of the Transmission Resolution Revenue Bonds are being used to fund a portion of capital expenditures related to the ongoing Smart Path and Central East Energy Connect ("CEEC") transmission construction projects together referred as Separately Financed Projects ("SFP").

Consolidated Financial Statements, as presented above, represent the Authority consolidated results. Financial information relating to the SFP has been disclosed separately in relevant notes to the Consolidated Financial Statements and such notes should be read together with other financial information disclosed in the notes. Refer to section SFP in MD&A and note 2 and 3 in notes to the Consolidated Financial Statements for further disclosures on SFP. For the year ended 2022, financial information relating to the SFP shows operating revenue of $38 million and net income of $13 million.

The Authority had a net income and change in net position of $130 million for the year ended December 31, 2022, compared to $72 million net income in 2021, an increase of $58 million. The 2022 increase in net income was due to higher operating income of $88 million, partially offset by lower nonoperating revenues gains and (losses) of $28 million. Operating income increased by $88 million due to higher prices on market-based sales of energy and capacity. Operating expenses were $1,178 million higher, primarily due to $580 million increase in purchased power and fuel costs related to higher prices and volumes that are substantially offset by the recovery of such costs through operating revenues. The transportation and delivery expenses were $455 million higher primarily due to higher prices. Depreciation and Amortization expenses were $130 million higher due to higher capital base and higher depreciation rates associated with depreciation study completed during the year.

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(Unaudited)

Operating Revenues

Operating revenues of $4,007 million in 2022 were $1,266 million, higher than the $2,741 million in 2021, primarily due to higher market energy prices, higher transmission revenues, and the pass through of higher power costs to customers, partially offset by lower hydro production.

Purchased Power and Fuel

Purchased power and fuel costs increased $300 million and $280 million respectively in 2022. The increase was primarily due to higher fuel costs resulting from higher gas prices as well as an increase in volume due to higher demand.

Operations and Maintenance (O&M)

O&M expenses increased by $13 million primarily due to increases in maintenance and repairs.

Nonoperating Revenues, Gains and (Losses)

Nonoperating revenues decreased by $28 million primarily due to lower investment income and decline in market value of investment portfolio.

Nonoperating Expenses

Nonoperating expenses increased by $2 million due to increased debt issuance in 2022.

EBIDA

Reconciliation of Net Income (Loss) to EBIDA and Adjusted EBIDA

	2022	2021
	(In millions)	
Net income	$ 130	$ 72
Add: Interest	86	84
Depreciation and amortization	411	281
EBIDA	627	437
Add: Other non-cash items	42	15
Adjusted EBIDA	669	452

EBIDA represents net income before interest expense, depreciation and amortization and is a non-GAAP financial measure. EBIDA does not represent net income, as that term is defined under Generally Accepted Accounting Principles (GAAP) and should not be considered as an alternative to net income as an indicator of the Authority's operating performance or any other measure of performance derived in accordance with GAAP. EBIDA is not intended to be a measure of cash flows, as depicted on the statement of cash flows, available for management or discretionary use as such measures do not consider certain cash requirements such as capital expenditures and debt service requirements. EBIDA as presented herein is not necessarily comparable to similarly titled measures presented by the Authority.

Adjusted EBIDA represents the Authority's EBIDA, as explained above, a non-GAAP financial measure adjusted for other non-cash items to reflect a fairer representation of operating results.

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(Unaudited)

Net Generation

Net generation was 30 million megawatt-hours ("MWh") in 2022 and 2021. Net generation from the Niagara and St. Lawrence hydroelectric plants in 2022 (22.5 million MWh) was 4% lower than 2021 (23.5 million MWh) due to the reduced hydro flows to the Niagara and St. Lawrence hydroelectric plants. Net hydro generation for 2022 and 2021 was approximately 111% and 116% of the long-term average of 20.3 million MWh, respectively. Combined net generation of the fossil fuel plants for 2022 was 7.5 million MWh, or 21% higher than 2021 (6.2 million MWh).

Summary of Consolidated Statements of Net Position

The following is a summary of the Authority's consolidated statements of net position for 2022 and 2021:

	2022	2021	2022 vs. 2021	
	($ In millions)		($ In millions)	(In Percentage)
Current assets	$ 1,963	$ 1,930	$ 33	2 %
Capital assets	6,413	6,488	(75)	(1)
Other noncurrent assets	1,222	1,598	(376)	(24)
Deferred outflows of resources	477	386	91	24
Total assets and deferred outflows	$ 10,075	$ 10,402	$ (327)	(3)
Current liabilities	$ 1,091	$ 1,352	$ (261)	(19)
Noncurrent liabilities	2,975	3,292	(317)	(10)
Total liabilities	4,066	4,644	(578)	(12)
Deferred inflows of resources	1,064	943	121	13
Net investment in capital assets	3,573	3,181	392	12
Restricted	—	63	(63)	(100)
Unrestricted	1,372	1,571	(199)	(13)
Net position	4,945	4,815		
Total liabilities, deferred inflows and net position	$ 10,075	$ 10,402	$ (327)	(3)

The following summarizes the Authority's consolidated statements of net position variances for the year 2022:

In 2022, current assets increased by $33 million to $1,963 million due to increase in receivables associated with higher revenue. Capital assets decreased by $75 million to $6,413 million, compared to last year, due to completion of new depreciation study which resulted in higher depreciation rates of certain group of assets. Other noncurrent assets, decreased by $376 million, compared to last year, primarily due to impact of GASB No. 87 related to Astoria Energy II ("AEII"). The agreement with AEII was initially considered as a lease for substantial part of the year. During the latter part of the year, the arrangement with AEII no longer met the definition of a lease under accounting rule GASB No. 87; as a result, AEII, previously recorded as a lease asset and liability, is not reflected as asset and liability on the Authority's financials as of December 31, 2022. Deferred outflows increased by $91 million primarily due to changes in deferral of other post-employment benefits other than pension. Current liabilities decreased by $261 million primarily due to paydown of commercial paper $426 million, partially offset by higher accruals for economic development programs, and capital projects. Other noncurrent liabilities decreased by $317 million primarily due to impact of GASB No. 87 related to AEII, offset by the increase in long term debt of $655 million due to issuance of a $608 million Green Transmission Project Revenue Bonds, Series 2022A (the "Transmission Resolution Revenue Bonds") at a premium of $52 million. Deferred inflows of resources increased $121 million primarily due to the recognition of $47 million for deferred lease revenue related to leases established due to the adoption of GASB No. 87, and $52 million increase due to higher deferred transmission congestion contract auction revenues.

Capital Asset and Long-Term Debt Activity

The Authority currently estimates that it will expend approximately $4.5 billion ($3.2 billion for various capital improvements, which includes Reimagine the Canals Initiative capital projects of approximately $111 million, and $1.3 billion for energy services projects) over the four-year period of 2023-2026. The Authority anticipates that these expenditures will be funded using existing construction funds, internally generated funds, separately financed project bond issuances, and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of commercial paper notes and/or the issuance of long-term debt.

The Authority's capital plan includes $1.3 billion, the amount of which will be reimbursed subsequently back to the Authority, in financing for Energy Services projects to be undertaken by the Authority's governmental customers and other public entities in the State. It should also be noted that due to projects currently under review as well as energy initiatives announced in the Governor's State of the State address, there is a potential for significant deviations in the capital expenditures indicated in the table below. Such additional capital expenditures would be subject to evaluation and approval of the Board of Trustees.

Projected capital requirements during this period (2023-2026) include (in millions):

Smart Path Connect	$	526
Canal Capital		313
NextGen Niagara		295
Transmission LEM		160
Reimagine the Canals		111
WPO Garage Upgrade		69
Strategic EV Charging Stations Installs		67
Central East Energy Connect **		58
Smart Path **		53
New Transmission Development Projects		433
All Other (Projects Below $40 Million)		1,102
	$	3,187

** Separately Financed Projects (SFP). Refer to Section on SFP under MD&A and Note 3 in Notes to Consolidated Financial Statements.

See Note 18 in Consolidated Notes to Accounts, Other Developments, for details on certain projects listed above

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More detailed information about the Authority's capital assets is presented in Note 4(d) "Summary of Significant Accounting Policies – Capital Assets", Note 7 "Capital Assets" and Note 18 "Other Developments" of the notes to the Consolidated Financial Statements.

Capital Structure

	2022	2021
	(In millions)	
Long-term debt, net of current maturities:		
Senior:		
Revenue bonds	$ 1,624	$ 1,626
Subordinated:		
Subordinated Notes, Series 2017 and 2012 (1)	36	38
Separate Revenue Bond Obligation		
Transmission Resolution Revenue Bonds (2)	659	—
Total long-term debt, net of current maturities	2,319	1,664
Net position	4,945	4,815
Total capitalization	$ 7,264	$ 6,479

(1) The Subordinated Notes, Series 2017 and 2012, are subordinate to the Series 2003A Revenue Bonds, the Series 2007B Revenue Bonds, the Series 2020A Revenue Bonds and 2020B Revenue Bonds.

(2) The Transmission Resolution Revenue Bonds are limited obligations of the Authority payable solely from and secured by the Separately Financed Projects Transmission Trust Estate pledge under the General Bond Resolution authorizing Transmission Project Revenue Obligations (the "Transmission Bond Resolution"). See Note 3 of Notes to the Consolidated Financial Statements.

Consolidated long-term debt to equity (long-term debt/net position) ratio as of December 31, 2022, and 2021, was at 0.47-to-1 (largely due to Transmission Resolution Revenue Bonds) and 0.35-to-1, respectively.

Long-term debt to equity (long-term debt/net position) ratio as of December 31, 2022, and 2021, was at 0.34-to-1 (excluding Transmission Resolution Revenue Bonds) and 0.35-to-1, respectively. Long-term debt to equity cannot exceed 1 to maintain weighted average cost of capital formula rate approved by FERC in 2016 rate filing. Short-term debt of $179 million, consisting of the Series 2, Series 3A and 3B CP Notes is excluded from the long-term debt to equity ratio, as it is used by the Authority to finance the Authority's current and future energy efficiency programs on behalf of its customers.

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Debt Ratings

	Moody's	Standard & Poor's	Fitch
NYPA's underlying credit ratings:			
Senior debt:			
Long-term debt (a)	Aa2	AA	AA
Separate Revenue Bond Obligation			
Transmission Resolution Revenue Bonds (b)	A1	AA	AA-
Subordinate debt:			
Subordinate Notes, Series 2017	N/A	AA-	N/A
Subordinate Notes, Series 2012	N/A	N/A	AA
Commercial paper	P-1	A-1+	F1+

(a) Long term debt includes certain bonds – Series 2007B Revenue Bonds and Series 2003A Revenue Bonds – the principal and interest when due is guaranteed under insurance policies issued by MBIA Insurance Corporation and Assured Guaranty Municipal Corp, respectively. The credit ratings of MBIA Insurance Corporation and Assured Guaranty Municipal Corporation are currently at or below the Authority's underlying credit ratings.

(b) Moody's Investor Service and Standard & Poor's Ratings Service assigned an insured rating based on the policy provided by Assured Guaranty Municipal Corp. Moody's and Fitch Ratings also assigned an underlying rating of A2 and AA-, respectively.

In 2022, Standard & Poor's Ratings Service ("S&P") affirmed the Authority's Commercial Paper rating, Senior debt rating and Subordinated Notes rating (Series 2017). In addition, S&P assigned an insured rating of AA to the Authority's Transmission Resolution Revenue Bonds based on the policy provided by Assured Guaranty Municipal Corp("AGM"). In 2022, Moody's Investors Service ("Moody's") affirmed the Authority's Commercial Paper rating and Senior debt rating. Moody's assigned an insured rating of A1 to the Authority's Transmission Resolution Revenue Bonds based on the policy provided by AGM. Moody's also assigned an underlying rating of A2 to the Authority's Transmission Resolution Revenue Bonds. In 2022, Fitch Ratings ("Fitch") affirmed the Authority's Commercial Paper rating, Senior debt rating and Subordinated Notes (Series 2012). Fitch also assigned an AA- rating to the Transmission Resolution Revenue Bonds.

Authority's Fund Requirements

The Operating Fund, included within the Cash and Cash Equivalents and Investments on the Authority's Statement of Net Position, was created by the Authority's General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented (the "General Bond Resolution"). A number of internal reserves have been established within the Operating Fund, as follows:

The Operating Reserve, established at $175 million by the Authority's Trustees, includes a reserve for working capital and emergency repairs to the Authority's projects. At December 31, 2022, Operating Reserve had a balance of $291 million that includes $175 million plus amounts considered reasonable to meet uncertainties in cash flows and other commitments.

The Debt Service Reserve is funded at maximum annual debt service (principal and interest payments) to ensure that sufficient amounts are available to pay debt service obligations when due. At December 31, 2022, the Debt Service Reserve balance was $93 million.

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The Energy Hedging Reserve was established to have funds available for use as collateral that may be required to support the Authority's authorized fuel and energy hedging transactions. At December 31, 2022, the Energy Hedging Reserve balance was $93 million.

The Spent Fuel Reserve was created to maintain funds to match Department of Energy obligation to pay for the processing and final disposition of spent nuclear fuel burned by the Authority when it owned the Indian Point #3 and James A. FitzPatrick nuclear plants. At December 31, 2022, Spent Fuel Reserve balance was $233 million.

The Capital Project Reserve is utilized to partially fund major new investments by the Authority in its energy infrastructure. Authority funds major investments with a portion of debt and a portion of equity. This Reserve has been established to provide the equity portion. At December 31, 2022, the Capital Project Reserve balance was $402 million.

In addition, the Authority holds Committed Funds in separate portfolios that have been earmarked for economic development and relicensing programs (see Note 17). At December 31, 2022, the Authority held $79 million in Committed Funds in the Operating Fund.

Separately Financed Projects ("SFP")

a) Overview

As disclosed in the Notes to the Consolidated Financial Statements (See Note 3), the proceeds, $608 million, from the issuance of the Transmission Resolution Revenue Bonds are being used to fund a portion of capital expenditures related to the on-going Smart Path and Central East Energy Connect ("CEEC") transmission construction projects together referred as Separately Financed Projects ("SFP"); reimburse expenses related to Transmission Resolution Revenue Bond project costs; and to pay financing and other costs relating to the issuance of the Transmission Resolution Revenue Bonds.

The Authority contributed $74 million in equity to fund the balance of costs not covered from the Transmission Resolution Revenue Bonds.

b) Smart Path

The Authority is moving forward with its plans to update a major section of the Moses Adirondack line ("Smart Path") project, one of the Authority's backbone transmission facilities. The project covers 78 miles of 230 kV transmission line from Massena to the town of Croghan in Lewis County. In July 2017, the Authority received authorization under the New York Independent System Operator ("NYISO") tariff to include the costs of this project in its NYPA Transmission Adjustment Charge ("NTAC") mechanism for cost recovery of the Authority's transmission system costs, which means that the costs will be allocated to all ratepayers in the State. The project includes the update of obsolete wood pole structures with higher, steel pole structures, as well as the update of failing conductor with new conductor and insulation. The line will operate at its current 230 kV level, but the conductor and insulation design will accommodate future 345 kV operation. The Authority anticipates that the Moses Adirondack line will support the transmission of growing levels of renewable generation located in upstate New York and Canada, such as wind and hydroelectricity, and assist in meeting the State's renewable energy goals. The rebuilt line, in line with NYISO's initiative, will enhance grid reliability.

As of December 31, 2022, the Authority has spent approximately $426 million on the Smart Path project. Construction commenced in 2020 with completion expected in mid-2023. As of December 31, 2022, 5 of the 6 segments for Smart Path have been placed into Electric Plant In Service ("EPIS") and are part of the Authority's Annual Transmission Revenue Requirement ("ATRR").

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The Smart Path project is now being funded with proceeds from the Transmission Resolution Revenue Bonds as mentioned above. See Note 3 on Separately Financed Projects for further information.

c) Central East Energy Connect (Marcy to New Scotland Upgrade Project)

The Authority executed a Memorandum of Understanding ("MOU") with North America Transmission ("NAT"). The MOU provided that, if any of the Authority/NAT proposals are accepted, the Authority, at its sole discretion, may elect to purchase an ownership share in the project(s) or operate and maintain the project(s). In December 2016, the Authority's Trustees' approved funding in the amount of approximately $1 million for the Authority's share of expenses pursuant to the MOU.

In June 2018, the Authority and NAT entered into a Participation Agreement that supersedes the MOU, which granted the Authority the option to secure an ownership interest of up to 37.5% in the jointly proposed projects. In April 2019, the NYISO board selected the project proposed by LS Power Grid New York, LLC (formerly known as NAT) and the Authority for Segment A (also known as the Marcy to New Scotland Upgrade Project) to increase transfer capability from central to eastern New York. In July 2020, the Trustees approved the Authority's request to exercise its 37.5% purchase option. LS Power Grid New York, LLC transferred its project assets and assigned the participation agreement to LS Power Grid New York Corporation I (LS Corp.) on January 27, 2020. A development agreement relating to Segment A among the NYISO, LS Corp. and the Authority was executed on February 3, 2020, filed with FERC on March 4, 2020, and accepted for filing by the Federal Energy Regulatory Commission ("FERC") on April 16, 2020.

The NYISO estimated the total cost of the Segment A project to be about $750 million. In August 2019, LS Power and the Authority submitted an Article VII application to the PSC and the Authority filed a petition for incentive rate treatment with FERC pursuant to Section 219 of the Federal Power Act. FERC granted the Authority its requested incentive rate treatments effective November 21, 2019. These included a 50 basis-point return on equity ("ROE") risk adder (permitting a 9.45% ROE for the project) conditioned upon the FERC's acceptance of a future Authority filing to incorporate the ROE risk adder and a cost containment provision into its transmission formula rate. Upon FERC's acceptance of LS Power's cost containment mechanism in June 2021, NYPA sought to incorporate into its formula rate (a) substantially the same cost containment mechanism and (b) the ROE risk adder, both of which FERC granted in September 2021, thus authorizing the full recovery of the Authority's Segment A project costs inclusive of the requested transmission incentives.

The Commission approved the Article VII Certificate and first Environmental Management and Construction Plan ("EM&CP") on January 21, 2021. The fourth and final EM&CP was filed and approved by the DPS in May 2022. Ultimately, the upgraded transmission lines and new substations, as part of the Segment A project are expected to be energized as part of the New York electrical system by the end of 2023.

As of December 31, 2022, the Authority has spent approximately $166 million.

The Central East Energy Connect ("CEEC") project is now being funded with proceeds from the Transmission Resolution Revenue Bonds. See Note 3 on Separately Financed Projects for further information.

d) Capital Asset Activity

The Authority estimates it will expend $111 million ($53 million for Smart Path, and $58 million for CEEC) over the four-year period 2023-2026. These expenditures will be funded using existing proceeds from the 2022 Transmission Resolution Revenue Bonds. Management plans to raise additional borrowings for regulated transmission projects like Smart Path Connect through SFP in the future.

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e) Revenue Recovery & Cost Allocation

The Authority's total cost of providing transmission of electricity services throughout New York State is expressed in its ATRR. The ATRR is a FERC regulated formula that calculates the total annual revenue that the Authority must earn to recover the costs of providing service plus a rate of return, as established in the NYISO tariff. The Authority's regulated transmission formula rate year spans from July 1st – June 30th and utilizes prior year calendar year actual costs to estimate its upcoming rate year ATRR.

The total revenue requirement is broken out by each recoverable project following a FERC approved allocation methodology. To determine the revenues pledged to SFP, the Authority annually separates and reports the transmission revenue requirement for each project housed within the SFP (Smart Path and Central East Energy Connect). The ATRR for the SFP projects follows the existing FERC regulated and Authority adopted formula, which pertain to project specific depreciation & amortization expense, return on rate base, and an allocation of overall Operating Expenses (Transmission Operation & Maintenance, Allocated Administrative & General, and Allocated General Plant Depreciation & Amortization).

The financial statements and notes to accounts as reported under Notes to Consolidated Financial Statements (See Note 2 and Note 3) provide the financial information relating to the SFP.

Clean Energy Solutions

The Authority offers energy efficiency services to New York State public and other statutorily eligible entities to conserve power and cut energy costs. Authority has been implementing energy efficiency projects since the early 1990's and has invested over $3.7 billion in energy efficiency projects, yielding over 1,700 GWH annual savings statewide. Authority offers comprehensive energy efficiency services tailored to each participant's needs. Services include but are not limited to energy audits, advisory services, metering, data analytics, lifecycle cost analysis, engineering/design services, procurement, project management, construction management, and project close out. Authority manages all aspects of the project for the customer so the customer can focus their attention on their core responsibilities while major projects are being implemented. The Authority recovers all cost incurred on such projects with no material impact to its financial results.

On an annual basis, Authority implements an average of $250 million of energy efficiency and clean energy technology projects. As of December 31, 2022, the outstanding balance for energy efficiency and clean energy technologies projects in Authority's balance sheet was a total of $525 million, with $239 million of loan balance and $286 million of construction work in progress pending to be billed to the customers.

Economic Conditions

In December 2020, the Authority's Board of Trustees approved its new strategic plan, VISION2030. VISION2030 provides a roadmap for transforming the state's energy infrastructure to a clean, reliable, resilient, and affordable system over the next decade. VISION2030 focuses on five strategic priorities to achieve the clean energy goals of the Authority's customers and the state. They include Authority's intention to preserve the value of hydroelectric generation; facilitate the rapid development of transmission assets; pioneer the path to decarbonization while ensuring reliability, resilience, and affordability of the state's electric grid; partner with customers to deliver clean and affordable energy solutions and adaptively reimagine the New York State canal system. Five foundational pillars: digitalization, best-in-class environmental, social and governance ("ESG") performance and reporting; leadership in diversity, equity, and inclusion ("DEI") priorities; enterprise resilience; and resource alignment (i.e., process excellence, workforce planning and knowledge management initiatives) support VISION2030. The costs and revenues with respect to the plan are reflected in the Authority's 2023-2026 financial plan.

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The Authority believes, based on evaluations it has performed, that the impact, if any, of the current economic conditions related to inflation, supply chain constraints and the conflict in the Ukraine are not expected to be material to the Authority's future financial condition or operations.

Climate Leadership and Community Protection Act

New York State's nation-leading climate plan is one of the most ambitious climate and clean energy initiatives in the nation, calling for an orderly and just transition to clean energy that creates jobs and continues fostering a green economy in New York State. Enshrined into law through the Climate Leadership and Community Protection Act ("CLCPA"), New York is on a path to achieving its mandated goal of a zero-emission electricity sector by 2040, including 70 percent renewable energy generation by 2030, and to reach economy wide carbon neutrality. CLCPA's targets for decarbonizing power generation include bringing 28 GW (16 GW of land-based renewables, 6 GW of offshore wind, and 6 GW of distributed solar) of renewables to market by 2030; accelerating transmission network investment to integrate renewables and alleviate load pockets; and ensuring grid reliability and flexibility through an integrated set of solutions including 3 GW of energy storage (subsequently increased to 6 GW through Gubernatorial action), dispatchable clean generation, and demand-side solutions. Targets for decarbonizing beyond the power sector include reduction of statewide energy use by 185 TBtu; electrification of transportation; and coordinated electrification of building heating and industrial processes. Fundamental to the CLCPA and Power Authority's participation in achieving its goals is ensuring an equitable transition to a thriving clean energy.

Accelerated Renewable Energy Growth and Community Benefit Act

The Accelerated Renewable Energy Growth and Community Benefit Act (the "Renewable Energy Act") was enacted as part of the 2020-21 Enacted State Budget. The purpose of the enactment is to promote planning and prioritize development of new and upgraded distribution and transmission infrastructure in the state, accelerate the siting of renewable energy projects, and provide benefits to local communities where renewable generation will be sited. In summary, the Renewable Energy Act:

- Establishes a new Office of Renewable Energy Siting, through which the State will consolidate the environmental review of major renewable energy facilities.
- Provides accelerated timetables for review of applications for major utility transmission facilities.
- Authorizes New York State Energy Research and Development Authority ("NYSERDA") to undertake several "host community benefit" programs to provide benefits to residents of local communities where new renewable general projects are slated for development.
- Directs the Department of Public Service ("DPS"), in consultation with NYSERDA, the Authority, the Long Island Power Authority, the NYISO, and the state's regulated utilities, to undertake a comprehensive study of the power delivery system in the state, for the purpose of identifying investor-owned utility distribution and local transmission upgrades, and bulk transmission system investments necessary to help the State meet the environmental goals of the CLCPA.
- Requires the PSC to identify bulk transmission projects that need to be developed expeditiously to meet CLCPA goals ("Priority Transmission Project(s)" or "PTP(s)").
- Declares that it is appropriate for the Authority, by itself or in collaboration with other parties to develop those bulk transmission investments designated as PTPs that are needed expeditiously to achieve CLCPA targets.
- Authorizes the Authority, through a public process, to solicit interest from potential co-participants in each PTP it has agreed to develop and assess whether any joint development would provide for significant additional benefits in achieving the CLCPA targets, and thereafter determine to undertake the development of the PTP on its own, or undertake the PTP jointly with one or more other parties and enter into such agreements and take such other actions the Authority determines to be necessary in order to

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develop the PTP. For PTPs substantially within the Authority's existing rights of way, the Renewable Energy Act authorizes the Authority to select private sector participants through a competitive bidding process.

On October 15, 2020, the New York Public Service Commission, acting through its authority under the Renewable Energy Act, designated the Smart Path Connect Project ("SPC") (discussed under Note 18 of Notes to the Consolidated Financial Statements) as a priority transmission project that that should move forward expeditiously under the Renewable Energy Act. The SPC project will complete the transmission upgrades in the Moses – Marcy corridor and enable greater integration of renewable energy in the New York Grid.

Sustainability

The Authority is committed to developing and implementing sustainable business practices that prioritize economic as well as environmental, social and governance (collectively, ESG) outcomes that are expected to contribute to long-term value creation for the Authority and its stakeholders. To this end, the Authority has identified ESG as a Foundational Pillar of VISION2030. In 2020, guided by the *GRI Reporting Principles* and the *AA1000 Accountability Principles*, the Authority developed and published the NYPA and Canals' 2021-25 Sustainability Plan (2021-25 Sustainability Plan), which is expected to serve as a roadmap to help bring Authority's ESG ambition to life over the next five years. The 2021-25 Sustainability Plan outlines the ESG goals, strategies, and initiatives that the Authority is committed to across each of the 15 priority ESG focus areas, which align with and support VISION2030 objectives.

In 2020 and 2021, the Authority issued annual reports and sustainability reports that describe its progress in achieving its VISION2030 and 2021-25 Sustainability Plan goals. In 2022, the Authority is issuing its first integrated report that strives to apply the Integrated Reporting Framework principles and combines the Authority's annual report and sustainability report in one. We believe that this report transparently communicates the Authority's financial and operating performance as typically reflected in our annual reports and presents our view of the progress made in achieving the priorities set by the Authority in VISION2030 and the goals outlined in the 2021-25 Sustainability Plan. This report strives to align with the Global Reporting Initiative Standards, the Sustainability Accounting Standards Board Electric Utilities Standard, and the Task Force on Climate Related Financial Disclosures reporting frameworks.

Transmission Congestion and System Operation

Infrastructure limitations in the vicinity of the Authority's Niagara Project contribute to transmission congestion that limits the amount of Niagara Project output that can be accommodated on the transmission system. Transmission congestion prevents the full and efficient use of this asset, as well as other generation assets located in Western New York. To begin alleviating this congestion, on July 20, 2015, the NYPSC issued an order that granted requests from the Authority and National Grid to establish a Public Policy Requirement driving the need for transmission additions to, among other things, enable the Authority to fully operate the Niagara Project and support the import of capacity from Ontario during emergency conditions. This order initiated the NYISO's competitive solicitation process which resulted in the NYISO Board of Directors selection of the NextEra Energy Transmission New York, Inc. (NextEra) Empire State Line transmission project on October 17, 2017. The Nextera project, a partial solution to the identified congestion issues, has received its regulatory approvals and is under construction. This project was completed in summer of 2022.

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Regional Greenhouse Gas Initiative

The Regional Greenhouse Gas Initiative (the "RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states, including New York, to reduce carbon dioxide emission levels. Participating states have established a regional carbon dioxide emissions cap from the power sector (fossil fuel-fired power plants 25MW or greater); for New York State, its Department of Environmental Conservation set the applicability by regulation at 20MW or greater). RGGI States make periodic adjustments to the RGGI cap to account for banked CO2 allowances accumulated through the third control period. The size of the adjustment was last calculated in March 2021 and the adjustment will be made over a five-year period (2021-2025), as specified in the 2017 Model Rule. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the three-year compliance period. The program also provides for (1) an annually replenished cost containment reserve that is used if emission reduction costs are higher than projected, and (2) an emission containment reserve to withhold allowances from circulation if credit prices fall below an established trigger price (i.e., when emission reduction costs are lower than expected). The Authority's Richard M. Flynn Power Plant, the Small Clean Power Plants and Eugene W. Zeltmann Power Plant are subject to the RGGI requirements as is the Astoria Energy Power Plant II. The Authority has participated in program auctions to acquire carbon dioxide allowances and expects to recover RGGI costs through its power sales revenues. The Authority is monitoring proposed federal and state legislation, regulations, and programs (including any changes to RGGI) that would impact carbon dioxide emission levels.

Competitive Environment

The Authority's mission statement that was ratified by the Trustees in December 2020, is to "Lead the transition to a carbon-free, economically vibrant New York through customer partnerships, innovative energy solutions, and the responsible supply of affordable, clean, and reliable electricity." The mission statement adheres to maintaining Authority's core operating businesses while also indicating that the Authority will support the energy goals of New York State, codified in enactments like the New York State Climate Leadership and Community Protection Act ("CLCPA") and the Accelerated Renewable Energy Growth and Community Benefit Act enacted in 2020 ("AREGCBA").

The Power Authority's financial performance goal is to have the resources necessary to achieve its mission, to maximize opportunities to serve its customers, and to preserve its strong credit rating.

To maintain its position as a reliable provider of power in a changing environment, the Authority has undertaken and continues to carry out a multifaceted program, including: (a) the upgrade and relicensing of the Niagara, St. Lawrence-FDR, and Blenheim-Gilboa ("BG") projects; (b) long-term supplemental electricity supply agreements with the Power Authority's governmental customers located in Southeastern New York (NYC and Westchester Governmental Customers); (c) operation of the Eugene W. Zeltmann Power Project (the Authority's 500-MW combined cycle electric generating plant) located at the Power Authority's Poletti plant site; (d) the Power Authority entered into a long-term power supply contract with Astoria Energy II LLC for the purchase of all the output of AEII, a 550-MW plant, which entered into commercial operation on July 1, 2011 in Astoria, Queens. The delivery period under the contract is through 2031. At the same time, the Power Authority entered a separate contract with its' New York City Governmental Customers, which is coterminous with the power purchase agreement with Astoria Energy II LLC, to sell the output of AEII. All net costs of the Power Authority under the power purchase agreement with Astoria Energy II LLC are billed monthly to the New York City Governmental Customers. An equal amount of revenue is recognized during the period related to reimbursements from the New York City Governmental Customers; (e) a firm transmission capacity purchase agreement with Hudson Transmission Partners, LLC ("HTP") for a portion of the output of the 660 MW, seven mile, underground and underwater transmission line connecting into the transmission system operated by PJM Interconnection LLC; (f) construction and maintenance of new transmission lines to relieve congestion and increase transfer capability from central to eastern New York addressing NYISO's AC Transmission Public Policy Need ("AC Proceeding"); (g) implementation of an enterprise-wide risk management program; and (h) implementation of an enterprise-wide resiliency program to embed resilience culture and to prepare for a more uncertain operating environment. As a component of the Authority's strategic plan, efforts to modernize the Authority's generation and transmission infrastructure are being developed and implemented to increase flexibility and resiliency, and to serve customers' needs in an increasingly dynamic energy marketplace.

To achieve its goal of promoting clean energy and efficiency, the Authority implements energy efficiency services for the benefit of its power supply customers and for various other public entities throughout the State. Refer Note "Clean Energy Solutions". The Authority finances the installation of energy saving greenhouse gas measures and equipment which are owned by the customers and public entities to focus on the reduction of the demand for electricity and the efficient use of energy.

The Authority operates in a competitive and sometimes volatile energy market environment. Through its participation in the NYISO and other commodity markets, the Authority is subject to electric energy prices, fuel prices and electric capacity price risks that impact the revenue and purchased power streams of its facilities and customer market areas. Such volatility can potentially have adverse effects on the Authority's financial condition. To mitigate downside effects, many of the Authority's customer contracts provide for the complete or partial pass-through of these costs.

To moderate cost impacts to the Authority and its customers, the Authority, at times, hedges market risks through the use of financial instruments and physical contracts. Hedges are transacted by the Authority to mitigate volatility in the cost of energy or related products needed to meet customer needs; to mitigate risk related to the price of energy and related products sold by the Authority; to mitigate risk related to margins (electric sales versus fuel use) where the Authority owns generation or other capacity; and to mitigate geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location. Commodities to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity, congestion costs associated with the transmission of electricity and non-energy commodities. Any such actions are taken pursuant to policies approved by the Authority's Trustees and under the oversight of an Executive Risk & Resilience Management Committee.

The Authority can give no assurance that, even with these measures, it will retain its competitive status in the marketplace in the future as a result of the restructuring of the State's electric utility industry and the emergence of new competitors or increased competition from existing participants.

Clean Path

In September of 2021 Governor Hochul announced the award of the Clean Path NY (CPNY) project. The award was a result of Forward Power- a joint venture between EnergyRe, LLC and Invenergy, LLC- submitting a proposal to NYSERDA in response to the Tier 4 solicitation for the delivery of renewable energy into the NYISO Zone J (New York City) area. The Power Authority and Forward Power are collaborating on the transmission line portion of the project. The entire proposed project will cost an estimated $11 billion, $3.5 billion of which is for the construction of a new High Voltage Direct Current transmission line. The generation portfolio being developed, as part of the project, is approximately 3800 MW of power from solar and wind generation in Upstate and Western into New York City. The transmission line rating is estimated at approximately 1300 MW. The northern section of the proposed project will be constructed within the Authority's existing rights of ways and owned by Authority. The amount of Authority's capital plan investment in this project is not material. The

NYSERDA contract was approved by the New York State Public Service Commission in April 2022. As of December 31, 2022, the project was in the Permitting & Article VII process for review. Preparation of other permitting applications, engineering and procurement are ongoing. The project is expected to be in-service in 2027.

ConnectAll Project

ConnectAll is New York State's $1 billion initiative, largest public investment in broadband in the state's history that aims to transform New York's digital infrastructure and expand broadband access, affordability, and equity statewide. The Authority is successfully conducting a $10 million pilot by deploying fiber-to-the-home and leveraging its existing fiber optic infrastructure for the "middle mile", as authorized by the state legislature. This pilot deployment will enable reliable and affordable high-speed internet access to more than 3,000 previously unserved or underserved households and businesses in four-municipalities – the Village of Sherburne in Chenango County (Authority's customer), the Town of Nichols in Tioga County, the Town of Diana in Lewis County, and the Town of Pitcairn in St. Lawrence County. The Authority will support Empire State Development ("ESD") with the implementation of the Excelsior Broadband Network (municipal broadband) leveraging both state and federal grant funding. The Authority will not make any investment in the project, however, will provide technical services and support necessary to establish the broadband network.

Rate Actions

Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to municipal electric systems, rural electric cooperatives, industrial and other business customers, certain public bodies, investor-owned utilities, out-of-state customers, and into the wholesale market. The charges for firm and/or firm peaking power and associated energy sold by the Authority, as applicable, to the fifty-one municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, two investor-owned utilities for the benefit of rural and domestic customers, nine host communities and seven out-of-state public customers have been established based on the costs to serve these loads.

Niagara's Expansion & Replacement Power, St. Lawrence-FDR's Preservation Power and ReCharge New York's customers are allocated over 45% of the average generation capacity of the plants. Their rates are subject to annual adjustment based on the average of three contractually agreed-upon economic indices reflecting changes in industrial energy prices.

In 2019, the Authority's Trustees approved a seven-year extension of an agreement for the sale of firm hydroelectric power and energy from the St. Lawrence-FDR project to the Aluminum Company of America ("Alcoa") at its West Plant facilities. The existing contract with Alcoa, for an aggregate of 240 MW, has been executed effective April 1, 2019, through March 31, 2026, replacing prior long-term contracts. The contract extension provides for monthly Base Energy Rate adjustments based upon on the price of aluminum on the London Metal Exchange and contains provisions for employment (450 jobs) and capital commitments ($14 million). Changes from the previous contract include: a reduced allocation of 240 MW, with the additional 5 MW being allocated to Arconic, a business independent of Alcoa, sold under a separate Preservation Power sale agreement; a monthly Clean Energy Standard ("CES") charge relating to Zero Emission Credits ("ZEC") and Renewable Energy Credits ("REC") that the Power Authority purchases which are attributable to Alcoa's load. The contract specifies a sharing mechanism for the CES charges between Alcoa, New York State, and the Power Authority, whereby Alcoa's share increases as the aluminum price increases. The Authority has entered into aluminum contracts to mitigate potential downside risk in that market, with future activities based upon prevailing economic conditions as appropriate.

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ReCharge New York ("RNY") is the Governor's statewide economic development electric power program, designed to retain and create jobs through the allocation of low-cost power. The RNY program allocates 455 MW of hydropower from the Authority's Niagara and St. Lawrence-FDR projects at Preservation Power rates, which are similar to the Expansion and Replacement power customer rates, with certain adjustments. An additional 455 MW of market power can also be procured for RNY customers upon contractual agreement.

Various municipalities, school districts and public agencies in New York City are served by the Power Authority's combined-cycle Eugene W. Zeltmann Power Project ("Zeltmann"), the contracted output of the Astoria Energy II plant, and capacity and energy purchased by the Authority in the NYISO markets. In 2017 and 2018, the Power Authority executed new supplemental long-term electricity supply agreements (Supplemental LTAs) with its eleven NYC Governmental Customers, including the Metropolitan Transportation Authority, the City of New York, the Port Authority of New York, and New Jersey (Port Authority), the New York City Housing Authority, and the New York State Office of General Services. Under the Supplemental LTAs, fixed costs were contractually set for each customer and are subject to renegotiation after five years. Variable costs, including fuel, purchased power and NYISO related costs, are to be set on a pro-forma cost of service basis and reconciled monthly as a pass-through to each customer by an energy charge adjustment.

The Power Authority's other SENY customers are Westchester County and numerous municipalities, school districts and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers.") The Power Authority has entered into an evergreen supplemental electricity supply agreement with all 103 Westchester Governmental Customers. Westchester Governmental Customers are partially served by the Authority's four small hydroelectric plants. The remainder of the Westchester Governmental Customers' load requirements are supplied through energy and capacity purchased from the NYISO markets. Sales of energy generated by the small hydroelectric resources into the NYISO markets, as well as grandfathered and historic fixed priced transmission congestion contracts, all help to offset the cost of the energy purchased, with an energy charge adjustment mechanism in place for cost reconciliation.

Cost recovery for the Power Authority's provision of transmission service over its facilities has been governed by the NYISO tariff, since the formation of the NYISO in November 1999, which included an annual transmission revenue requirement ("ATRR") for the Power Authority of $165 million. The Power Authority receives cost recovery through the NYISO tariff mechanism known as the NYPA Transmission Adjustment Charge ("NTAC") recovering the Power Authority's Backbone Transmission System costs on a statewide basis after accounting for the Power Authority's revenues received from pre-existing customer transmission service contracts, Transmission Service Charge ("TSC") assessed on customers in the Power Authority's upstate load zone, and other sources.

In January 2016, the Power Authority filed with FERC to convert from a Stated Rate to a Formula Rate to ensure recovery of its ATRR based upon operating and maintenance expenses as well as the capital spending necessary to maintain the reliability of its transmission system. FERC accepted the filing and made it effective April 1, 2016, as requested, subject to hearing and settlement judge procedures. The Power Authority filed an unopposed Offer of Settlement on September 30, 2016, that fully resolved the issues raised by interested parties in settlement negotiations concerning the formula rate. The settlement was approved by FERC on January 19, 2017. The ATRR is updated annually prior to the start of each rate year (July 1^{st} - June 30^{th}). Effective July 1, 2022, the Transmission Revenue Requirement is $385 million, which includes the revenue requirements for the Marcy South Series Compensation and AC Transmission (renamed as Central East Energy Connect) projects.

Certain New Legislation Affecting the Authority

Bills are periodically introduced or passed in the New York State Legislature which propose to limit, restrict, or expand the powers, rights, and exemptions from regulation which the Authority currently possesses under the

Power Authority Act and other laws, or could otherwise affect the Authority's financial condition or its ability to conduct its business, activities, or operations in the manner presently conducted or contemplated hereby. It is not possible to predict whether any such bills, or other bills of a similar type which may be introduced or passed in the future, will be enacted.

As more specifically described in the enactment, and subject to limitations described therein, the 2019-20 Enacted State Budget (2019-20 ESB) amended the Power Authority Act to authorize the Authority, subject to feasible and advisable determinations by the Authority's Trustees, to: (1) design, finance, develop, construct, install, lease, operate and maintain electric vehicle charging stations throughout the state for use by the public; (2) plan, finance, construct, acquire, operate, improve and maintain, either alone or jointly with one or more other entities, transmission facilities for the purpose of transmitting power and energy generated by renewable wind energy generation projects that are located in State territorial waters, and/or in waters under the jurisdiction or regulation of the U.S.; (3) supply certain market power and energy and renewable energy products to any Authority customer, public entity, or community choice aggregation ("CCA") community in the State (collectively, "Eligible Entities); and (4) alone or jointly with one or more other entities, finance the development of renewable energy generating projects that are located in the State, including its territorial waters, and/or on property or in waters under the jurisdiction or regulatory authority of the United States, purchase power, energy or related credits or attributes produced from such renewable energy generating projects, and allocate and sell such products to Eligible Entities. The Authority may exercise any of this authority at its discretion, and the amendments made by 2019-20 ESB do not affect the Authority's previously existing statutory authority.

On July 18, 2019, the State enacted CLCPA. CLCPA directs the New York State Department of Environmental Conservation (the "NYSDEC") to develop regulations to reduce statewide greenhouse gas emissions ("GHG") to 60% of 1990 levels by 2030 and 15% of 1990 levels by 2050. NYSDEC is currently drafting regulations that would implement these and other related goals.

Several provisions of CLCPA could potentially impact the Authority's business and operations, such as the following: (1) a requirement that specified State entities, including the Authority, adopt regulations to contribute to achieving statewide GHG emissions; (2) a requirement that State entities, including the Authority, assess and implement strategies to reduce GHG emissions; (3) consideration of whether actions that the Authority would undertake in the course of its operations are consistent with State GHG emission limits that will be established pursuant to the enactment; and (4) potential allocation or realignment of resources to support State clean energy and energy efficiency goals for disadvantaged communities.

Many of the provisions of CLCPA that could impact the Authority are not likely to be implemented for years based on deadlines established in the enactment. Therefore, the Authority is not in a position at this time to evaluate the impact of any particular provision of CLCPA on the Authority's business and operations.

As part of the 2020-2021 Enacted State Budget, legislation was enacted that is expected to expedite the construction of clean energy projects to combat climate change in an effort to improve the State's economic recovery from the COVID-19 health crisis. The Renewable Energy Act will create an Office of Renewable Energy to improve and streamline the process for environmentally responsible and cost-effective siting of large-scale renewable energy projects across the State while delivering significant benefits to local communities. The Renewable Energy Act, which will be implemented by the Authority and New York State Department of State, NYSERDA, the Department of Public Service ("DPS"), NYSDEC and the Empire State Development Corporation, will accelerate progress towards the State's clean energy and climate goals, including the goal to obtain 70% of the State's electricity from renewable sources by 2030.

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(Unaudited)

As part of the 2022-2023 Enacted State Budget, legislation was enacted to allow the Authority, as deemed feasible and advisable by the Board of Trustees, to enter into lease agreements with other State instrumentalities and municipal entities for the use of excess capacity in the Authority's fiber optic communications infrastructure. The purpose of this legislation is to provide affordable, high-speed broadband in unserved and underserved communities in the State. Any excess fiber optic communication infrastructure leased out by the Authority shall be at a rate that is no greater than necessary to cover the cost of maintenance of such fiber optic communications infrastructure. The Authority will not be limited from recovering other costs incurred to make such excess capacity available in unserved and underserved communities in the State. Any authorized lease agreements shall be subject to review and comment by the Division of Broadband Access within the Empire State Development Corporation in consultation with the PSC. See section on ConnectAll above.

Section 59 of Part FFF of Chapter 56 of the Laws of 2022, part of the 2022-2023 Enacted State Budget authorizes the Dormitory Authority of the State of New York, the New York State Urban Development Corporation, and the New York State Thruway Authority to issue bonds in one or more series under either Article 5-C or Article 5-F of the State Finance Law for the purpose of refunding obligations of the Authority to fund energy efficiency projects at State agencies including, but not limited to, the State University of New York, City University of New York, the New York State Office of General Services, New York State Office of Mental Health, State Education Department, and New York State Department of Agriculture and Markets. The aggregate principal amount of bonds authorized to be issued may not exceed $200 million. Such bonds will not be a debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those appropriated by the State under Article 5-C or Article 5-F of the State Finance Law, as applicable. In 2022, the Authority was repaid $175 million of the authorized amount.

Captive Insurance

Chapter 193 of the Laws of 2022, enacted May 9, 2022, authorizes the Authority to form a pure captive insurance company. The new legislation allows the Authority to manage risk and provide related tax exemptions that already applied to the Metropolitan Transportation Authority and New York City. It is anticipated that the existence of a captive insurer will result in cost savings to the Authority by reducing the need for commercial insurance and creating an efficient and effective claim handling process.

The Authority's Trustees approved the formation of a captive insurance company on September 29, 2022, and the Authority filed an application to form the captive insurance company with the New York State Department of Financial Services on January 23, 2023. This formation process is expected to be completed prior to Q2 of 2023.

Renewable Energy Certificate ("REC") Purchase Agreement

The CLCPA establishes a goal to produce 70% of the state's electricity by renewable energy sources. To meet this goal the Authority has engaged with NYSERDA to procure RECs. On August 30, 2021, both the Authority and NYSERDA entered into a long-term agreement for the purchase of RECs. On an annual basis, NYSERDA and the Authority will communicate the available REC supply and offtake ratios. The Authority will continue to evaluate its forecasted annual customer load and adjust the REC ratio appropriately. The initial REC offtake under the agreement will be for compliance year 2024. The Authority intends to seek recovery of costs associated with the agreement through sales of renewable energy credits by the Authority to the Authority's customers.

New NYPA-IBEW Labor Contract

The Authority reached agreement with the International Brotherhood of Electrical Workers ("IBEW") on a labor contract that covers over 550 represented employees at the Authority's Blenheim-Gilboa Pumped Storage Project, Frederick R. Clark Energy Center, Niagara Power Project, and St. Lawrence/FDR Power Project. This agreement, which is retroactive to April 1, 2022, runs through July 31, 2027.The impact to the Authority's financials due to the change in agreement is immaterial for the reported period.

Commitments and Contingencies

The Authority's commitments and contingencies are more fully detailed in Note 17 "Commitments and Contingencies" of the notes to the Consolidated Financial Statements.

Canal Corporation

The Canal Corporation operates at cost and is expected to require substantial operating and maintenance support and capital investment. The Canal Corporation's expenses are funded by transfers of funds from the Authority. Any transfer of funds is subject to approval by the Authority's Board of Trustees and compliance with the Authority's General Bond Resolution Authorizing Revenue Obligations, as amended and supplemented. Certain expenses eligible for reimbursement are reimbursed to the Authority by moneys held in the Canal Development Fund maintained by the State Comptroller and the Commissioner of Taxation and Finance. For the year ended December 31, 2022, the Canal Corporation recognized $2 million in revenues, $69 million in operations and maintenance expenses and $38 million in depreciation expense.

By resolution adopted December 13, 2022, the Canal Corporation's Board of Directors adopted a budget for 2023-2026 that consisted of expenditures for operations and maintenance expenses and for capital expenses. The Authority's budget and financial plan for 2023-2026 includes Canal-related operating expenditures averaging approximately $101 million per year and capital expenditures of approximately $78 million per year and $2 million per year for Canal Development Fund expenses.

Contacting the Authority

This financial report is designed to provide our customers and other interested parties with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the New York Power Authority, 123 Main Street, White Plains, New York 10601. Email: info@nypa.gov

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Consolidated Statement of Net Position

(In millions)

Assets and Deferred Outflows	December 31, 2022
Current Assets:	
Cash and cash equivalents	
Unrestricted	$ 296
Restricted	8
Capital Fund	49
Investment in securities	930
Receivables – customers	383
Materials and supplies:	
Plant and general	74
Fuel	48
Miscellaneous receivables and other	175
Total current assets	1,963
Noncurrent Assets:	
Restricted funds:	
Investment in securities	14
Capital funds:	
Investment in securities	246
Capital assets:	
Assets, not depreciated	1,207
Assets, net of accumulated depreciation	5,206
Total capital assets	6,413
Other long-term assets	962
Total noncurrent assets	7,635
Total assets	9,598
Deferred outflows of resources:	
Asset retirement obligation	18
Decrease in fair value of derivatives	122
Pensions	152
Postemployment benefits other than pensions	185
Total deferred outflows of resources	477
Total assets and deferred outflows of resources	$ 10,075

See accompanying notes to the consolidated financial statements.

Continued

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Consolidated Statement of Net Position

(In millions)

Liabilities, Deferred Inflows and Net Position	December 31,2022
Current liabilities:	
Accounts payable and accrued liabilities	$ 910
Short-term debt	179
Long-term debt due within one year	2
Total current liabilities	1,091
Noncurrent liabilities:	
Long-term debt:	
Senior:	
Revenue bonds	1,624
Subordinated:	
Subordinated Notes	36
Separate Revenue Bond Obligation:	
SFP Bonds 2022	659
Total long-term debt	2,319
Other noncurrent liabilities:	
Disposal of spent nuclear fuel	233
Relicensing	225
Other long-term liabilities	198
Total other noncurrent liabilities	656
Total noncurrent liabilities	2,975
Total liabilities	4,066
Deferred inflows of resources:	
Unearned Revenue	109
Cost of removal obligations	401
Increase in fair value of derivatives	13
Pensions	234
Lease revenue	47
Postemployment benefits other than pensions	260
Total deferred inflows of resources	1,064
Net position:	
Net investment in capital assets	3,573
Unrestricted	1,372
Total net position	4,945
Total liabilities, deferred inflows of resources and net position	$ 10,075

See accompanying notes to the consolidated financial statements.

Continued

NEW YORK POWER AUTHORITY

(*A Component Unit of the State of New York*)

Consolidated Statement of Revenues, Expenses and Changes in Net Position

(In millions)

	Year Ended December 31, 2022
Operating revenues:	
Power sales	$ 2,660
Transmission	594
Transportation and delivery	719
Other	34
Total operating revenues	4,007
Operating expenses:	
Purchased power	839
Fuel oil and gas	470
Transportation and delivery	1,304
Operations and maintenance	756
Depreciation and amortization	411
Total operating expenses	3,780
Operating income	227
Nonoperating revenues, gains (losses) and expenses:	
Nonoperating revenues, gains and (losses):	
Investment income	10
Other	(21)
Total nonoperating revenues, gains and (losses)	(11)
Nonoperating expenses:	
Interest on long-term debt	89
Interest – other	53
Interest capitalized	(54)
Amortization of debt premium	(2)
Total nonoperating expenses	86
Net income and change in net position	130
Net position, January 1	4,815
Net position, December 31	$ 4,945

See accompanying notes to the consolidated financial statements.

Continued

NEW YORK POWER AUTHORITY

(*A Component Unit of the State of New York*)

Consolidated Statement of Cash Flows

(In millions)

		Year Ended December 31, 2022
Cash flows from operating activities:		
Customers sales	$	3,946
Disbursements for:		
Purchased power		(839)
Fuel, oil, and gas		(486)
Transportation and delivery		(1,313)
Operations and maintenance		(817)
Net cash provided by operating activities		491
Cash flows from capital and related financing activities:		
Earnings received on construction fund investments		2
Gross additions to capital assets		(754)
Repayment of master notes		(100)
Proceeds from issuance of Series 2022 Green Bonds		659
Issuance costs paid on debt		(9)
Repayment of notes		(1)
Interest paid, net		(83)
Net cash used in capital and related financing activities		(286)
Cash flows from noncapital–related financing activities:		
Energy conservation program payments received from participants		446
Energy conservation program costs		(269)
Proceeds from issuance of commercial paper		274
Repayment of commercial paper		(599)
Interest paid on commercial paper		(10)
Payment received from New York State		43
Others		38
Net cash used in noncapital-related financing activities		(77)
Cash flows from investing activities:		
Earnings received on investments		10
Purchase of investment securities		(3,043)
Sale of investment securities		2,666
Net cash used in investing activities		(367)
Net (decrease) in cash		(239)
Cash and cash equivalents, January 1		592
Cash and cash equivalents, December 31	$	353
Reconciliation to net cash provided by operating activities:		
Operating income	$	227
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets, deferred outflows, liabilities, and deferred inflows:		
Provision for depreciation		411
Net (increase) in miscellaneous prepayments and other		(61)
Net (increase) in receivables and materials and supplies		(183)
Net increase in accounts payable/accrued liabilities and other		97
Net cash provided by operating activities	$	491

See accompanying notes to the consolidated financial statements.

Continued

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Statement of Fiduciary Net Position

(In millions)

Assets	June 30, 2022
Assets:	
Cash and cash equivalents	$ 44
Receivables:	
Due from broker for investments sold	1
Investment income	1
Total receivables	2
Investments at fair value:	
Domestic equity	122
International equity	90
Global Index Fund	193
International contrarian value fund	47
Real Estate (REIT)	40
Fixed Income	153
Total investments at fair value	645
Total assets	691
Liabilities:	
Payables:	
Accrued liability	8
Total liabilities	8
Net position available for postemployment benefits other than pensions	$ 683

See accompanying notes to the consolidated financial statements

Continued

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Statement of Changes in Fiduciary Net Position

(In millions)

	Year Ended June 30, 2022
Additions, gains and (losses):	
Employer contributions	$ 32
Investment income:	
Net decrease in fair value of investments	(103)
Interest and dividend income	12
Less: investment and administrative expenses	(11)
Net investment (loss)	(102)
Total additions gains, and (losses)	(70)
Deductions:	
Benefits payments	32
Total deductions	32
Changes in net position	(102)
Net position available for postemployment benefits other than pensions – beginning of year	785
Net position available for postemployment benefits other than pensions – end of year	$ 683

See accompanying notes to the consolidated financial statements.

Continued

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements

December 31, 2022

(1) General

The Power Authority of the State of New York (the "Power Authority"), doing business as the New York Power Authority, is a corporate municipal instrumentality and political subdivision of the State of New York (the "State") created in 1931 by Title 1 of Article 5 of the Public Authorities Law (the "Power Authority Act" or the "Act"). As such, it is a component unit of the State and is included in the State's annual financial statements.

The Power Authority's mission centers on operating critical transmission assets which include a major portion of the State's backbone transmission system, operating generation assets to provide a reliable source of electricity to its customers and supporting the State's transition to a carbon-free, economically vibrant New York through new transmission solutions, renewable energy production, and innovative energy solutions. The Authority's has aligned its mission with the clean energy goals of New York State set forth in New York State Climate Leadership and Community Protection Act ("CLCPA") and the Accelerated Renewable Energy Growth and Community Benefit Act enacted in 2020 ("AREGCBA").

The Power Authority is authorized by the Power Authority Act to help provide a continuous and adequate supply of dependable electricity to the people of the State. The Power Authority generates, transmits, and sells electricity principally at wholesale. The Power Authority's primary customers are municipal and investor-owned utilities, rural electric cooperatives, large industrial customers, and other qualifying businesses located throughout New York State, and various public corporations located primarily in the metropolitan area of New York City. In addition to contractual sales to customers, the Power Authority also sells energy and power into markets operated by the NYISO.

To provide electric service, the Power Authority owns and operates five major generating facilities, eleven small gas-fired electric generating facilities, and four small hydroelectric facilities in addition to more than 1,400 circuit miles of transmission lines, including major 765-kV and 345-kV transmission facilities. The Power Authority's five major generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa), the Eugene W. Zeltmann (Zeltmann or 500-MW Plant) combined cycle electric generating plant located in Queens, New York and the Richard M. Flynn combined cycle plant located on Long Island (Flynn). To provide additional electric generation capacity to the Power Authority's NYC Governmental Customers, the Power Authority entered into a long-term electricity supply agreement with Astoria Energy II LLC in 2008 for the purchase of the output of an Astoria, Queens based natural-gas fueled 550-MW generating plant, which entered service in the summer of 2011.

The Power Authority acts through a Board of Trustees. The Power Authority's Trustees are appointed by the Governor of the State of New York, with the advice and consent of the State Senate. The Power Authority is a fiscally independent public corporation that does not receive State funds nor tax revenues nor credits. The Power Authority generally finances construction of new projects through a combination of internally generated funds and sales of bonds and notes to investors and pays related debt service with revenues from the generation and transmission of electricity. Accordingly, the financial condition of the Power Authority is not controlled by or dependent on the State or any political subdivision of the State. Under the criteria set forth in Governmental Accounting Standards Board (GASB), the Power Authority considers its relationship to the State to be that of a related organization.

Income of the Power Authority and properties acquired by it for its projects are exempt from taxation. However, the Power Authority is authorized by the Power Authority Act to enter into agreements to make payments in lieu of taxes with respect to property acquired for any project where such payments are based solely on the value of the real property without regard to any improvement thereon by the Authority and where no bonds to pay any costs of such project were issued prior to January 1, 1972.

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements

December 31, 2022

Article XV of the New York State Constitution provides, in part, that the Barge Canal, the divisions of which are the Erie Canal, the Oswego Canal, the Champlain Canal, and the Cayuga Seneca Canal, and the terminals constructed as part of the Barge Canal system (collectively, the "Canal System") shall remain the property of the State and under its management and control forever. Legislation enacted in 1992 (the "1992 Legislation") transferred jurisdiction of the Canal System, among other assets and properties, from the New York State Commissioner of Transportation to the New York State Thruway Authority (the "Thruway Authority"), to be held by the Thruway Authority in the name of the people of the State. Such Canal System remained the property of the State and under its management and control as exercised by and through the Thruway Authority, through its then newly created subsidiary, the New York State Canal Corporation (the "Canal Corporation"). The 1992 Legislation deemed the Canal Corporation to be the State for the purposes of such management and control of the canals but for no other purposes.

Legislation was enacted on April 4, 2016 (the "Canal Transfer Legislation") which provided for (1) the transfer, effective January 1, 2017, of the New York State Canal Corporation ("Canal Corporation") from the Thruway Authority to the Power Authority, and (2) as of January 1, 2017, the Power Authority's assumption from the Thruway Authority of powers and duties relating to the Canal System and jurisdiction over the Canal System and related assets, equipment and property in connection with the planning, development, construction, reconstruction, maintenance and operation of the Canal System, which the Power Authority is authorized to exercise through the Canal Corporation. The Canal Corporation is responsible for a 524-mile Canal System.

In 2022, the Authority issued Green Transmission Project Revenue Bonds, Series 2022A to fund portion of capital expenditures related to the ongoing Smart Path and Central East Energy Connect ("CEEC") transmission construction projects together referred as Separately Financed Projects ("SFP"), that are the Authority's limited obligations. Consolidated Financial Statements represent Authority consolidated results. Financial information for SFP, not a separate legal entity of the Power Authority, has been disclosed separately within the relevant notes to the Consolidated Financial Statements and such notes should be read together with other financial information disclosed in the notes.

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements

December 31, 2022

(2) NYPA and SFP Financial Information

A. Consolidated Statement of Net Position (In millions)

	NYPA	SFP	Dec 2022
Current Assets	$ 1,893	$ 70	$ 1,963
Capital assets	5,816	597	6,413
Other Noncurrent Assets	1,133	89	1,222
Total Assets	8,842	756	9,598
Deferred outflows of resources	477	0	477
Total assets and deferred outflows of resources	9,319	756	10,075
Current liabilities	1,081	10	1,091
Noncurrent liabilities	2,316	659	2,975
Total liabilities	3,397	669	4,066
Deferred inflows of resources	1,064	0	1,064
Net position	4,858	87	4,945
Total liabilities, deferred inflows of resources and net position	9,319	756	10,075

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements

December 31, 2022

B. Consolidated Statement of Revenues, Expenses and Changes in Net Position (In millions)

	NYPA	SFP	Dec 2022
Operating revenues	$ 3,969	$ 38	$ 4,007
Operating expenses:			
Purchased power	839	-	839
Fuel oil and gas	470	-	470
Transportation and delivery	1,304	-	1,304
Operations and maintenance	749	7	756
Depreciation and amortization	409	2	411
Total operating expenses	3,771	9	3,780
Operating income	198	29	227
Nonoperating revenues gains and (losses)	(12)	1	(11)
Nonoperating expenses	69	17	86
Net income	117	13	130

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements

December 31, 2022

C. Consolidated Statement of Cash Flow (In millions)

	NYPA	SFP	Dec 2022
Net cash provided by operating activities	$ 460	$ 31	$ 491
Net cash used in/provided by Capital and related financing activities	(374)	88	(286)
Net cash used in non-capital-related activities	(77)	-	(77)
Net cash used in investing activities	(287)	(80)	(367)
Net increase/ (decrease) in cash	(278)	39	(239)
Cash and cash equivalents, January 1	592	-	592
Cash and cash equivalents, December 31	314	39	353

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements

December 31, 2022

(3) Separately Financed Projects ("SFP")

Overview

"General Bond Resolution" provides for authorization to the Authority to issue separately finance project bonds through a separate bond resolution.

On December 7, 2021, the Authority adopted its "General Resolution Authorizing Transmission Project Revenue Obligations" (as amended and supplemented, the "Transmission Bond Resolution"). The Transmission Bond Resolution authorizes the issuance of Obligations to finance the costs of certain projects, facilities, systems, equipment, and/or materials related to or necessary or desirable in connection with the transmission or distribution of electric energy, whether owned or leased jointly or singly by the Authority, including any transmission capacity in which the Authority has an interest or which it has a contractual right to use, as authorized by the Act or by other applicable State statutory provisions which have been designated by Authority pursuant to a supplemental resolution as a Separately Financed Project under the General Bond Resolution and a transmission project for purposes of the Transmission Bond Resolution.

In January 2022, the Authority's Trustees authorized the issuance of tax-exempt Green Transmission Project Revenue Bonds, Series 2022A (the "Transmission Resolution Revenue Bonds") which were issued in an aggregate principal amount of approximately $608 million during April of 2022 separate and apart from the Authority's General Bond Resolution. The proceeds from the issuance of the Transmission Resolution Revenue Bonds are being used to fund a portion of capital expenditures related to the ongoing Smart Path and Central East Energy Connect ("CEEC") transmission construction projects together referred as Separately Financed Projects ("SFP"); reimburse expenses related to Transmission Resolution Revenue Bond project costs; and to pay financing and other costs relating to the issuance of the Transmission Resolution Revenue Bonds.

The Transmission Resolution Revenue Bonds are neither payable from nor secured by revenues pledged directly or indirectly under the General Bond Resolution. Owners of the Transmission Resolution Revenue Bonds will neither have any rights to nor be secured by any Authority revenues pledged to the payment of obligations issued under the General Bond Resolution. The Transmission Resolution Revenue Bonds are limited obligations of the Authority payable solely from and secured by the SFP Transmission Trust Estate pledged under the Transmission Bond Resolution. The Transmission Resolution Revenue Bond bondholders have a lien only on revenue streams generated by the assets that are funded by the bond proceeds.

Payments are received by the Authority from NYISO on account of SFP Transmission Revenues and deposited in an allocation account, established pursuant to a depository trust agreement (the "Depository Trust Agreement") by and between the Authority and a bank or trust company designated by the Authority. Amounts held in the Allocation Account constituting SFP Transmission Revenues are subject to the lien created by the Transmission Bond Resolution.

The SFP Transmission Revenues, once identified, are transferred to a Revenue account and subject to withdrawal and deposit in priority, as follows:

1. Operating Fund to cover SFP Transmission Operating Expenses expected to be payable in the succeeding calendar month less amounts held in the Operating Fund.

2. Debt Service Fund in the amount payable in the succeeding calendar month for Debt Service payable on SFP Transmission Obligations. At the time of close, the Debt Service Fund was funded with Capitalized Interest for $28 million, which covers debt service payments through May 2023. As of December 31, 2022, there is a balance of $13 million in the Debt Service Fund.

3. Operating Reserve Account to fund any shortfalls in the Operating Reserve Account. The reserve should be in the amount of 50% of the succeeding calendar year operation and maintenance budget. The balance as of December 31, 2022, was $8 million.

NEW YORK POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Consolidated Financial Statements

December 31, 2022

4. Debt Service reserve fund to fund any shortfall in accordance with the Debt Service Reserve Fund Requirement. At transaction closing, this account was funded by depositing an Assured Guaranty Municipal Corp. (AGM) insurance policy and is not funded by any SFP Transmission Revenues. AGM issued a policy in the amount of $35 million which is 125% of the average annual debt service.

5. Payment of any subordinated indebtedness, which currently there is none.

6. Capital fund for any expected capital improvements.

Any remaining values after each fund is adequately funded, per the Transmission Bond Resolution, are eligible for distribution to the NYPA General Bond Resolution pending an annual Debt Service Coverage ratio test and other required certifications. The SFP Transmission Project fees, rates, rents, charges, and surcharges must at least equal 120% of Debt Service payable in the fiscal year, net of all O&M and required payments. If such test is not met, the cash is trapped and unavailable to the NYPA General Bond Resolution bondholders. During the year no distributions were made from SFP to the Authority. Debt service coverage ratio for 2022 was 2.1.

For the sale of any additional bonds against the SFP, the Authority will conduct an additional bond test ensuring any future pledges of revenue will be adequate to cover additional debt service while at least maintaining the credit thresholds identified.

In August of 2019, FERC granted the Authority request for an Abandoned Plant Incentive for the Central East Energy Connect Project. The Authority is now able to recover 100% of its prudently incurred costs expended if the Project were abandoned for reasons beyond the Authority's control.

(4) Summary of Significant Accounting Policies

(a) *Basis of Reporting*

The operations of the Power Authority and its subsidiary the Canal Corporation, a blended component unit, are presented as an enterprise fund following the accrual basis of accounting in order to recognize the flow of economic resources. Accordingly, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. The accounts and transactions of the Canal Corporation are included in the consolidated financial statements and notes to the Consolidated Financial Statements. All significant transactions between the Power Authority and the Canal Corporation have been eliminated. The Power Authority and the Canal Corporation are referred to collectively as the "Authority" in the consolidated financial statements, except where noted.

The Authority complies with applicable pronouncements of the Governmental Accounting Standards Board ("GASB"). In accordance with Governmental Accounting Standards Board Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB, and AICPA Pronouncements, (GASB Statement No. 62) the Authority applies all authoritative pronouncements applicable to nongovernmental entities (i.e., Accounting Standards Codification ("ASC") of the Financial Accounting Standards Board) that do not conflict with GASB pronouncements.

(b) *Regulatory Accounting*

The Power Authority's Board of Trustees has broad rate setting authority for its power sales agreements with customers. The sale of transmission service over the Power Authority's facilities is provided pursuant to New York Independent System Operator ("NYISO") tariffs and under contracts that pre-dated existence of the NYISO. The Power Authority files its transmission system revenue requirement with the Federal Energy Regulatory Commission ("FERC") for inclusion in the NYISO's open access tariff.

The Authority accounts for its regulated operations under the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989, FASB and AICPA Pronouncements*, paragraphs 476-500. These provisions recognize the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulated entities. Accordingly, the Authority records these future economic benefits and obligations as regulatory assets and regulatory liabilities, respectively. Regulatory assets represent probable future revenues associated with previously incurred costs that are expected to be recovered from customers. Regulatory liabilities represent amounts that are collected from customers through the ratemaking process associated with costs to be incurred in future periods. Based on the action of the Board of Trustees, the Authority believes the future collection of the costs held over through regulatory assets is probable. For regulatory assets see Note 4(m) "Summary of Accounting Polices – Other Long-Term Assets" of the notes to the consolidated financial statements.

(c) *Estimates*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) *Capital Assets*

Capital assets are recorded at original cost and consist of amounts expended for labor, materials, services and indirect costs to license, construct, acquire, complete and place in operation the projects of the Authority. Interest on amounts borrowed to finance construction of the Authority's projects charged to the project prior to completion is recorded as a regulatory asset. The costs of current repairs are charged to operating expense, and betterments are capitalized. The cost of capital assets retired less salvage is charged to accumulated depreciation. Depreciation of capital assets is generally provided on a straight-line basis over the estimated lives of the various classes of capital assets.

The related depreciation provisions at December 31, 2022, expressed as a percentage of average depreciable capital assets on an annual basis are:

	Average depreciation rate 2022
Type of plant:	
Production:	
Hydro	2.4%
Gas turbine/combined cycle	2.2
Transmission	1.8
General	4.3
Canal system	4.0
	2.9%

The Power Authority conducted a depreciation study on their asset base. The study looked at the historical details such as additions, retirements, cost of removal and salvage values. With the combination of the statistical and accrual analysis along with engineering expertise, a new depreciation and "cost of removal" rate was determined by asset class. The rates for Transmission and General assets, approved by FERC, as well as Hydro assets were adopted in 2022.

(e) *Asset Retirement and Cost of Removal Obligations*

The Authority has recorded a liability at fair value to recognize legal obligations for asset retirements in the period incurred and to capitalize the cost by increasing the carrying amount of the related long-lived asset. The Authority determined that it had legal liabilities for the retirement of certain Small Clean Power Plants ("SCPPs") in New York City and, accordingly, has recorded a liability for the retirement of these assets. In connection with these legal obligations, the Authority has also recognized a liability for the remediation of certain contaminated soils discovered during the construction process. The Authority records asset retirement obligations in accordance with GASB Statement No. 83 (GASB No. 83), *Accounting for Certain Asset Retirement Obligations*.

The Authority also applies GASB Statement No. 49 ("GASB No. 49") *Accounting and Financial Reporting for Pollution Remediation Obligations,* to asset retirement obligations involving pollution remediation obligations, which upon the occurrence of any one of five obligating events as stated in GASB No. 49, requires an entity to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

In addition to asset retirement obligations, the Authority has other cost of removal obligations that are being collected from customers and accounted for under the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre*

November 30, 1989, FASB and AICPA Pronouncements, paragraphs 476-500. These cost of removal obligations are reflected in deferred inflows of resources in the statement of net position.

Asset retirement obligations (ARO) amounts included in deferred outflows and cost of removal obligation amounts included in deferred inflows are as follows:

	ARO amounts	Cost of removal obligation
	(In millions)	
Balance – December 31, 2021	$ 17	$ 402
Other Expense	1	(1)
Balance – December 31, 2022	$ 18	$ 401

(f) *Long-Lived Assets*

The Authority applies GASB Statement No. 42 (“GASB No. 42”), *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which states that asset impairments are generally recognized only when the service utility of an asset is reduced or physically impaired. There were no material impairments during 2022.

GASB No. 42 states that asset impairment is a significant, unexpected decline in the service utility of a capital asset. The service utility of a capital asset is the usable capacity that at acquisition was expected to be used to provide service, as distinguished from the level of utilization which is the portion of the usable capacity currently being used. Decreases in utilization and existence of or increases in surplus capacity that are not associated with a decline in service utility are not considered to be impairments.

(g) *Leases*

During 2022, the Authority adopted GASB Statement No. 87 (“GASB No. 87”), Leases. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The Authority was required to recognize a lease liability and an intangible right-to-use lease asset for certain of its leases that were reported as operating and capital leases under the previous accounting standards. Refer Note 15 and Note 17(e) on Leases for the impact on Authority’s financial statements.

(h) *Cash, Cash Equivalents, and Investments*

Cash includes cash and cash equivalents and short-term investments with maturities, when purchased, of three months or less. The Authority accounts for investments at their fair value. Fair value is determined using quoted market prices. Investment income includes changes in the fair value of these investments. Realized and unrealized gains and losses on investments are recognized as investment income in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

(i) *Derivative Instruments*

The Authority uses financial derivative instruments to manage the impact of energy and capacity price, fuel cost changes, non-energy commodities and interest rate when applicable, on its earnings and cash flows. The Authority recognizes the fair value of all financial derivative instruments as either an asset or liability on its consolidated statement of net position with the offsetting gains or losses recognized in earnings or deferred charges. The Authority applies GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which establishes accounting and reporting requirements for derivative instruments (see note 10 "Risk Management and Hedging Activities" of the notes to the consolidated financial statements).

(j) *Accounts Receivable*

Accounts receivables are classified as current assets and are reported net of an allowance for uncollectible amounts.

(k) *Materials and Supply Inventory*

Material and supplies, net of any obsolete/slow moving inventory provisions, are valued at weighted average cost and are charged to expense during the period in which the material or supplies are used.

(l) *Debt Refinancing Charges*

Debt refinancing charges, representing the difference between the reacquisition price and the net carrying value of the debt refinanced, are amortized using the interest method over the life of the new debt or the old debt, whichever is shorter, in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding's of Debt Reported by Proprietary Activities.* See Note 8 "Long-Term and Short-Term Debt" of the notes to the consolidated financial statements.

(m) *Other Long-Term Assets*

Other long-term assets at December 31, 2022, consist of the following:

	December 31, 2022 (In millions)
Other long-term assets:	
Regulatory assets (a):	
Allowance for funds used during construction(b)	$ 89
Other regulatory assets	39
Total regulatory assets	128
Energy efficiency program costs (c)	286
Other long-term receivables	130
Transmission line interconnection costs	184
Other postemployment employee benefits	142
Lease receivable	49
Other	43
Total other long-term assets	$ 962

(a) Regulatory assets reflect previously incurred costs that are expected to be recovered from customers through the ratemaking process.

(b) The Authority adopted GASB Statement No. 89 in 2021 and recorded Allowance for funds used during construction

(c) Energy efficiency program costs will be recovered from certain customers through the terms of contracts.

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(n) *Compensated Absences*

The Authority accrues the cost of unused sick leave which is payable upon the retirement of its employees. The Authority has accrued $60 million and $7 million in other non-current liabilities and in current liabilities at December 31, 2022, respectively, on the statement of net position. The current year's cost is accounted for as a current operating expense in the consolidated statement of revenues, expenses, and changes in net position.

(o) *Net Position*

Net Position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows and is classified into three components:

a. Net investment in capital assets – This consists of capital assets, net of depreciation reduced by related outstanding debt and accounts. This indicates that these assets are not accessible for other purposes.

b. Restricted – This represents restricted assets reduced by related liabilities and deferred inflows of resources that are not accessible for general use because their use is subject to restrictions enforceable by third parties.

c. Unrestricted – This represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the components noted above and that are available for general use.

(p) *Operating Revenues*

The customers served by the Power Authority and the rates paid by such customers vary with the Power Authority's facilities designated to serve such loads. These customers are served under contracts and tariffs approved by the Trustees.

The principal operating revenues are generated from the sale, transmission, and transportation and delivery of power. Revenues are recorded when power is delivered, or service is provided. Customers' meters are read, and bills are rendered, monthly. Transportation and delivery of power charges are for costs the Authority incurred for the transmission and/or delivery of power and energy to customers over transmission lines owned by other utilities. Sales to the Power Authority's five largest customers operating in the State accounted for approximately 42% of the Authority's operating revenues in 2022.

In addition to contractual sales to customers, the Power Authority also sells power into an electricity market operated by the New York Independent System Operator ("NYISO"). These sales are affected by market prices and are not subject to rate regulation by the Power Authority's Trustees.

New York Independent System Operator ("NYISO")

The Power Authority is a member and a customer of the NYISO. The NYISO schedules the use of the bulk transmission system in the State, which normally includes all the Power Authority's transmission facilities, and collects ancillary services, losses, and congestion fees from customers. In addition, the Power Authority schedules power from its generating facilities in conjunction with the NYISO. The NYISO coordinates the reliable dispatch of power and operates a market for the sale of electricity and ancillary services within the State.

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Based upon the Power Authority's scheduled customer power needs and available electricity generated by the Power Authority's operating assets, the Authority buys and sells energy in an electricity market operated by the NYISO. A significant amount of the Power Authority's energy and capacity revenues result from sales of the Power Authority's generation into the NYISO market. A significant amount of the Power Authority's operating expenses consists of various NYISO purchased power charges in combination with generation related fuel expenses.

(q) *Operating Expenses*

The Authority's operating expenses include fuel, operations and maintenance including wages and benefits, depreciation, purchased power costs, and other expenses related to the sale of power. Energy costs are charged to expense as incurred.

Purchased power costs include capacity, energy and ancillary service purchases made in the wholesale market on behalf of its customers (except for those made through previously approved purchased power agreements). Transportation and delivery expenses are based on contractual and/or tariff rates of the service provider and are recovered through pass-through provisions in customer contracts.

Right-to-use lease assets and leasehold improvements recognized on account of implementation of GASB No. 87 are being amortized over the lesser of the life of the assets or the term of the lease, using the straight-line method.

(r) *Pension Plans*

The Authority is a cost-sharing employer that participates in the New York State and Local Employees' Retirement System ("NYSLERS"), which is a cost-sharing multiple-employer plan in which the participating government employers pool their assets and their obligations to provide defined benefit pensions. The plan assets of this type of plan can be used to pay the pensions of the retirees of any participating employer. The amounts reported by the Authority for its proportionate share of the net pension liability, pension expense and deferred outflows and deferred inflows have been provided by the New York State and Local Employees' Retirement System to employers participating in the NYSLERS in accordance with Statement No. 68, *Accounting and Financial Reporting for Pensions,* and have been determined on the same basis as reported by the NYSLERS. See Note 12 "Pension Plans" of the notes to the consolidated financial statements.

(s) *Postemployment Benefits Other Than Pensions (OPEB)*

The Power Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer noncontributory (except for certain optional life insurance coverage) health care plan (Authority OPEB Plan). The Power Authority has an established trust for its OPEB obligations (OPEB Trust) that is separate from the Power Authority and is held by an independent custodian for the exclusive benefit of the OPEB Trust beneficiaries and not of the Power Authority. The ownership of the OPEB Trust assets is held by the independent custodian at all times and the OPEB Trust assets are not considered funds or assets of the Power Authority for any purpose. All the OPEB Trust assets are irrevocably dedicated to, and are used for the exclusive purpose of, making payments of benefits to or for the benefit of the Power Authority OPEB Plan beneficiaries and for paying administrative expenses of the Power Authority OPEB Plan and the OPEB Trust and will not be available to any creditors of the Power Authority. The OPEB Trust does not issue a stand-alone financial report and its financial statements are reported as a fiduciary fund in the Authority's financial report.

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The Canal Corporation provides health care and death benefit for eligible retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Canal Corporation. The Canal Corporation participates, pursuant to the provision of Section 163(4) of the New York State Civil Service Law, in the New York State health Insurance Program (NYSHIP). NYSHIP does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

The Authority's net OPEB liability was measured as of June 30, 2022. Actuarial valuations are performed every two years. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Trust and additions to/deductions from OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the Authority OPEB Plan as of the same measurement date. For this purpose, the Authority OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

(t) *Accounting Pronouncements*

GASB issued GASB Statement No. 87 ("GASB No. 87"), *Leases*, which was effective for fiscal years beginning after June 15, 2021, prior to issuance of GASB Statement No.95("GASB No. 95"). GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority adopted GASB No. 87 at January 1, 2022 and recognized a lease liability and an intangible right-to-use lease asset for certain of its leases that were reported as operating and capital leases under the previous accounting standards (Refer to Note 17(e)). The agreement with AEII was initially considered as a lease for substantial part of the year. During the latter part of the year, the arrangement with AEII no longer met the definition of a lease under accounting rule GASB No. 87. Refer to Note 15 to the Consolidated Financial Statements for financial impact of AEII on Authority's Consolidated Financial Statements.

GASB issued GASB Statement No. 91 ("GASB No. 91"), *Conduit Debt Obligations*, which was effective for reporting periods beginning after December 15, 2020, however, the effective date has been postponed to 2022 for the Authority due to the issuance of GASB No. 95. GASB No. 91 provides a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement clarifies the definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improves required note disclosures. The Authority has not issued any debt that would be classified as conduit debt.

GASB issued GASB Statement No.92 ("GASB No. 92"), *Omnibus 2020*, which originally had an effective date for reporting periods beginning after June 15, 2020. This effective date was postponed to periods beginning after June 15, 2021, due to the issuance of GASB No.95. GASB No.92 establishes accounting and financial reporting requirements for specific issues related to

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leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The Authority believes that the impact of GASB No.92 on its consolidated financial statements was not material.

GASB issued GASB Statement No. 93 ("GASB No. 93") *Replacement of Interbank Offered Rates*, which originally had an effective date for reporting periods beginning after June 15, 2020. This effective date was postponed to periods beginning after June 15, 2021, due to the issuance of GASB No.95. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist by June 30, 2023 prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 objective is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The Authority has evaluated the impact on GASB No. 93 and reflected them appropriately in its consolidated financial statements.

GASB Issued GASB Statement No. 96 ("GASB No. 96"), *Subscription-Based Information Technology Arrangements*, which is effective for reporting periods beginning after June 15, 2022. GASB No.96 requires recognition of certain subscription assets and liabilities for Subscription-based information Technology Arrangements (SBITA) which were previously either capitalized or expensed. It establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Authority is evaluating the impact of GASB No.96 on its consolidated financial statements.

GASB Issued GASB Statement No.99 ("GASB No. 99"), Omnibus 2022, which is effective for reporting periods beginning after June 15, 2023. The primary objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The Authority will adopt and appropriately reflect provisions of GASB No. 99 on its consolidated financial statements.

GASB Issued GASB Statement No. 100 ("GASB No. 100"), Accounting Changes and Error Corrections, which is effective for reporting periods beginning after June 15, 2023. The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Authority will adopt and appropriately reflect provisions of GASB No. 100 on its consolidated financial statements

GASB Issued GASB Statement No. 101 ("GASB No. 101"), Compensated Absences, which is effective for reporting periods beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Authority will adopt and appropriately reflect provisions of GASB No. 101 on its consolidated financial statements.

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(5) Authority's Bond Resolutions and Related Matters

On February 24, 1998, the Authority adopted its "General Resolution Authorizing Revenue Obligations" (as amended and supplemented, the "General Bond Resolution"). The General Bond Resolution covers all of the Authority's projects, which it defines as any project, facility, system, equipment or material related to or necessary or desirable in connection with the generation, production, transportation, transmission, distribution, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest authorized by the Act or by other applicable State statutory provisions, provided, however, that the term "Project" shall not include any Separately Financed Project as that term is defined in the General Bond Resolution. The Authority has covenanted with bondholders under the General Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefore (including the anticipated receipt of proceeds of sale of Obligations, as defined in the General Bond Resolution, issued under the General Bond Resolution or other bonds, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued under the General Bond Resolution in anticipation of such receipt, but not including any anticipated or actual proceeds from the sale of any Project), to meet the financial requirements of the General Bond Resolution. Revenues of the Authority (after deductions for operating expenses and reserves, including reserves for working capital, operating expenses, or compliance purposes) are applied first to the payment of, or accumulation as a reserve for payment of, interest on and the principal or redemption price of Obligations issued under the General Bond Resolution and the payment of Parity Debt issued under the General Bond Resolution.

The General Bond Resolution also provides for withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the retirement of Obligations issued under the General Bond Resolution, from amounts in the Operating Fund in excess of the operating expenses, debt service on Obligations and Parity Debt issued under the General Bond Resolution, and subordinated debt service requirements.

Collateral **-** Under the Authority's General Bond Resolution, a Trust Estate was created and pledged for the payment of the principal and redemption price of, and interest on, the Authority's Obligations issued under the General Bond Resolution, and, on a parity basis, other Parity Debt as defined in the General Bond Resolution. The Authority's subordinated debt, including the Commercial Paper Notes, loans issued under the 2019 Revolving Credit Agreement and 2020 Hybrid Credit Agreement described below, the Extendible Municipal Commercial Paper Notes, the Subordinated 2012 Notes and Subordinated 2017 Notes, are not Obligations under the General Bond Resolution but share a subordinated lien in the Trust Estate. The Trust Estate means, collectively: (i) all Revenues (as defined in the General Bond Resolution, which excludes revenues from Separately Financed Projects) of the Authority; (ii) the proceeds of the sale of Obligations until expended for the purposes authorized in the supplemental resolution authorizing the issuance of such Obligations; (iii) all funds, accounts and subaccounts established by the General Bond Resolution, including investment earnings thereon; and (iv) all funds, moneys, and securities and any and all other rights and interests in property, whether tangible or intangible, conveyed as and for additional security pursuant to the General Bond Resolution by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee.

Events of Default/Termination **-** Pursuant to the General Bond Resolution, upon an Event of Default so long as such Event of Default shall not have been remedied, either the Trustee or the owners of 25% in principal amount of the Obligations then outstanding may declare the principal and accrued interest on all Obligations due and payable immediately.

Under the 2019 Revolving Credit Agreement ("2019 RCA") supporting the Authority's Commercial Paper Series 1, Series 2 and Series 3A, in the case of an Event of Default (as defined in the 2019 RCA), the lenders holding 66 2/3% of the commitments thereunder will be able to: terminate their commitments; direct the Authority to cease issuing Commercial Paper Notes; and declare the principal and accrued interest on obligations under the 2019 Revolving Credit Agreement due and immediately payable.

Under the 2020 Revolving Credit Agreement and 2020 Note Purchase Agreement (together, the "2020 Hybrid Credit Agreement") supporting the Authority's Commercial Paper Notes Series 3B and 4 and/or Direct Purchase Note(s), in the case of an Event of Default (as defined in the 2020 Hybrid Credit Agreement), the sole lender under the 2020 Hybrid Credit Agreement holding 100% of the commitment thereunder will be able to: terminate their commitment; direct the Authority to cease issuing Commercial Paper Notes; and declare the principal and accrued interest on obligations under the 2020 Hybrid Credit Agreement due and immediately payable. There were no events of default during 2022.

Transmission Bond Resolution Related Matters (SFP)

Collateral - Under the Authority's Transmission Bond Resolution, a Trust Estate was created and pledged for the payment of the principal and redemption price of, and interest on, the Authority's Obligations issued under the Transmission Bond Resolution, and on a parity basis, other Parity Debt as defined in the Transmission Bond Resolution. The Trust Estate means, collectively: (i) all Revenues associated with the projects being funded by Transmission Resolution Revenue Bonds; (ii) the proceeds of the sale of Obligations until expended for the purposes authorized in the supplemental resolution authorizing the issuance of such Obligations; (iii) all funds, accounts and subaccounts established by the Transmission Bond Resolution, including investment earnings thereon; and (iv) all funds, moneys, and securities and any and all other rights and interests in property, whether tangible or intangible, conveyed as and for additional security pursuant to the Transmission Bond Resolution by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee.

(6) Cash and Investments

Investment of the Authority's funds is administered in accordance with the applicable provisions of the General Bond Resolution and the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law.

Investment of the Authority's Separately Financed Project ("SFP") funds is administered in accordance with the applicable provisions of the Transmission Bond Resolution.

(a) *Investment Credit Risk*

The Authority's investments under the General Bond Resolution and Guidelines for the Investment of Funds are restricted to (a) authorized collateralized certificates of deposit, Certificate of Deposit Account Registry Service ("CDARS") program or similar FDIC-insured, reciprocal products, time deposits and money market funds(money market funds shall not exceed 40% of the Authority's invested funds and no more than $50 million invested in any one fund), (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies, (e) Repurchase and reverse repurchase agreements ("Repurchase Agreements"), including "gestation" repurchase agreements of treasury or agency-backed collateral with a physical trust certificate from a FINRA-licensed broker dealer, and (f) Guaranteed Investment

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Contracts or GIC Funds issued by creditworthy insurance companies and collateralized by issuer's general or separate account assets, with no more than $50 million invested in any one contract or fund. The Authority's investments in the senior debt securities of Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) Federal Agricultural Mortgage Corporation (FAMC) and Federal Home Loan Mortgage Corporation (FHLMC) were rated Aaa by Moody's Investors Services (Moody's), AAA by Fitch Ratings (Fitch) and AA+ by Standard & Poor's (S&P).

Permitted investments under Transmission Bond Resolution are similar to those investment types stated for the Authority.

(b) *Interest Rate Risk*

Securities that are the subject of repurchase agreements or reverse repurchase agreements must have a market value at least equal to the cost of the investment. The agreements are limited to a maximum fixed term of 30 days and may not exceed $250 million and $50 million with any one dealer or bank. Monies will not be invested for terms in excess of the projected use of funds. As of December 31, 2022, the Authority had $25 million invested in repurchase agreements.

Provisions as applicable to the Authority apply to SFP for interest rate risk coverage.

(c) *Concentration of Investment Credit Risk*

There is no limit on the amount that the Authority may invest in any one issuer; however, investments in authorized certificates of deposit shall not exceed 25% of the Authority's invested funds and shall not exceed $25 million from any one bank. At December 31, 2022, the Authority's total investment portfolio of $1,107 million, consists of investments of $10 million (1%), $168 million (15%), $437 million (39%) $73 million (7%), $290 million (26%) and $129 million (12%) in securities of FNMA, FHLMC, FHLB, GNMA, U.S. government and other various municipal debt securities, respectively.

At December 31, 2022, the SFP's total investment portfolio of $83 million, consists of investments of $72 million (87%), $11 million (13%), in securities of FHLB, and U.S. Treasury bills, respectively.

(d) *Cash and Cash Equivalents*

All investments are held by designated custodians in the name of the Authority. The bank balances at December 31, 2022, was $86 million which were uninsured but were collateralized by assets held by the bank in the name of the Authority. In addition, the Authority had $25 million invested in a Repurchase Agreement and $203 million invested in money market funds.

The SFP-related bank balances at December 31, 2022, was $9 million which were uninsured but were collateralized by assets held by the bank in the name of the Authority. In addition, the Authority had $30 million invested in money market funds.

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Cash and Investments of the Authority at December 31, 2022 are as follows:

December 31, 2022	Total	Restricted	Capital fund	Unrestricted
		(In millions)		
Cash and investments:				
Cash and cash equivalents	$ 314	$ 8	$ $ 34	$ 272
U.S. government:				
U.S. Treasury bills	91	14	74	3
U.S. Treasury notes	199	—	50	149
	290	14	124	152
Other debt securities:				
FNMA	10	—	—	10
FHLMC	168	—	—	168
FHLB	437	—	50	387
GNMA	73	—	—	73
All other	129	—	—	129
	817	—	50	767
Total investments	1,107	14	174	919
Total cash and investments	$ 1,421	$ 22	$ 208	$ 1,191
Summary of maturities (years):				
0 – 1	$ 828	$ 22	$ 208	$ 598
1 – 5	465	—	—	465
5 – 10	9	—	—	9
10+	119	—	—	119
	$ 1,421	$ 22	$ $ 208	$ 1,191

As of December 31, 2022, restricted funds include the Petroleum Overcharge Restitution (POCR) fund ($14 million) and ConnectALL Fund ($8 million).

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Investments (SFP)

December 31, 2022	Total	Capital Fund	Unrestricted
	(In millions)		
Cash and investments:			
Cash and cash equivalents	$ 39	$ 15	24
U.S. government:			
U.S. Treasury bills	11	—	11
	11	—	11
Other debt securities:			
FHLB	72	72	—
	72	72	—
Total investments	83	72	11
Total cash and investments	$ 122	$ 87	35
Summary of maturities (years):			
0 – 1	$ 122	$ 87	35
1 – 5	—	—	—
5 – 10	—	—	—
10+	—	—	—
	$ 122	$ 87	35

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(7) Capital Assets

The following schedule summarizes the capital assets activity of the Authority for the year ended December 31, 2022.

	Beginning balance	Additions	Retirements/ Transfers	Ending balance
	(In millions)			
Capital assets, not being depreciated:				
Land	$ 193	$ —	$ —	$ 193
Construction in progress	786	770	(722)	834
Total capital assets not being depreciated	979	770	(722)	1,027
Capital assets, being depreciated:				
Production – Hydro	2,427	22	—	2,449
Production – Gas turbine/combined cycle	2,398	8	(1,155)	1,251
Transmission	2,915	304	(504)	2,715
General	1,514	143	(4)	1,653
Canal System	919	58	—	977
Total capital assets being depreciated	10,173	535	(1,663)	9,045
Less accumulated depreciation for:				
Production – Hydro	971	59	—	1,030
Production – Gas turbine/combined cycle	1,468	32	(607)	893
Transmission	1,407	54	(48)	1,413
General	545	77	(13)	609
Canal System	273	38	—	311
Total accumulated depreciation	4,664	260	(668)	4,256
Net value of capital assets, being depreciated	5,509	275	(995)	4,789
Net value of all capital assets	$ 6,488	$ 1,045	$ (1,717)	$ 5,816

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Capital Assets (SFP)

Capital Assets comprises of Construction Work in progress of $180 million for Central East Energy Connect ($166 million) and Smart Path ($14 million) Project and transmission assets in service of $417 million for Smart Path project.

(8) Long-Term and Short-Term Debt

	Amount 2022 (In millions)	Interest rate (a)	Maturity		Earliest redemption date prior to maturity
Senior debt:					
Revenue Bonds (Tax-Exempt)					
Series 2020A Revenue Bonds:					
Term Bonds	1,121	3.25% to 4.00%	11/15/2045 - 2060	**	5/15/2030
Revenue Bonds (Taxable):*					
Series 2003A Revenue Bonds:					
Term Bonds	117	5.649% to 5.749%	11/15/2023 - 2033	**	Any date
Series 2007B Revenue Bonds:					
Term Bonds	210	5.905% to 5.985%	11/15/2037 - 2043	**	Any date
Series 2020B Revenue Bonds:					
Term Bonds	114	2.818%	11/15/2039	**	Any date
	1,562	-	-		-
Plus unamortized premium and discount	62	-	-		-
Long-term senior debt	1,624	-	-		-
Less due in one year	—	-	-		-
Long-term senior debt, net of due in one year	$ 1,624	-	-		-

(a) interest rate at issuance
* All outstanding taxable term bonds are subject to Make-Whole Call provisions.
** Bonds are subject to sinking fund provisions.

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Interest on Series 2003A, 2007B and 2020B Revenue Bonds and Subordinated Notes, Series 2012 and Subordinated Notes, Series 2017 is not excluded from gross income for bondholders' Federal income tax purposes.

	Amount 2022 (In millions)	Interest rate (a)	Maturity	redemption date prior to maturity
Subordinate debt*:				
Subordinated Notes, Series 2017	$ 20	3.46% to 4.27%	2027 to 2041**	N/A
Subordinated Notes, Series 2012	18	2.70% to 4.05%	2023 to 2037	N/A
	38			
Less due within one year	2			
	36			
Total Long-term debt	1,662			
Less due within one year	2			
Long-term debt, net of due in one year	$ 1,660			

*All outstanding Subordinated Notes are taxable
** Bonds are subject to sinking fund provisions
(a) Interest rate at issuance

The Revenue Bonds outstanding at December 31, 2022, have an average interest rate of 4.25% and mature through 2060.

As indicated in Note 5 "Authority's Bond Resolutions and Related Matters" of the notes to the consolidated financial statements, the Authority has pledged future revenues to service the Obligations and Parity Debt (Revenue Bonds) issued under the General Bond Resolution. The total principal and interest remaining to be paid on the Revenue Bonds is $3 billion as of December 31, 2022. Principal and interest paid for 2022 are $69 million.

Revenue Bonds are subject to redemption prior to maturity in whole or in part as provided in the supplemental resolutions authorizing the issuance of each series of bonds, beginning for each series on the date indicated in the table above, at principal amount or at various redemption prices according to the date of redemption, together with accrued interest to the redemption date.

Capitalized Interest

On issuance of the Series 2020A bonds the Authority raised $114 million for interest payments related to these bonds. These interest payments are capitalized against specific assets under construction funded utilizing the bond offerings. The Authority has capitalized interest corresponding to projects with construction in progress, $54 million capitalized in the current year, and the balance to be capitalized by 2023.

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Long-Term Debt (Separately Financed Projects)

	Amount 2022 (In millions)	Interest rate (a)	Maturity	Earliest redemption date prior to maturity
Series 2022A Transmission Revenue Bonds				
Serial Bonds	337	4.00% to 5.00%	11/15/2024 to 11/15/2042	11/15/31
Term Bonds	271	3.875% to 4.00%	11/15/2047 to 11/15/2061*	11/15/31
Principal amount outstanding	608			
Add: Unamortized premium and discount	51			
	659			
Less due within one year	—			
	659			

(a) interest rates at issuance
* Bonds are subject to sinking fund provisions

The Transmission Resolution Revenue Bonds outstanding at December 31, 2022, have an average interest rate of 4.28% and maturity through 2061. As indicated in "Transmission Bond Resolution Related Matters", the Authority has pledged future revenues generated by the assets that are funded by the bond proceeds to service the Obligations issued under the Transmission Bond Resolution. The total principal and interest remaining to be paid on the Transmission Resolution Revenue Bonds is $1 billion as of December 31, 2022. On issuance of the Series 2022A Transmission Resolution Revenue Bonds the Authority raised $28 million for interest payments related to these bonds. For 2022, Interest expense was $18 million.

Maturities and Interest Expense:	Long-Term Debt (In millions)		
	Principal	Interest	Total
Years ending December 31:			
2023	$ —	$ 26	$ 26
2024	16	27	43
2025	20	26	46
2026	23	25	48
2027– 2031	90	108	198
2032 – 2036	87	87	174
2037 – 2041	85	67	152
2042 – 2046	81	51	132
2047 - 2051	76	35	111
2052 - 2056	69	20	89
2057 - 2061	61	7	68
	608	479	1,087
Plus unamortized bond premium	51	—	51
Total	$ 659	$ 479	$ 1,138

Subordinate Debt:

Subordinate Notes – In 2016, the Authority's Trustees authorized the issuance of Subordinated Notes, Series 2017 (Subordinated Notes, Series 2017) and in 2012, the Authority's Trustees authorized the issuance of Subordinated Notes, Series 2012 (Subordinated Notes, Series 2012), in a principal amount not to exceed $30 million for each note for the purpose of accelerating the funding for the State Parks Greenway Fund, which was established pursuant to the Niagara Relicensing Settlement entered into by the Authority and the New York State Office of Parks, Recreation & Historic Preservation in connection with the Niagara Project's relicensing. The Authority issued the Subordinated Notes, Series 2017 on February 24, 2017, in the amount of $25.2 million and the Subordinated Notes, Series 2012 on December 18, 2012, in the amount of $25 million. These Subordinated Notes, Series 2017 and Series 2012 are subordinate to the Revenue Bonds Series 2003A, the Series 2007B, and the Series 2020A and 2020B.

Commercial Paper – Under the Extendible Municipal Commercial Paper ("EMCP") Note Resolution, adopted December 17, 2002, and as subsequently amended and restated, the Authority may issue a series of notes, designated EMCP Notes, Series 1, maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of $200 million ("EMCP" Notes). The Authority has the option to extend the maturity of the EMCP Notes and would exercise such right in the event there is a failed remarketing. This option serves as a substitute for a liquidity facility for the EMCP Notes. There are no outstanding notes under the EMCP program as of December 31, 2022.

Under the provisions of the Second Amended and Restated Resolution Authorizing Commercial Paper Notes, adopted by the Authority on March 30, 2021, and the Certificate of Determination dated June 28, 2022, the Authority may issue from time to time a separate series of notes ("CP Notes") maturing not more than 270 days from the date of issue, up to a maximum amount outstanding at any time of $225 million (Series 1 CP Notes), $275 million (Series 2 CP Notes), $450 million (Series 3A ($300 million) & 3B ($150 million) CP Notes), and Series 4 (which currently has zero allocation). There were no Series 1 and Series 4 CP Notes outstanding as of December 31, 2022. It had been and shall be the intent of the Authority to use the proceeds of the Series 1, certain Series 2, and Series 3A and 3B CP Notes to finance the Authority's current and future energy efficiency programs and for other corporate purposes.

The Authority has a line of credit under a 2019 Revolving Credit Agreement (the "2019 RCA"), with a syndicate of banks, to provide liquidity support for the Series 1, Series 2, and Series 3A CP Notes, under which the Authority may borrow up to $700 million in aggregate principal amount outstanding at any time for certain purposes, including the repayment of the Series 1, Series 2, and Series 3A CP Notes. The 2019 RCA was extended by amendment for a three-year period to January 12, 2026. As of December 31, 2022, there were no outstanding borrowings under the 2019 RCA.

The Authority has a Revolving Credit Agreement (the "2020 RCA") and Note Purchase Agreement (the "Note Purchase Agreement") effective April 22, 2020, each between the Authority, and a single bank as Administrative Agent and sole lender thereunder (collectively the "Hybrid Credit Agreement"). The Authority is able to borrow up to $250 million in aggregate principal amount outstanding at any time under the Hybrid Credit Agreement. The Authority is able to borrow amounts under the 2020 RCA for the repayment of the Series 3B and Series 4 CP Notes. Under the Note Purchase Agreement, the Authority may issue Direct Purchase Notes to the lender thereunder or request the issuance of Letters of Credit, subject to a sublimit of up to $150 million. As of December 31, 2022, the Authority had no outstanding amount under its Hybrid Credit Agreement. The Authority and JPMorgan have executed an amendment to extend the Hybrid Credit Agreements for an additional three-year period. The Revolving Credit Agreement and Note Purchase Agreement expire on April 10, 2026.

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As of December 31, 2022, the Authority had no outstanding balance on account of Direct Purchase Note under its Note Purchase Agreement connected to its Hybrid Credit Agreements.

The CP Notes, EMCP Notes, and the Direct Purchase Note are subordinate to the Revenue Bonds Series 2003A, the Series 2007B, the Series 2020A and 2020B.

Currently, interest on the Series 3A and 3B CP Notes is subject to taxation for Federal income tax purposes.

CP Notes (short-term portion) outstanding were as follows:

	December 31, 2022	
Authorized	**Allocated**	**Outstanding**
	(In millions)	
CP Notes (Series 1)	$ 225	$ —
CP Notes (Series 2)	275	110
CP Notes (Series 3A)	300	39
CP Notes (Series 3B)	150	30
CP Notes (Series 4)	—	—

The changes in short-term debt are as follows:

	Beginning balance	Increases	Decreases	Ending balance
	(In millions)			
Year:				
2022	$ 605	274	700	$ 179

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Maturities and Interest Expense:	**Long-Term Debt** (In millions)		
	Principal	**Interest**	**Total**
Years ending December 31:			
2023	$ 2	$ 68	$ 70
2024	17	68	85
2025	17	67	84
2026	18	66	84
2027	19	65	84
2028– 2032	114	308	422
2033 – 2037	150	274	424
2038 – 2042	221	237	458
2043 – 2047	263	185	448
2048 - 2052	298	128	426
2053 - 2057	299	68	367
2058 - 2062	182	14	196
	1,600	1,548	3,148
Plus unamortized bond premium	62	—	62
Total	$ 1,662	$ 1,548	$ 3,210

Debt Service coverage (“DSCR”)

The Authority calculates debt service coverage ratio based on EBIDA as explained in the EBIDA section in Management’s Discussion and Analysis (“MD&A”). All debt related principal and interest payments are included for coverage.

Interest of $53 million was funded by the issuance of 2020 and 2022A bonds.

DSCR for the Authority’s General Bond Resolution for 2022 was 9.2x excluding Separately Financed Project (“SFP”).

For the SFP related Transmission Bond Resolution, DSCR is 2.1 for 2022.

Terms by Which Interest Rates Change for Variable Rate Debt

Commercial Paper Notes

The Authority determines the rate for each rate period which is the minimum rate necessary to remarket the notes at par in the Dealer’s opinion.

If the Authority exercises its option to extend the maturity of the EMCP Notes, the reset rate will be the higher of (SIFMA + E) or F, where SIFMA is the Securities Industry and Financial Markets Association Municipal Swap Index, which is calculated weekly, and where “E” and “F” are fixed percentage rates expressed in basis points (each basis point being 1/100 of one percent) and yields, respectively, that are determined based on the Authority’s debt ratings subject to a cap rate of 12%. As of December 31, 2022, the reset rate would have been 7%.

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(9) Changes in Noncurrent Liabilities

Changes in the Authority's noncurrent liabilities for the year ended December 31, 2022, are comprised of the following:

	Beginning balance	Additions	Maturities/ refundings and other (In millions)	Ending balance	Due within one year
Senior debt:					
Revenue bonds	$ 1,562	$ —	$ —	$ 1,562	$ —
Subtotal	1,562	—	—	1,562	—
Subordinate debt:					
Subordinated Notes, Series 2017	21	—	1	20	1
Subordinated Notes, Series 2012	18	—	—	18	1
Commercial paper	—	—	—	—	—
Subtotal	39	—	1	38	2
Net unamortized discounts/ premiums and deferred losses	64	—	2	62	—
Total debt, net of unamortized premiums/ discounts/ deferred losses	$ 1,665	$ —	$ 3	$ 1,662	$ —
Other noncurrent liabilities:					
Capitalized lease obligation	926	—	926	—	—
Disposal of nuclear fuel	229	4	—	233	—
Relicensing	250	2	27	225	—
Other	222	26	50	$ 198	$ —
Total other noncurrent liabilities	$ 1,627	$ 32	$ 1,003	$ 656	$ —
Total Non Current	3,292	32	1,006	2,318	
Separate Revenue Bond (SFP)					
Transmission Resolution Revenue I	—	608	—	608	—
Subtotal	—	608	—	608	—
Net unamortized premium	—	52	1	51	—
Total debt, net of		660	1	659	

(10) Risk Management and Hedging Activities

Overview

The Authority deploys a robust risk management program spanning its enterprise and operational risk profile. Using a well-defined governance process, the escalation of risks and the corresponding risk informed decisions to accept, mitigate, transfer, or avoid risks are consistent with the execution of its strategic vision. For example, the transfer of risk is typically executed through the purchase of insurance coverage for its operations, and in certain instances, is self-insured. Property insurance protects the various real and personal property owned by the Authority and the property of others while in its care, custody, and control for which it may be held liable. Liability insurance protects the Authority from third-party liability related to its operations,

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including general liability, automobile, aircraft, marine and its officers and directors. Cyber liability insurance protects the Authority against first and third-party losses. The Authority self-insures a certain amount of its general liability coverage, the physical damage claims for its owned and leased vehicles and for portions of its medical, dental and workers' compensation insurance programs. The Authority pursues subrogation claims as appropriate against any entities that cause damage to its property.

Another aspect of the Authority's risk management program is to manage risk and volatility on its earnings and cash flows associated with electric energy prices, fuel prices, electric capacity prices and certain non-energy commodity prices. Through its participation in the NYISO and other commodity markets, the Authority is subject to electric energy price, fuel price, electric capacity price and certain non-energy commodity price risks that impact revenue and purchased power streams of its facilities and customer market areas. Such volatility can potentially have adverse effects on the Authority's financial condition. To mitigate potential adverse effects and to moderate cost impacts to its customers (many of the Authority's customer contracts provide for the complete or partial pass-through of these costs), the Authority manages market risks by utilizing financial derivative instruments and/or physical forward contracts. These instruments are transacted by the Authority to mitigate the volatility in the cost of energy or related products needed to meet customer needs; the risk related to the price of energy and related products sold by the Authority; the risk related to margins (electric sales versus fuel use) where the Authority owns generation or other capacity; and to mitigate geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location. Commodities to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity, congestion costs associated with the transmission of electricity and non-energy commodities.

To achieve the Authority's risk management program objectives, the Authority's Trustees have authorized the use of various derivative instruments for hedging purposes that are considered derivatives under GASB No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB No. 53).

The fair values of all Authority derivative instruments, as defined by GASB No. 53, are reported in current and noncurrent assets or liabilities on the consolidated statement of net position as risk management activities. For designated hedging derivative instruments, changes in the fair values are deferred and classified as deferred outflows or inflows on the consolidated statement of net position. The fair value for over the counter and exchange-traded energy, fuel, capacity, and non-energy commodity derivative instruments are determined by using the prices published by Standard & Poor's Global Platt's ("Platts"), market sources and/or internal pricing models.

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Derivative Instruments

The following table shows the fair value of outstanding derivative instruments for 2022:

Derivative instrument description	Fair value balance December 31, 2021	Net change in fair value	Fair value balance December 31, 2022	Type of hedge or transaction	Financial statement classification for changes in fair value	Notional amount December 31, 2022	Unit of Measure
	($ in millions)						
Energy swaps/futures (sales)	$ (77)	$ (28)	$ (105)	Cash Flow	Deferred outflow	(7,745,790)	MWh
Energy swaps (purchases)	—	(1)	(1)	Cash Flow	Deferred outflow	93,670	MWh
Energy capacity futures	(9)	(6)	(15)	Cash Flow	Deferred outflow	(6,843,000)	KWm
Fuel Fowards/Swaps	—	(1)	(1)	Cash Flow	Deferred outflow	421,600	MMBTU
Non-Energy Commodity Swaps	—	5	5	Cash Flow	Deferred inflow	(45,000)	MT
Non-Energy Options	—	22	22	Cash Flow	Deferred inflow	(60,600)	MT
Totals	$ (86)	$ (9)	$ (95)				

Energy swaps and futures –The Authority sells energy swaps and futures to manage the revenue stream from forecasted merchant hydro generation. Net settlement payments were $219 million in 2022.

Energy capacity futures – The Authority sells forward installed capacity futures intended to mitigate the volatility of market prices for transactions in the NYISO markets. Net settlement payments were $9 million in 2022.

Fuel futures/swaps –The Authority has outstanding natural gas forward contracts paired with outstanding electrical energy forward contracts, intended to mitigate the volatility of market prices by securing the margins of certain electrical generating facilities. There were no net settlement payments made in 2022.

Non-energy commodities swaps – During 2022, the Authority sold certain non-energy commodities swaps to mitigate volatilities of specific commodity market prices effecting electric rates in certain customers' energy supply contracts. Net settlement Receipts were $10 million in 2022.

Non-energy commodities options– During 2022, the Authority bought certain non-energy options to mitigate volatilities of specific commodity market prices effecting revenues received from certain customers' energy supply contracts. Premium payments were $20 million during 2022. Net settlement Receipts were $1 million in 2022.

Other – Over the lifetime of each outstanding energy derivative instrument certain derivative instruments may become ineffective due to changes in the hedged item. The change in fair market value of such derivative instruments would be recognized as other nonoperating charges or credits in the statements of revenues, expenses, and changes in net position. In 2022, derivative instruments were determined to be effective.

Counterparty Credit Risk

The Authority imposes thresholds, based upon agency-published credit ratings and/or analysis, for unsecured credit that can be extended to counterparties to the Authority's commodity derivative transactions. The thresholds are established in bilateral credit support agreements with counterparties and require collateralization of mark-to-market values in excess of the thresholds. In addition, the Authority regularly monitors each counterparty's market-implied credit ratings, and the Authority may restrict transactions with counterparties on the basis of that monitoring, even if the applicable unsecured credit threshold is not exceeded.

Based upon the fair values as of December 31, 2022, the Authority's individual or aggregate exposure to derivative instrument counterparty credit risk is not significant.

Other Considerations

The Authority from time to time may be exposed to any of the following risks:

Basis risk – The Authority is exposed to basis risk in a portion of its electrical commodity-based swaps where the electrical commodity swap payments received are based upon a reference price in a NYISO Market Zone that differs from the Zone in which the hedged electric energy load is forecasted. If the correlation between these Zones' prices should change, the Authority may be exposed as a result of the inability of the electrical commodity swaps to offset the delivery price of the related energy.

Termination risk – The Authority or its counterparties may terminate a derivative instrument agreement if either party fails to perform under the terms of the agreement. The risk that such termination may occur at a time which may be disadvantageous to the Authority has been mitigated by including certain terms in these agreements by which the counterparty has the right to terminate only as a result of certain events, which includes a payment default by the Authority; other Authority defaults which remain uncured within a defined time-frame after notice; bankruptcy or insolvency of the Authority (or similar events); or a downgrade of the Authority's credit rating below investment grade. If at the time of termination, the Authority has a liability position related to its hedging derivative instruments, the Authority would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Market access risk – The Authority remarkets its CP Notes on a continuous basis. Should the market experience a disruption or dislocation, the Authority may be unable to remarket its Notes for a period of time. To mitigate this risk, the Authority has entered into liquidity facilities with highly rated banks to provide loans to support the CP Note programs. See Note 8 "Long-Term and Short-Term Debt" of the notes to the consolidated financial statements.

Dodd Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (DF Act) which was enacted into law addresses, among other things, interest rate and energy related commodity swap transactions of the type in which the Authority engages. The requirements and processes are set forth in regulations promulgated by the Commodities Futures Trading Commission (CFTC). Pursuant to CFTC rules, the Authority, has policies authorizing the use of financial derivatives solely to manage its risk, and in certain instances, the risk of its customers, is exempted from posting collateral beyond that of any existing credit support annexes in support of its open over-the-counter hedge positions. These CFTC rules are not anticipated to have significant impact on the Authority's liquidity and/or future risk mitigation activities. CFTC DF Act rules are continually reviewed for updates and the Authority will continue to monitor their potential impact on the Authority's liquidity and/or future risk mitigation activities.

(11) Fair Value Measurements

GASB Statement No. 72 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad Levels (Levels 1, 2, and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3. A financial instrument's level within the fair value hierarchy (where Level 1 is the highest and Level 3 is the lowest) is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the fair value hierarchy is based upon pricing transparency and is not necessarily an indication of the Authority's perceived risk of that financial instrument.

The following describes the fair value hierarchy of inputs used by the Authority to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 – quoted prices for identical assets or liabilities in active markets that the Authority can access at the measurement date.
- Level 2 – quoted prices other than quoted prices included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and may rely on inputs using the best available data under the circumstances, including the Authority's own data.

The following describes the valuation methodologies used by the Authority for assets and liabilities measured at fair value:

- U.S. government obligations – The fair value is based on institutional bond quotes and evaluations based on various market data/inputs.
- U.S. government agencies and instrumentalities – The fair value of government agencies and instrumentalities are based on institutional bond quotes and evaluations based on various market and industry inputs.
- Corporate obligations – The fair value is based on institutional bond quotes and evaluations on various market and industry inputs.
- Derivative instruments – The Authority hedges market risks through the use of derivative instruments. Derivative instruments are traded on both exchange-based and non-exchange-based markets. A detail disclosure on derivatives is included in Note 10 "Risk Management and Hedging Activities" of notes to the consolidated financial statements.
    - The fair values for over the counter and/or exchange-traded derivative instruments are determined by the latest end-of-trading-month forward prices over the lifetime of each outstanding derivative instrument using prices published by Platts, market sources and/or internal pricing models.

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The following tables summarize the Authority's outstanding assets and liabilities, of which there are no Level 3, within the fair value hierarchy at December 31, 2022:

	Fair Value Measurements (in millions)			
December 31, 2022	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 314	$ 314	$ -	$ -
Treasury bills	91	91	-	-
Treasury notes	199	199	-	-
Federal Agency securities:				
FNMA	10	-	10	-
FHLMC	168	-	168	-
FHLB	437	47	390	-
GNMA	73	-	73	-
Municipal Bonds	26	-	26	-
All other	103	-	103	-
Total cash and investments at fair value	1,421	651	770	-
Derivative instruments:(a)				
Energy swaps/futures	107	-	107	-
Energy capacity futures	15	-	15	-
Total derivative assets at fair value	122	-	122	-
Total assets at fair value	$ 1,543	$ 651	$ 892	$ -
Liabilities				
Derivative instruments:(a)				
Non-Energy swaps/options	13	-	13	-
Total derivative liabilties at fair value	13	-	13	-
Total liabilities at fair value	$ 13	$ -	$ 13	$ -

(a)The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At December 31, 2022, the Authority determined that nonperformance risk would have no material impact on the financial position or results of operations.

Fair Value Measurements (SFP)

	Fair Value Measurements (in millions)			
December 31, 2022	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$ 39	$ 39	$ -	$ -
Treasury bills	11	11	-	-
Federal Agency securities:				
FHLB	72	-	72	-
Total cash and investments at fair value	122	50	72	-

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(12) Pension Plans

General Information

The Authority and substantially all of the Authority's employees participate in the New York State and Local Employees' Retirement System (NYSLERS) and the Public Employees' Group Life Insurance Plan (the Plan). These are cost-sharing multiple-employer defined benefit retirement plans.

The NYSLERS uses a tier concept to distinguish membership classes (i.e., tiers 1 through 6) with tier membership based on the date an employee joins the System. The ERS is non-contributory for tiers 1 and 2 employees who joined the NYSLERS on or prior to July 27, 1976. Tiers 3 and 4 employees, who joined the NYSLERS between July 28, 1976, and December 31, 2009, and have less than ten years of service, contribute 3% of their salary. Tier 5 employees who joined the NYSLERS on or after January 1, 2010, contribute 3% of their salary during their entire length of service. Tier 6 employees who joined the NYSLERS on or after April 1, 2012, contribute 3% of their salary through March 31, 2013, and up to 6% thereafter, based on their annual salary, during their entire length of service. Members become vested in the plan after five years of service and generally are eligible to receive benefits at age 55. The benefit is generally 1.67% of final average salary (FAS) times the number of years of service, for members who retire with less than 20 years of service, and 2% of FAS for members who retire with 20 or more years of service. The NYSLERS provides an annual automatic cost of living adjustment to members or surviving spouses based on certain eligibility criteria.

The NYSLERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLERS and the Plan. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the NYSLERS and the Plan, and for the custody and control of their funds. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The Authority is required to contribute at an actuarially determined rate. The average contribution rate relative to payroll for the NYSLERS fiscal year ended March 31, 2022, was 16%. The average contribution rates relative to payroll for the NYSLERS fiscal years ending March 31, 2023, and 2024 have been set at approximately 12% and 13%, respectively. The required contributions for 2022 was $27 million. The Authority's contributions to the NYSLERS were equal to 100% of the required contributions for each year.

The NYSLERS and the Plan issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244 or may be found on the internet at www.osc.state.ny.us/retire/publications/index.php.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Authority reported an asset of $68 million for its proportionate share of the net pension asset within other long-term assets. The NYSLERS total pension liability, which was used to calculate the NYSLERS net pension asset, was measured by NYSLERS as of March 31, 2022 (measurement date). The Authority's proportion of the net pension asset was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension asset was 0.731% as of March 31, 2022. The Canal Corporation's proportionate share was 0.099% at March 31, 2022.

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For the year ended December 31, 2022, the Authority recognized pension expense of $4 million. At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
	(In millions)	
Difference between expected and actual experience	$ 5	$ 7
Net difference between projected and actual earnings on investments	–	222
Change of assumptions	113	2
Difference between employer contributions and proportionate share of contributions	7	3
Employer contributions subsequent to the measurement date	27	–
Total	$ 152	$ 234

The $27 million reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase in net pension asset in the year ended December 31, 2023. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a credit to pension expense as follows (in millions):

Year ending December 31,	(In millions)
2023	$ (16)
2024	(25)
2025	(57)
2026	(11)
Total	$ (109)

Actuarial Assumptions

The NYSLERS total pension liability at March 31, 2022, was determined by using the NYSLERS actuarial valuation as of April 1, 2021, with updated procedures to roll forward the NYSLERS total pension liability to March 31, 2022. The following actuarial assumptions were used for the April 1, 2021, NYSLERS actuarial valuation:

Actuarial cost method:	Entry age normal
Inflation rate:	2.7%
Salary increases:	4.4% annually
Investment rate of return:	5.9% compounded annually, net of investment
Cost of living adjustments:	1.4 % annually

The NYSLERS Annuitant mortality rates are based on April 1, 2015 – March 31, 2020, NYSLERS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

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Long-Term Expect Rate of Return

The NYSLERS long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Target Allocation	Long-term Expected Real Rate
Domestic Equity	32%	3.30%
International Equity	15	5.85
Private Equity	10	6.50
Real Estate	9	5.00
Credit	4	3.78
Opportunistic/ARS Portfolio	3	4.10
Real Asset	3	5.80
Fixed Income	23	0.00
Cash	1	(1.00)
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the NYSLERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9 percent, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.9 percent) or one percentage point higher (6.9 percent) than the current rate:

	1% Decrease	Current Assumption	1% Increase
Discount rate	4.9%	5.9%	6.9%
The Authority's proportionate share of the net pension liability (asset)	$ 175 million	$ (68) million	$(270) million

The NYSLERS actuary has not recommended any future changes to the actuarial assumptions used in the NYSLERS August 2022 actuarial valuation report.

(13) Postemployment Benefits Other Than Pensions, Deferred Compensation and Savings

The Power Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer noncontributory (except for certain optional life insurance coverage) health care plan (Power Authority OPEB Plan). Employees and/or their dependents become eligible for these benefits when the employee has achieved 55 years of age and has at least 10 years of service and retires or dies while working at the Power Authority. Salaried employees hired after December 31, 2015, and IBEW employees hired after October 15, 2015, become eligible after 15 years of service. In addition, they will be required to contribute 50% of the active plan contribution.

The Power Authority has an established trust for OPEB obligations ("OPEB Trust"), with the trust to be held by an independent custodian. Plan members are not required to contribute to the OPEB Trust. The OPEB Trust is set-up to pay for the exclusive benefit of the OPEB Trust plan participants. The funding of the Power Authority's OPEB Trust is at the discretion of management. Changes to the Power Authority OPEB Plan or OPEB Trust agreement are approved by the Board of Trustees. The Power Authority made contributions on a pay-as you go basis in 2022 and did not contribute any amount beyond these contributions to the OPEB Trust.

The Canal Corporation provides health care and death benefits for eligible retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Canal Corporation. The Canal Corporation participates, pursuant to the provision of Section 163(4) of the New York State Civil Service Law, in the New York State Health Insurance Program ("NYSHIP"). NYSHIP does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. To be eligible an employee must (1) retire as a member of Canal Corporation or be at least 55 years old at time of termination; (2) be enrolled in the NYSHIP on date of retirement; and (3) complete at least 5 years of service for the retiree and dependent to have coverage while the employee is living. Ten years of service are needed for continued dependent coverage upon death of the employee. The Plan currently pays a portion of the medical premium cost for retired employees and covered dependents. Additionally, the Plan reimburses retirees and covered dependents for their Medicare Part B premiums.

Amendment to the Authority's OPEB Trust – Effective January 2021, the Authority's Trustees approved an amendment to the Power Authority's OPEB Trust allowing the trust to be used to pay benefits for both the Power Authority's OPEB Plan and the Canal Retiree Health Plan.

As of the June 30, 2022, measurement date (using December 31, 2021, census information), the following current and former employees were covered by the benefit terms, under the Power Authority Plan. It is assumed that 100% of future retirees who meet the eligibility requirements will participate in the Power Authority OPEB plan.

Active employees	1,964
Inactive employees and beneficiaries, receiving and or entitled to benefits	2,755
Total	4,719

As of the June 30, 2022, measurement date (using census information as of May 1, 2022), the following current and former employees were covered by the benefit terms, under the Canal Retiree Health Plan. It is assumed that 100% of future retirees who meet the eligibility requirements will participate in the OPEB plan.

Active employees, including opt-out (actives not in medical plan)	423
Inactive employees and beneficiaries, receiving and or entitled to benefits	661
Total	1,084

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the Authority recognized OPEB expense credit of $(19) million. At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In millions)	
Differences between expected and actual experience	$ 8	$ 4
Changes in assumptions	8	176
Net differences between projected & actual investment	155	80
Employer contributions subsequent to the measurement date	14	–
Total	$ 185	$ 260

The $14 million reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. The remaining $89 million reported as net inflows of resources related to OPEB will be recognized as a credit in OPEB expense as follows:

Year ending December 31,	(In millions)
2023	$ (38)
2024	(31)
2025	(20)
2026	5
2027	(5)
	$ (89)

Net OPEB Liability

The Authority's net OPEB liability (asset) was measured as of June 30, 2022, based on valuation results as of December 31, 2021, for the Power Authority's plan and May 1, 2022, for the Canal plan, projected to the measurement date on a no gain/loss basis. The Authority's net OPEB asset of $74 million is recorded in other noncurrent assets in the Authority's consolidated statement of net position.

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The following table shows the components of the Authority's changes in its total OPEB liability, the OPEB fiduciary net position, and the net OPEB (asset) during the measurement period ending June 30, 2022.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset)
	Increase (Decrease) (In millions)		
Balance – beginning of year	$ 614	$ 785	$ (171)
Service Cost	14	–	14
Interest	43	–	43
Change of Benefit Terms	4	–	4
Differences between expected and actual experience	8	–	8
Changes of Assumptions	(42)	–	(42)
Contributions – employer	–	32	(32)
Net investment income	–	(93)	93
Benefit payments	(32)	(32)	–
Administrative expense	–	(9)	9
Net changes	(5)	102	97
Balance – end of year	$ 609	$ 683	$ (74)

The components of the net OPEB asset at June 30, 2022, were as follows (in millions):

Total OPEB liability	$ 609
Plan fiduciary net position	(683)
Net OPEB (Asset)	$ (74)
Plan fiduciary net position as a percentage of the total OPEB liability	112%

Actuarial Assumptions

The total OPEB liability in the June 30, 2022, measurement was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return:	7.00%
Healthcare Cost Trend Rates:	Pre-Medicare Medical – 6.50 percent for 2022, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2030 and later years. Post-Medicare Medical – 5.50 percent for 2022, decreasing to an ultimate rate of 4.50 percent for 2030. Prescription drugs (Rx) – 7.50 percent for 2022, decreasing to an ultimate rate of 4.50 percent for 2030. Medicare Advantage – 4.0 percent for gross costs, 3.0 percent for Medicare

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	reimbursements, reimbursement assumed to cover a minimum of 85 percent of gross costs
Salary increases:	Varies by service, average of 8.80 percent for first year of service, 4.95 percent for 5 years of service, 4.18 percent for 10 years of service, 3.63 percent for 15 years of service, and 3.30 percent for 20 years or more of service.
Mortality:	The General Pub-2010 headcount weighted tables were used for active employees and healthy retirees and dependents, while the corresponding Contingent Survivor mortality tables were used for surviving spouses and the corresponding Disabled Retiree mortality tables were used for disabled participants. To project mortality improvement for years after 2010, the MP-2021 Projection Scale is applied on a fully generational basis to the base rates.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	32 %	7.0 %
International Equity	18	6.9
Fixed Income	11	4.6
Real Estate & Infrastructure	13	7.0
Private Equity	15	10.1
Private Debt	10	9.1
Cash	1	3.4
Total	100 %	

Rate of Return

For the Power Authority OPEB Plan year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative (12) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to calculate the total OPEB liability was 7%, the long-term rate of return on the OPEB Trust assets. The projection of cash flows used to determine the discount rate assumed that the Authority will contribute at a rate equal to the average of contributions made over the most recent five-year period (2017 through 2022), and that contributions apply first to service cost of current and future plan members and then to past service costs. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees for the foreseeable future.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

Changes in the discount rate affect the measurement of the total OPEB liability. The following table depicts the Authority's Net OPEB liability / (asset), as well as the sensitivity of using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB Liability / (Asset)	$ 7 million	$ (74) million	$ (141) million

Sensitivity of the Net OPEB Liability / (Asset) to Changes in the Healthcare Cost Trend Rates

Changes in the healthcare cost trends affect the measurement of the total OPEB liability. The table below shows the sensitivity of the net OPEB liability / (asset) to the changes in the healthcare cost trends:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability / (Asset)	$ (143) million	$ (74) million	$ 12 million

Deferred Compensation and Savings Plans

The Power Authority offers union employees and salaried employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. This plan permits participants to defer a portion of their salaries until future years. Amounts deferred under the plan are not available to employees or beneficiaries until termination, retirement, death or unforeseeable emergency.

The Power Authority also offers salaried employees a savings plan created in accordance with Internal Revenue Code, Section 401(k). This plan also permits participants to defer a portion of their salaries. The Power Authority matches contributions of employees up to limits specified in the plan. Matching annual contributions was $5 million for 2022.

Both the deferred compensation plan and the savings plan have a loan feature.

Independent trustees are responsible for the administration of the 457 and 401(k) plan assets under the direction of a committee of union representatives and nonunion employees and a committee of nonunion employees, respectively. Various investment options are offered to employees in each plan. Employees are responsible for making the investment decisions relating to their savings plans.

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(14) Nuclear Plant Divestiture and Related Matters

On November 21, 2000, the Power Authority sold the James A. Fitzpatrick nuclear plant (JAF) and the Indian Point 3 nuclear plant (IP3) to two subsidiaries of Entergy Corporation (collectively, Entergy or the Entergy Subsidiaries). On March 31, 2017, Entergy transferred JAF to Exelon Generation Company, LLC (Exelon).

In accordance with the Nuclear Waste Policy Act of 1982, in June 1983, the Power Authority entered into a contract with the U.S. Department of Energy (DOE) under which DOE, commencing not later than January 31, 1998, would accept and dispose of spent nuclear fuel. In conjunction with the sale of the nuclear plants, the Power Authority's contract with the DOE was assigned to Entergy. Entergy assigned the portion of the pre-1983 spent fuel obligation applicable to JAF to Exelon in connection with the sale of JAF to Exelon. The Power Authority remains liable for the pre-1983 spent fuel obligation to Exelon for JAF and to Entergy for IP3 which as of December 31, 2022, was $233 million.

(15) Power Purchase Agreements ("PPA's")

The Authority does not have any PPA's that have a fixed charge provision or fixed cost. As and when such PPA's are executed, they will be reflected in the Notes to the Authority's Consolidated Financial Statements.

In 2008, the Authority entered a long-term power supply contract with Astoria Energy II LLC for the purchase of all the output of AEII, a 550-MW plant, which entered commercial operation on July 1, 2011, in Astoria, Queens. The delivery period under the contract is through 2031. At the same time, the Authority entered a separate contract with its' New York City Governmental Customers, which is coterminous with the power purchase agreement with Astoria Energy II LLC, to sell the output of AEII. All net costs of the Authority under the power purchase agreement with Astoria Energy II LLC are billed monthly to the New York City Governmental Customers. An equal amount of revenue is recognized during the period related to reimbursements from the New York City Governmental Customers.

The agreement with AEII was initially considered as a lease for substantial part of the year. During the latter part of the year, the arrangement with AEII no longer met the definition of a lease under accounting rule GASB No. 87; as a result, AEII, previously recorded as a lease asset and liability, is not reflected as asset and liability on the Authority's financials as of December 31, 2022.

(16) Purchased Power cost

The Authority purchased power for $839 million in 2022 in the open market, the entire cost was passed through to its customers. Power purchased in the open market is a function of customer demand and, as such, varies month to month. The Authority is under no obligation to purchase power unless customer demands require such purchases in which case the entire cost is recovered. No purchase was done under any Power Purchase Agreement. See Note 15 above for any Power Purchase agreement ("PPA") prospectively.

(17) Commitments and Contingencies

a) Power Programs

Recharge New York Power Program

Chapter 60 (Part CC) of the Laws of 2011 (Chapter 60) established the "Recharge New York Power Program" ("RNYPP"), administered by the Authority, which has as its central benefit up to 910 MW of low-cost power comprised of up to 455 MW of hydropower from the Niagara and St. Lawrence-FDR Projects and up to 455 MW of other power procured by the Authority from other sources. The 910 MW of power is available for allocation as provided by Chapter 60 to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years. RNYPP was effective beginning July 1, 2012.

The hydropower used for the RNYPP was power formerly used to provide low-cost electricity to domestic and rural customers of the three private utilities that serve upstate New York. To mitigate the impacts from the redeployment of this hydropower for the RNYPP, Chapter 60 created a "Residential Consumer Discount Program" (RCDP). The RCDP authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of $100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, $70 million for the fourth year, $50 million for the fifth year, and $30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had formerly received the hydropower that is utilized in the RNYPP. Chapter 60 further authorizes the Authority, as deemed feasible and advisable by the Trustees, to use revenues from the sales of hydroelectric power, and such other funds of the Authority, as deemed feasible and advisable by the Trustees, to fund the RCDP. The Authority's Trustees have authorized the release of a total $654 million for the period from August 2011 to December 2022 in support of the RCDP. The Authority supplemented the market revenues through the use of internal funds, from the August 2011 start of the program through December 31, 2022, totaling approximately $31 million. Operations and maintenance expenses included $30 million of residential consumer discounts for the year ended December 31, 2022.

Western New York Power Proceeds Allocation Act

Effective March 30, 2012, Chapter 58 (Part GG) of the Laws of 2012 (Chapter 58) created the Western New York Power Proceeds Act (WNYPPA). The WNYPPA authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit net earnings from the sale of unallocated Expansion Power and Replacement Power from the Authority's Niagara project into an account administered by the Authority known as the Western New York Economic Development Fund (WNYED Fund). Net earnings are defined as any excess revenues earned from such power sold into the wholesale market over the revenues that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Proceeds from the Fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara power project that satisfy applicable criteria. Chapter 58 also establishes a five-member Western New York Power Allocations Board, which is appointed by the Governor. Chapter 58 also repealed Chapter 436 of the Laws of 2010 which had created a similar program that could not be effectively implemented.

The Authority's Trustees have approved the release of up to $66 million in net earnings calculated for the period August 30, 2010, through December 31, 2021, as provided in the legislation, for deposit into the WNYED Fund. As of December 31, 2021, $47 million has been deposited into the Fund. The Authority has approved awards of Fund money totaling approximately $40 million to businesses that have proposed eligible projects and has made payments totaling approximately $36 million to such businesses. Payment of these awards is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

An additional $37 million of net earnings for the period Jan 1, 2022, through December 31, 2022, that we expect Trustees to release and deposit in 2023.

Northern New York Power Proceeds Allocation Act

Chapter 545 of the Laws of 2014 enacted the "Northern New York Power Proceeds Act" (NNYPPA). The NNYPPA authorizes the Authority, as deemed feasible and advisable by the Trustees, to deposit "net earnings" from the sale of unallocated St. Lawrence County Economic Development Power (SLCEDP) by the Authority in the wholesale energy market into an account the Authority would administer known as the Northern New York Economic Development Fund (NNYED Fund), and to make awards to eligible applicants that propose eligible projects that satisfy applicable criteria. The NNYPPA also establishes a five-member Northern New York Power Allocations Board appointed by the Governor to review applications seeking NNY Fund benefits and to make recommendations to the Authority concerning benefits awards.

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SLCEDP consists of up to 20 MW of hydropower from the Authority's St. Lawrence-FDR Power Project which the Authority has made available for sale to the Town of Massena Electric Department ("MED") for MED to sub-allocate for economic development purposes in accordance with a contract between the parties entered into in 2012 (Authority-MED Contract). The NNYPPA defines "net earnings" as the aggregate excess of revenues received by the Authority from the sale of energy associated with SLCEDP by the Authority in the wholesale energy market over what revenues would have been received had such energy been sold to MED on a firm basis under the terms of the Authority-MED contract. For the first 5 years after enactment, the amount of SLCEDP the Authority could use to generate net earnings may not exceed the lesser of 20 MW or the amount of SLCEDP that has not been allocated by the Authority pursuant to the Authority-MED contract. Thereafter, the amount of SLCEDP that the Authority could use for such purpose may not exceed the lesser of 10 MW or the amount of SLCEDP that has not been allocated.

As of December 31, 2022, the Authority's Trustees approved the release of funds, of up to $19 million, into the NNYED Fund representing "net earnings" from the sale of unallocated SLCEDP into the wholesale energy market for the period December 29, 2014, through December 31, 2022. As of December 31, 2022, approximately $8 million has been deposited into the Fund. As of December 31, 2022, the Authority has approved awards of NNYED Fund money totaling approximately $2 million to businesses that have proposed eligible projects has made payments totaling approximately $1 million to such businesses. Payment of approved awards of the NNYED Fund money is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

Economic Development Customer Assistance Program ("EDCAP")

Based on economic conditions at the time, the Authority's Trustees in May of 2022 approved a measure to temporarily suspend the Annual Adjustment Factor ("AAF") applicable under certain Authority power sale tariffs that would otherwise be applied to energy and demand rates annually on July 1st, for a period of one year from July 1, 2022, through June 30, 2023. The AAF, whether it represents an increase or decrease, is normally applied to program base rates annually on July 1st in accordance with the applicable tariffs. This measure is intended to provide financial relief to customers in the Authority's Economic Development Power Programs (Recharge New York, Western New York Expansion Power & Replacement Power and Preservation Power programs) that are subject to the AAF.

On December 9, 2020, the Authority's Trustees had authorized a Temporary Power Assistance ("TPA") initiative to make available for sale to Authority customers receiving power under the RNY, Expansion Power, Replacement Power and Preservation Power programs (collectively, EDP Programs) supplemental power increases as part of a TPA initiative. The supplemental power was sold pursuant to the rates and other terms and conditions provided for in the customer's contract, provided that the total amount of supplemental power made available under each EDP Program would not exceed in aggregate 230 megawatts of unallocated EDP Program power and would remain subject to statutory allocation limits. Sales of supplemental power under TPA have not been authorized beyond January 31, 2024. As of December 31, 2022, 224 customers had applied for this program. The revenue earned through the EDCAP initiative was $40 million for the year ended December 31, 2022.

b) Governmental Customers in the New York City Metropolitan Area

In 2018, the Authority executed new supplemental long-term electricity supply agreements (Supplemental LTAs) with its eleven NYC Governmental Customers, including the Metropolitan Transportation Authority, the City of New York, the Port Authority of New York and New Jersey (Port Authority), the New York City Housing Authority, and the New York State Office of General Services. Under the Supplemental LTAs, the NYC Governmental Customers agreed to purchase their electricity from the Authority through December 31, 2027, with the NYC Governmental Customers having the right to (1) terminate at any time upon at least 12 months' notice or (2) terminate effective December 31, 2022, upon at least 6 months' notice. Under the

Supplemental LTAs, fixed costs were set for each customer and are subject to renegotiation in 2022. Variable costs, including fuel, purchased power and NYISO related costs, will be billed to each customer by an energy charge adjustment.

The Authority's other Southeastern New York (SENY) Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the "Westchester Governmental Customers"). The Authority has entered a supplemental electricity supply agreement with all 103 Westchester Governmental Customers. Among other things, under the agreement, an energy charge adjustment mechanism is applicable, and customers are allowed to partially terminate service from the Authority on at least two months' notice prior to the start of the NYISO capability periods. Full termination is allowed on at least one year's notice, effective no sooner than January 1 following the one-year notice.

HTP Transmission Line

In 2011 the Trustees authorized Authority staff to enter into an agreement with Hudson Transmission Partners, LLC ("HTP") for the purchase of capacity to meet the long-term requirements of the Authority's NYC Governmental Customers and to improve the transmission infrastructure serving New York City through the transmission rights associated with HTP's transmission line (the "Line") extending from Bergen County, New Jersey in the PJM Interconnection, LLC (PJM) transmission system, to Consolidated Edison Company of New York, Inc.'s ("Con Edison") West 49th Street substation. Specifically, the Authority executed a Firm Transmission Capacity Purchase Agreement (FTCPA) with HTP under which the Authority gained the entitlement to 75% of the Line's 660 MW capacity, or 495 MW, for 20 years. On March 31, 2017, the Authority and HTP amended the FTCPA to, among other changes, (a) create a mechanism for HTP to relinquish its Firm Transmission Withdrawal Rights ("FTWRs") as discussed below and (b) increase the Authority's portion of the Line's capacity to 87.12%, or 575 MW, at a monthly capacity charge rate that represents a decrease in the unit price (on a $/MW-month basis) paid to HTP in the original FTCPA.

The Authority's payment obligations under the FTCPA include capacity payments, interconnection and transmission upgrades, and Regional Transmission Expansion Plan ("RTEP") charges allocated to HTP in accordance with the PJM tariff. Interconnection and transmission upgrades were completed in 2018 at a total cost to the Authority of $335 million. The RTEP charges imposed upon HTP, which are still subject to legal challenge, are discussed in more detail below.

It is estimated that the revenues derived from the Authority's rights under the FTCPA will not be sufficient to fully cover the Authority's costs under the FTCPA during the 20-year term of the FTCPA. In December 2022, the Authority estimated that its under-recovery of costs for the Line could be in the range of approximately $85 million to $98 million per year over the period from 2023-2026. The under-recovery estimates were based on projections of the capacity payment obligations, the costs of interconnection and transmission upgrades and energy revenues.

The Authority's obligations under the FTCPA include payment of the RTEP charges allocated to HTP. From June 2013 through December 2022, the Authority has paid approximately $153 million in RTEP charges for the Line. Effective 2018, HTP relinquished the FTWRs held by HTP on the Line that were the basis for a significant share of its RTEP allocations. PJM's annual RTEP cost allocation update for 2018 eliminated the Authority's obligation in 2018 and beyond to pay RTEP charges related to the Bergen Linden Corridor project, which accounted for the bulk of the projected RTEP allocations to HTP.

While PJM had determined that the Authority had no RTEP payment responsibility starting in 2018 as a result of HTP's FTWR relinquishment, in 2020, FERC reversed PJM's determination over the Authority's objections, and held that a portion of the RTEP charges assignable to the HTP facility dating back to 2018 had to be reinstated as they were unrelated to whether HTP had retained FTWRs. These reinstated RTEP charges were for projects other than the Bergen Linden Corridor project. FERC authorized PJM to begin collection for the back periods starting in August 2020. The Authority is accruing approximately $1 million per month through the term of the agreement which ends in 2033. Depending on PJM TO's Annual Revenue Requirement, the RTEP charges could trend downward during the out years. The Authority is contesting the 2020 ruling and filed its opening brief before the D.C. Circuit Court of Appeals on February 17, 2023.

c) Small Clean Power Plants

To meet capacity deficiencies and ongoing load requirements in the New York City metropolitan area in the year 2000 and later, the Authority placed into operation the Small Clean Power Plants ("SCPPs"), consisting of eleven natural-gas-fueled combustion-turbine electric units located at six sites in New York City and one site in the service region of LIPA.

As a result of the settlement of litigation relating to one SCPP site (the "Site"), the Authority has agreed under the settlement agreement to cease operations at the Site, which houses two units, under certain conditions and if the Mayor of New York City directs such cessation. No such cessation has occurred. Regarding the Site, the settlement agreement also allows an adjacent landowner to put its real property to the Authority under certain conditions. No formal put notice has been received. Also, regarding the Site, the Authority and an adjacent landowner may enter into buy, sell or other types of agreements outside the terms of the settlement agreement.

d) Legal and Related Matters

St. Regis Litigation

In 1982 and again in 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, filed lawsuits (the St. Regis litigation) against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority, and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands. These islands are within the boundary of the Authority's St. Lawrence-FDR Project and Barnhart Island is the location of significant Project facilities. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of all Mohawk plaintiffs.

The parties agreed to a land claim settlement, dated February 1, 2005, which if implemented would have included, among other things, the payment by the Authority of $2 million a year for 35 years to the tribal plaintiffs and the provision of up to 9 MW of low-cost Authority power for use on the reservation. The legislation required to effectuate the settlement was never enacted and the litigation continued.

In 2013, all claims against the Authority were dismissed and the lawsuit against the Authority was concluded. A Notice of Appeal was filed but the appeal was stayed and never perfected. On May 28, 2014, the State of New York, the St. Regis Mohawk Tribe, St. Lawrence County, and the Authority executed a Memorandum of Understanding (St. Regis MOU) that outlined a framework for the possible settlement of all the St. Regis land claims. In the St. Regis MOU, the Authority endorses a negotiated settlement that, among other terms and conditions, would require the Authority to pay the Tribe $2 million a year for 35 years and provide up to 9 MW of its hydropower at preference power rates to serve the needs of the Tribe's Reservation. The St. Regis MOU would require an Act of Congress to forever extinguish all Mohawk land claims prior to such a settlement becoming effective.

Any settlement agreement, including the terms endorsed in the St. Regis MOU, would in the first instance need to be negotiated and agreed upon by all parties to the St. Regis litigation, including parties that did not execute the St. Regis MOU, such as the two other Mohawk groups, the federal government and Franklin County. In addition, before any settlement becomes effective and the Authority is obligated to make any payments contemplated by the St. Regis MOU, federal and state legislation must be enacted which approves the settlement and extinguishes all Mohawk land claims. The parties are currently in mediation and are attempting to resolve the remaining issues.

Long Island Sound Cable Project

In 2014, one of the Sound Cable Project underwater cables was severely impacted by an anchor and /or anchor chain dropped by one or more vessels, causing the entire electrical circuit to fail and the circuit to trip. As a result of the impact to the cable, dielectric fluid was released into Long Island Sound. At December 31, 2022, the consolidated statement of net position includes approximately $4 million, in other long-term assets, reflecting the cost of damages net of insurance recoveries. The Authority expects to recover the remaining balance.

Helicopter Incident Near the Authority's Transmission Lines in Beekmantown, New York

The Authority contracted with Northline Utilities, LLC ("Northline") to install fiber optic ground wire along the Authority's transmission system. Thereafter, Northline entered a contract with Catalyst Aviation, LLC ("Catalyst") for helicopter services. In 2018, a Catalyst helicopter was destroyed when it collided with a wooden utility pole and power lines near Beekmantown, New York. Members of the helicopter crew were injured, and two members of that crew died as a result of their injuries. The Authority has received two notices of claim arising out of this incident. The Authority has pursued insurance coverage under Northline's insurance policies that name the Authority as an additional insured. The Authority tendered its defense of these Notices of Claim to Northline's insurer and the insurer has accepted the Authority's tender. The Authority believes that there exists sufficient insurance coverage to cover these claims. In any event, to the extent that the insurance coverage limitations are insufficient, Northline is responsible under the defense and indemnification provisions of its contract with the Authority.

NYPA's outside counsel moved for Summary Judgment which was granted in full by the Trial Court. The plaintiffs have each appealed to the Appellate Division, Second Department. It is expected that the appeal will be heard and decided in the Fall of 2023.

Other Actions or Claims

In addition to the matters described above, other actions or claims against the Authority are pending for the taking of property in connection with its projects, for negligence, for personal injury (including asbestos-related injuries), in contract, and for environmental, employment and other matters. All such other actions or claims will, in the opinion of the Authority, be disposed of within the amounts of the Authority's insurance coverage, where applicable, or the amount which the Authority has available therefore and without any material adverse effect on the business of the Authority. While the Authority cannot presently predict the outcome of the matters described above or any related litigation, the Authority believes that it has meritorious defenses and positions with respect thereto. However, adverse decisions of a certain type in the matters discussed above could adversely affect Authority operations and revenues.

e) Leases

Lessee Arrangements

In 2022, the Authority adopted the provisions of GASB No. 87, effective January 1, 2022. As such the Authority recognized a lease obligation and a right-to-use asset for agreements whereby the Authority obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater.

As a result of the adoption of GASB Statement No. 87, the amount for the year ended December 31, 2022, reflect an increase of approximately $13 million for the recognition of the right-to-use asset included in capital assets and an increase in lease obligations on the Consolidated Statements of Net Position.

The lease obligations represent the net present value of various contracts including property leases and other leased assets. The value of the asset and the obligation is reduced each month to properly reflect the remaining net present value of the asset and obligation.

Below is a description of these lease arrangements:

(i) Property Leases

The Authority leases 13 properties throughout the New York area in order to serve its customers. These sites include its corporate offices, power facilities and warehouses. While terms vary by lease, each lease provides for a monthly lease payment subject to a fixed escalation on the anniversary date of each agreement. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources in 2022. At December 31, 2022, the right-to-use lease asset for property leases amounted to approximately $9 million, net of $1 million of accumulated amortization, with a corresponding lease liability of $7 million.

(ii) Other Leases

The Authority has four fiber optic equipment leases, as part of its operations. These agreements contain indefeasible right to use ("IRU") identified strains of fiber in a fiber optic system. The Authority is subject to collocation space Fees which include non-recurring and recurring cost components. The non-recurring cost component is the upfront cost of fiber electronic equipment purchased by the Authority. The recurring cost component is a monthly or annual payment made by the Authority to lease space where this equipment will be located. The initial term of these agreements are typically 20 years, with successive renewals of one year unless either Party, in its sole discretion, notifies the other Party in writing that it declines to renew the agreement.

None of the Authority's leases contain provisions for variable payments or residual value guarantees. Additionally, there were no payments of residual value guarantees or termination penalties reflected as outflows of resources in 2022. At December 31, 2022, the right-to-use lease asset for other leases amounted to approximately $4 million, net of $1 million of accumulated amortization, with a corresponding lease liability of $1 million.

The Authority has $8 million of principal and $1 million of interest requirements to maturity for the Authority's leases from 2023-2042.

Lessor Arrangements

The Authority receives contractually determined revenue related to six leasing agreements. While terms vary by lease, each lease provides for monthly lease receipts subject to a fixed escalation on the anniversary date of each agreement. These arrangements do not provide for any variable payments. There were no additional payments received other than the rental payments. The total amount of lease revenue and interest revenue in 2022 was $1 million and $1 million, respectively. At December 31, 2022, the lease asset receivable and the corresponding deferred inflow of resources were approximately $49 million and $47 million, respectively.

Presented below is a summary of future receipts that are included in the measurement of the lease receivable, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter:

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Year	Principal	Interest	Total
		(In millions)	
2023	$ 0	$ 1	$ 1
2024	1	1	2
2025	1	1	2
2026	2	1	3
2027	2	1	3
2028-2032	9	5	14
2033-2037	12	4	16
2038-2042	22	2	24
Total	$ 49	$ 16	$ 65

f) New York State Budget / Other Matters

Section 1011 of the Power Authority Act (Act) constitutes a pledge of the State to holders of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the holders thereof. Bills are periodically introduced into the State Legislature, which propose to limit or restrict the powers, rights, and exemption from regulation that the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated by the Authority. It is not possible to predict whether any such bills or other bills of a similar type which may be introduced in the future will be enacted.

In addition, from time to time, legislation is enacted into New York law that purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State set forth in Section 1011 of the Act to such provisions. There can be no assurance that in the case of each such provision, the Authority will be immune from the financial obligations imposed by such provision. Examples of such legislation affecting only the Authority include legislation, discussed below and elsewhere herein, relating to the Authority's voluntary contributions to the State, the Authority's temporary transfer of funds to the State, and contributions and transfers to fund temporary and permanent programs administered by the Authority and other State entities.

Budget

The Authority is requested, from time to time, to make financial contributions or transfers of funds to the State. Any such contribution or transfer of funds must (i) be authorized by law (typically, legislation enacted in connection with the State budget), and (ii) satisfy the requirements of the General Bond Resolution. The General Bond Resolution requirements to withdraw moneys "free and clear of the lien and pledge created by the (Bond) Resolution" are as follows: (1) such withdrawal must be for a "lawful corporate purpose as determined by the Authority," and (2) the Authority must determine "taking into account, among other considerations, anticipated future receipt of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed" for (a) payment of reasonable and necessary operating expenses, (b) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals, or for retirement from service, decommissioning or disposal of facilities, (c) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt, or (d) payment of interest and principal on subordinate debt.

In 2011, the Authority's Trustees adopted a policy statement (Policy Statement) which relates to, among other things, voluntary contributions, transfers, or other payments to the State by the Authority after that date. The Policy Statement provides, among other things, that in deciding whether to make such contributions, transfers, or payments, the Authority shall use as a reference point the maintenance of a debt service coverage ratio of at least 2.0 (this reference point should not be interpreted as a covenant to maintain any particular coverage ratio), in addition to making the other determinations required by the Bond Resolution. The Policy Statement may at any time be modified or eliminated at the discretion of the Authority's Trustees.

Section 17 of Part JJJ of Chapter 59 of the Laws of 2021, part of the 2021-22 State Enacted Budget, provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by its trustees, the Power Authority is authorized and directed to transfer to the state treasury to the credit of the general fund up to $20 million for the state fiscal year commencing April 1, 2021, the proceeds of which will be utilized to support energy-related state activities. The Authority contributed in March 2022, $17.5 million to the general fund in connection with the 2021-2022 budget year.

Section 18 of Part FFF of Chapter 56 of the Laws of 2022, part of the 2022-2023 Enacted State Budget, provides that notwithstanding any provision of law to the contrary, as deemed feasible and advisable by its trustees, the Power Authority is authorized and directed to transfer to the state treasury to the credit of the general fund up to $20 million for the state fiscal year commencing April 1, 2022, the proceeds of which will be utilized to support energy-related State activities. As of December 31, 2022, there were no contributions made in connection to the 2022-2023 budget year. The Authority cannot predict what additional contributions to the State may be authorized in the future.

The Governor's 2023-24 Executive Budget proposal, contains legislation (A.3008-A/S.4008-A) that would among other things:
(1) enhance the Authority's existing powers to plan, design, develop, finance, construct, own, operate, maintain and improve renewable energy generating projects; (2) authorize the Authority to form subsidiaries and special purpose entities, and enter into collaborations with other entities to develop renewable generation projects when the Authority determines such collaborations will benefit Authority and the State; (3) require the Authority, within two years of the bill's effective date, to publish a plan for the phase-out, by December 31, 2035, of electricity production from its gas-fired peaker plants, subject to system reliability needs; (4) authorize the Authority to make available up to $25 million annually to fund training programs to prepare workers for employment in the renewable energy field; and (5) authorize the Authority to establish a program, called the "Renewable Energy Access and Community Help" Program, to enable electricity consumers in disadvantaged communities to receive bill discounts generated by the sale of renewable energy products generated from renewable energy systems developed by or for the Authority.

Temporary Asset Transfers

As a result of budget legislation enacted in February 2009, the Authority was authorized to provide, subject to Trustee approval, temporary asset transfers to the State of certain funds held in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 (the "MOU") between the State and the Authority, the Authority transferred to the State in 2009 $103 million of funds set aside for future construction projects ("Asset A") and $215 million of funds associated with its Spent Nuclear Fuel Reserves ("Asset B"). As of December 31, 2022, the Authority has received all the payments from the State and there is no remaining balance.

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g) Relicensing of Niagara

The Federal Energy Regulatory Commission ("FERC") issued the Authority a new 50-year license for the Niagara project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered by the Authority with various public and private entities. The Authority had estimated that the capital cost associated with the relicensing of the Niagara project would be approximately $495 million of which approximately $443 million has been disbursed. This estimate does not include the value of the power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. As of December 31, 2022, the balance in the recorded liability associated with the Niagara relicensing on the consolidated statement of net position is $190 million ($14 million in current and $176 million in other noncurrent liabilities). In addition to internally generated funds, the Authority had issued additional debt obligations to fund, among other things, Niagara relicensing costs. The costs associated with the relicensing of the Niagara project, including the debt issued therefore, were incorporated into the cost-based rates of the project.

The Authority executed the Relicensing Settlement Agreement Addressing New License Terms and Conditions ("Settlement Agreement") entered into by several parties to the relicensing of the Niagara Project, including The New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"). The Settlement Agreement provides, among other things, for the establishment of a Relicensing Settlement Agreement State Parks Greenway Fund, which is to be funded by the Authority in the amount of $3 million per year to OPRHP for the term of the 50-year License. In 2012 and 2017, OPRHP requested that the Authority accelerate such payments by making two lump sum payments of approximately $25 million each to pay for authorized projects. In order to make the lump sum payments, the Authority issued (a) $25 million in subordinated notes in 2012 and (b) $25 million in subordinated notes in 2017. The proceeds of those subordinated note issuances were made available to OPRHP. See Note 8 "Long-Term and Short-Term Debt" of the notes to the consolidated financial statements.

h) St. Lawrence-FDR Relicensing – Local Task Force Agreement

In 2003, FERC approved a Comprehensive Relicensing Settlement Agreement ("Relicensing Agreement") reached by the Authority and numerous parties and issued the Authority a new 50-year license for the St. Lawrence-FDR Project ("St. Lawrence-FDR License").

The St. Lawrence-FDR Power Project No. 2000 Relicensing Agreement ("LGTFSA") between the Authority and the Local Government Task Force ("LGTF") provided for a review of the LGTFSA every ten years to discuss issues not contemplated at the time of relicensing in 2003. The first such review commenced in December 2013. The Authority and the LGTF entered into an agreement in 2015 in which the Authority agreed to commit and the Trustees authorized up to $45 million over 10 years for certain actions, including to: (1) fund an economic development strategic marketing study (the "Marketing Study"); (2) temporarily reduce electricity costs for certain farms and businesses (the "Discount Program"); (3) initiate an energy efficiency and renewable energy program for the LGTF communities; and (4) enhance certain recreational facilities in the LGTF communities.

In 2016, the Authority's Trustees approved a proposal to terminate the Discount Program early and repurpose funding to be used to support a collaborative marketing effort between the Authority and North Country communities through the St. Lawrence County Economic Development Study Advisory Board created in connection with the Marketing Study at the rate of $2 million/year for five years ($10 million total) commencing in 2017. In 2017, the Authority's Trustees approved: (1) a new temporary business incentive program consisting of a monetary discount or rebate that would be payable to eligible private business applicants who agree to establish new business operations in certain North Country counties ("Business Incentive Discount Program"); and (2) the repurposing of funds previously approved for the marketing effort to include funding for the Business Incentive Discount Program. Funding repurposed for the marketing effort, including the Business Incentive Discount Program, would not exceed a total of $10 million.

As of December 31, 2022, the Authority has spent approximately $42 million of the $45 million authorized by the Trustees for the purpose of implementing the commitments in the LGTF 10-Year Review Agreement. As of December 31, 2022, the balance in the recorded liability associated with the St. Lawrence-FDR Project relicensing on the consolidated statement of net position is $32 million ($3 million in current and $29 million in other noncurrent liabilities).

i) Relicensing of Blenheim-Gilboa Pumped Storage Power Project

FERC issued a new 50-year operating license, effective May 1, 2019, to the Power Authority for the Blenheim-Gilboa Pumped Storage Power Project. In 2019, the Power Authority's Trustees accepted the new license and approved the settlement package with state and federal resource agencies, the towns of Gilboa and Blenheim, and Schoharie County. The Trustees also authorized $37 million in capital expenditures for the period 2019-2069 for all compliance, implementation, and settlement activities. The Authority has spent $8 million through December 31, 2022. The Authority has established a Recreation Fund in the amount of $4 million (total commitment under the settlement package is $6 million) of which $3 million has been disbursed and an Ecological Fund in the amount of $2 million (total commitment under the settlement package is $4 million) of which $1 million has been disbursed. As of December 31, 2022, the balance in the recorded liability associated with the Blenheim-Gilboa Pumped Storage Power Project relicensing on the consolidated statement of net position is $21 million ($1 million in current and $20 million in other noncurrent liabilities).

j) Construction Contracts

Estimated costs to be incurred on outstanding contracts in connection with the Authority's construction programs aggregate to approximately $1,125 million at December 31, 2022.

(18) Other Developments

Smart Path Connect

In meeting the advancement of the State's energy goals and supporting the Authority's VISION2030 goals, in 2020, the New York State Public Service Commission's ("NYSPSC") approved the Smart Path Connect Project ("Project") as a Priority Transmission Project with an in-service date of December 2025. The Project will be developed in cooperation with National Grid. Together the Authority and co-participant will rebuild approximately 100 miles of 230kV transmission lines to either 230kV or 345 kV, construct four new substations, and expand and/or upgrade seven existing substations. The goal of the Project is to allow for renewable generation from northern New York regions to be transmitted down-state, improving the NYS renewable energy consumption, as well as the efficiency of energy pricing throughout the state. Construction on a portion of the Project, which already has an Article VII certificate (known as "Smart Path Phase 2"), began in June 2022, this work will allow for the voltage on these lines to be increased from 230kV to 345kV. The Article VII application for the remainder of Smart Path Connect was submitted to the PSC in June of 2021 and was approved by the NYSPSC in August 2022. Construction on the remaining portion of work began in October 2022. As of Dec 31, 2022, the Authority has spent approximately $230 million. In 2022, the Authority's Trustees authorized capital expenditures for the Authority's portion of the Project in the amount of $790 million.

Transmission LEM Program

In 2012, the Authority's Trustees approved a $726 million Transmission Life Extension and Modernization Program (Transmission LEM Program) on the Authority's Transmission system through 2027. As of

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December 31, 2022, the Authority has spent approximately $494 million, $435 million in capital and $59 million in non-recurring O&M Investment. The Transmission LEM Program encompasses transmission assets in the Central, Northern and Western regions of New York and will include work to be done such as upgrades, refurbishments and replacements associated with switchyards and substations, transmission line structures or towers and associated hardware and replacement of the submarine cable on the PV-20 line. Reinvestment in this strategic component of the Authority's overall mission supports the repair, upgrade and/or expansion of the transmission infrastructure. The Transmission LEM Program will be financed with internal funds and proceeds from debt obligations issued by the Authority. The work on the Transmission LEM Program is underway and is expected to continue through 2027.

Lewiston LEM Program

The Authority's Trustees approved a $460 million Life Extension and Modernization Program at the Niagara project's Lewiston Pump-Generating Plant, (Lewiston LEM Program) of which approximately $388 million has been spent as of December 31, 2022. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The Lewiston LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara project. The Lewiston LEM Program will be financed with internal funds and proceeds from debt obligations issued by the Authority. The unit work began in late 2012 and is on-going, with the final unit expected to be completed in 2023.

Next Generation Niagara

The NextGen Niagara program replaces, overhauls and/or upgrades the thirteen (13) generating units and their associated auxiliary power generating equipment. Improvements will include replacing aging equipment with the latest machinery that reflects advanced digital technologies for optimizing the hydroelectric project's performance. The program is comprised of four main projects: Controls Upgrade, Mechanical/Electrical Overhauls, Penstock Platform, and 360-ton gantry Crane Upgrade with an estimated cost of $1 billion. As of December 31, 2022, the Authority has spent approximately $104 million.

Build Smart 2025

Build Smart 2025 is New York State's program for aggressively pursuing energy efficiency savings in New York State owned and occupied buildings of 11 tBTUs by December 31, 2025, while advancing economic growth, environmental protection, and energy security in New York State. Build Smart 2025 expands and continues the requirements of Build Smart NY to assist State entities in meeting statutory requirements established by the Climate Leadership and Community Protection Act (CLCPA), that "all state agencies shall assess and implement strategies to reduce their greenhouse gas emissions". The Authority manages the Build Smart 2025 program and monitors New York State agency performance. Since July 2021, the program has achieved 6.54 tBTUs towards the 11 tBTU goal.

Clean Energy Standard

In 2016, the NYPSC issued an order establishing a Clean Energy Standard (the "CES Order") to implement the clean energy goals of the State Energy Plan. Pursuant to the CES Order, load serving entities identified in the order are required to purchase Zero Emission Credits ("ZECs") from the New York State Energy Research Development Authority ("NYSERDA") to support the preservation of existing at-risk zero emissions nuclear generation. The Authority is not subject to NYPSC jurisdiction for purposes of the CES Order but has assumed an obligation to purchase ZECs consistent with the terms of the CES Order and intends to seek recovery of such costs from the Authority's customers. In January 2017, the Authority's Trustees authorized (a) participation in the NYPSC's ZEC program and (b) execution of an agreement with NYSERDA to purchase ZECs associated with the Authority's applicable share of energy sales. The Authority and NYSERDA executed an agreement covering a two-year period from April 1, 2017, to March 31, 2019, under which the

Authority committed to purchase ZECs in a quantity based on its proportional load in the New York control area. The Authority and NYSERDA executed an additional agreement covering a nine-year period from April 1, 2020, to April 1, 2029, under which the Authority committed to purchase ZECs in a quantity based on its proportional load in the New York control area, subject to certain adjustments. As of December 31, 2022, the Authority estimates that it will incur ZEC purchase costs associated with participation in the ZEC program of approximately $356 million in aggregate over the 2023-2026 period, of which approximately $3 million is not expected to be recovered under customer contracts that predate the adoption of the CES Order. As of December 31, 2022, the Authority has paid $344 million in ZEC purchase costs.

The current Clean Energy Standard set by the NYPSC requires that 70% of the State's electricity come from renewable sources by 2030. In support of the Clean Energy Standard goal for the State, in September 2021, the Authority entered into an agreement with the New York State Energy Research Development Authority ("NYSERDA") under which the Authority will be able to purchase renewable energy credits ("RECs") for certain of its customers starting in 2024. The Authority intends to seek recovery of costs associated with the agreement through sales of RECs by the Authority to the Authority's customers. The Authority is collaborating with its customers to help them achieve the Clean Energy Standard goals in ways that best meet their needs, which may include purchases of RECs from NYSERDA or from large-scale renewable projects contracted by the Authority in future procurements.

Erie Canal Harbor Development Corporation ("ECHDC")

On March 15, 2007, the FERC approved the Authority's application for a new license for the continued operation and maintenance of the Niagara Project. The Erie County/City of Buffalo Relicensing Agreement originally provided for the Authority to make annual payments of $1 million to Empire State Development Corporation ("ESDC") and annual payments of $2.5 million to the Waterfront Development Fund for fifty (50) years to support economic development and revitalization activities within the vicinity of the Buffalo Waterfront.

This agreement was amended in 2011, for the Authority to make annual payments through 2028 of $5 million to ECHDC for the Waterfront Development Fund to support the Canal Side Project and other economic development.

In order to further facilitate the financing of the Canal Side Project and to support other economic development and revitalization activities within the vicinity of the Buffalo Waterfront, ESDC and ECHDC requested that the Authority convert the modified payment schedule referenced above by replacing the final seven (7) outstanding annual payments of $4.7 million, totaling payments of $33 million, with a lump sum payment (net present value) of $27 million. The Authority's Trustees, at the March 29, 2022, meeting, authorized a conversion of the payment schedule, to an equivalent lump sum payment of $27 million to ECHDC. This payment was made on January 10, 2023.

(19) Canal Corporation

The Canal Transfer Legislation enacted April 4, 2016, authorized, but does not require, the Authority, to the extent that the Authority's Trustees deem it feasible and advisable as required by the Resolution, to transfer moneys, property, and personnel to the Canal Corporation.

The Canal Corporation operates at a loss and is expected to require substantial operating and maintenance support and capital investment. The Canal Corporation's expenses are expected to be funded by transfers of funds from the Authority. Any transfer of funds would be subject to approval by the Authority's Board of Trustees and compliance with the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented. Certain expenses eligible for reimbursement are expected to be reimbursed to the Authority by moneys held in the Canal Development Fund maintained by the State Comptroller and the

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Commissioner of Taxation and Finance. For the year ended December 31, 2022, the Canal Corporation recognized $2 million in revenues, $69 million in operations and maintenance expenses and $38 million in depreciation expense.

(20) Impact of COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel strain of the coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As COVID-19 accelerated throughout New York State the Authority paused all non-essential efforts temporarily and focused on maintaining core operations, keeping its workforce safe and preserving cash. As the year progressed and safety precautions implemented, the Authority methodically un-paused in field construction efforts. Significant construction was able to continue on many of the Authority's major capital projects.

To support the resiliency of the generation and transmission facilities of the Authority for the people of the State and power system generally, the Authority has entered into mutual aid agreements with other utility providers in the State and in Canada and is offering assistance to such other utilities through the exchange of employees as well as the sharing of expertise, equipment and materials. Two of these agreements expired in September 2022 and one will expire in March 2023.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Authority cannot predict the extent or duration of the outbreak or what impact it may have on the Authority's financial condition or operations. There can be no assurances that the spread of the Coronavirus and COVID-19 or other highly contagious or epidemic diseases will not have an adverse impact on the Authority's, financial position, results of operations, supply chains and customers. The effects of the pandemic on the Authority's financial performance or operations could be material.

As of December 31, 2022, the Authority incurred costs totaling $33 million in response to the pandemic ranging from critical employee sequestration and sanitization/cleaning supplies to facility protective measures and equipment for a remote workforce. The Authority will pursue eligible federal reimbursement through the State Department of Homeland Security.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Required Supplementary Information

(Unaudited)

Schedule of Changes in the New York Power Authority's Net OPEB Liability and Related Ratios
($ in millions, except percentages)

	June 30,			December 31,		
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
Total OPEB liability						
Service cost	$ 14	$ 20	$ 6	$ 13	$ 12	$ 12
Interest	43	42	18	39	38	36
Change of benefit terms	4	(2)	–	–	–	–
Differences between expected and actual experience	8	(1)	(2)	2	–	–
Change of assumptions	(42)	(153)	(3)	(72)	–	–
Canal transfer to the Power Authority OPEB Plan	-	218	–	–	–	–
Benefit payments	(32)	(34)	(12)	(25)	(25)	(22)
Net change in total OPEB liability	(5)	90	7	(43)	25	26
Total OPEB liability – beginning	614	524	517	560	535	509
Total OPEB liability – ending	$ 609	$ 614	$ 524	$ 517	$ 560	$ 535
Plan Fiduciary Net Position						
Contributions – employer	32	34	12	25	25	22
Net investment income	(93)	136	(36)	122	(35)	88
Benefit payments	(32)	(34)	(12)	(25)	(25)	(22)
Administrative expense	(9)	–	(1)	(2)	(2)	(2)
Net change in plan fiduciary net position	(102)	136	(37)	120	(37)	86
Plan fiduciary net position – beginning	785	649	686	566	603	517
Plan fiduciary net position – ending	$ 683	$ 785	$ 649	$ 686	$ 566	$ 603
Net OPEB liability / (asset) – ending	$ (74)	$ (171)	$ (125)	$ (169)	$ (6)	$ (68)
Plan fiduciary net position as a percentage of the total OPEB liability	112%	128%	124%	133%	101%	113%
Covered-employee payroll	$ 257	$ 227	$ 200	$ 200	$ 177	$ 177
Net OPEB liability / (asset) as a percentage of covered-employee payroll	(29)%	(75)%	(63)%	(84)%	(3)%	(38)%

Notes to schedule:

The amounts presented for the Authority's 2022 net OPEB liability (asset) were measured as of June 30, 2022, based on valuation results as of December 31, 2021, for the Power Authority's plan and May 1, 2022, for the Canal plan, projected to the measurement date on a no gain/loss basis.

This schedule is intended to present 10 years of data. Additional years will be presented prospectively.

The 2021 amount includes the Canal Corporation transfer to the Power Authority OPEB Plan (merged plan).

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(Unaudited)

Schedule of the New York Power Authority's OPEB Contributions

($ in millions, except percentages)

Measurement Date	(a) Contractually / Actuarially determined contribution	(b) Contributions made	Contribution deficiency / (excess)	(c) Covered employee payroll	Contributions as a percent of covered employee payroll column (b ÷ c)
June 30, 2022	$ 32	$ 32	$ –	$ 257	12%
June 30, 2021	34 12	34 12	– –	227 200	15% 8%
June 30, 2020	12	12	–	200	6%
December 31, 2019	25	25	–	200	13%
December 31, 2018	25	25	–	177	14%
December 31, 2017	40	22	18	177	12%
December 31, 2016	39	24	15	161	15%
December 31, 2015	38	38	–	149	26%
December 31, 2014	33	39	(6)	145	27%
December 31, 2013	41	42	(1)	147	29%

Notes to schedule:

Contributions: The Power Authority made contributions on a pay as you go basis in 2022 and did not contribute any amount beyond the contractually / actuarially required amounts.

Valuation date:	December 31, 2021, for the Power Authority; May 1, 2022, for Canal
Methods and assumptions used to determine contributions:	
Actuarial cost method:	Entry Age Normal, Level Percent of Salary
Amortization period:	Five-year period for differences between the expected earnings on plan investments and actual returns. Differences in assumptions and experience from expected are recognized over the average remaining service lives of all participants in the plan. Changes in benefit terms are recognized immediately.
Asset Valuation:	Market Value
Per Capita Claims:	The Power Authority - Developed using 2022 projected funding rates using the Power Authority's claims experience from January 1, 2020, through April 30, 2022. Canal – Developed using Canal claims experience from 2018 through 2019, and 2021.
Salary increases:	Varies by service, average of 8.80 percent for first year of service, 4.95 percent for 5 years of service, 4.2 percent for 10 years of service, 3.63 percent for 15 years of service, and 3.30 percent for 20 years or more of service
Participation rates:	Assumed 100% of future retirees who meet the eligibility requirements will participate in the OPEB plan.
Discount rate:	7.0%
Mortality:	The General Pub-2010 headcount weighted tables were used for active employees and healthy retirees and dependents, while the corresponding Contingent Survivor mortality tables were used for surviving spouses and the corresponding Disabled Retiree mortality tables were used for disabled participants. To project mortality improvement for years after 2010, the MP-2021 Projection Scale is applied on a fully- generational basis to the base rates

New York Power Authority

(A Component Unit of the State of New York)

Required Supplementary Information

(Unaudited)

Schedule of Investment Returns for the New York Power Authority OPEB Trust

Schedule of Investment Returns

Measurement Date	Annual money-weighted rate of return, net of investment expense
June 30, 2022	(11.86) %
June 30, 2021	21.00%
June 30, 2020	(5.30) %
December 31, 2019	21.40%
December 31, 2018	(6.30) %
December 31, 2017	16.70%
December 31, 2016	7.00%
December 31, 2015	0.41%
December 31, 2014	3.99%
December 31, 2013	20.41%

Note:

Average rate of return over ten-year period was 6.7%.

New York Power Authority

(A Component Unit of the State of New York)

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Canal Corporation's Net OPEB Liability and Related Ratios

($ in millions, except percentages)

	June 30,		December 31,		
	2021	2020	2019	2018	2017
Change in Net OPEB liability					
Net OPEB liability - beginning	$ 218	$ 198	$ 226	$ 234	$ 205
Service cost	–	4	8	9	7
Interest	–	3	8	8	8
Differences between expected and actual experience	–	–	(8)	–	–
Change of assumptions	–	16	(30)	(18)	20
Canal transfer to the Power Authority OPEB Plan	(218)	–	–	–	–
Benefit payments	–	(3)	(6)	(7)	(6)
Net change in net OPEB liability	(218)	20	(28)	(8)	29
Net OPEB liability – ending	$ –	$ 218	$ 198	$ 226	$ 234
Covered-employee payroll	N/A	$ 27	$ 27	$ 24	$ 24
Net OPEB liability as a percentage of covered-employee payroll	N/A	807%	733%	942%	975%

New York Power Authority

(A Component Unit of the State of New York)

Required Supplementary Information

(Unaudited)

Schedules Relating to the Employees' Retirement System Pension Plan

($ in millions, except percentages)

Schedule of Proportionate Share of the Net Pension Liability

As of March 31,	Proportion of the Net Pension Liability (Asset) Percentage	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a percentage of Covered Payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2022	(0.83)%	$ (68)	$ 242	(28.1)%	103.7%
2021	0.76	1	233	0.4	99.9
2020	0.77	203	219	92.8	86.4
2019	0.76	53	214	25.0	96.3
2018	0.72	23	205	11.3	98.2
2017	0.72	67	193	35.0	94.7
2016	0.60	96	166	57.4	90.7
2015	0.59	20	150	13.3	97.9
2014	0.60	27	148	18.2	97.2

Schedule of Contributions

Year Ending December 31,	Actuarially Required Contribution	Actual Contribution	Contribution (Excess) Deficiency	Covered Employee Payroll	Contribution as a Percentage of Covered Payroll
2022	$27	$27	$-	$242	11%
2021	36	36	–	233	15
2020	30	30	–	219	14
2019	29	29	–	214	14
2018	28	28	–	205	14
2017	28	28	–	193	15
2016	24	24	–	166	14
2015	25	25	–	150	17
2014	28	28	–	148	19
2013	29	29	–	146	20

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Power Authority of the State of New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Power Authority of the State of New York (the Authority), a component unit of the State of New York, which comprise the Authority's statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

KPMG

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

New York, New York
March 31, 2023