

**NEW YORK POWER AUTHORITY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**(Unaudited)**

**The accompanying Consolidated Financial Statements are the responsibility of the Authority's management and reflect all appropriate estimates and all known liabilities. These unaudited consolidated financial statements and accompanying notes to the consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in the Authority's December 31, 2021 Financial Report.**

**/s/ Sundeep Thakur** \_\_\_\_\_  
**Sundeep Thakur**  
**Controller**

**New York Power Authority  
Consolidated Financial Statements  
June 30, 2022**

**Table of Contents**

	<b><u>Page No.</u></b>
Consolidated Statements of Net Position	2
Consolidated Statements of Revenues, Expenses and Changes in Net Position	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5

**New York Power Authority**  
**Consolidated Statements of Net Position**  
(in millions)  
(Unaudited)

<b>Assets</b>		<b>June 30, 2022</b>	<b>December 31, 2021</b>
Current Assets:	Cash and cash equivalents	\$ 482	\$ 533
	Investment in securities	759	767
	Receivables – customers	312	253
	Materials and supplies, at average cost:		
	Plant and general	87	85
	Fuel	17	27
	Miscellaneous receivables and other	327	265
		1,984	1,930
Noncurrent Assets:			
Restricted Funds:	Cash and cash equivalents	67	58
	Investment in securities	14	15
		81	73
Capital Funds:	Cash and cash equivalents	55	-
	Investment in securities	149	-
	Cash and cash equivalents, committed (SFP)	63	-
	Investment in securities, committed (SFP)	53	-
		320	0
Capital Assets:	Capital assets not being depreciated	1,147	979
	Capital assets, net of accumulated depreciation	5,521	5,509
		6,668	6,488
Other Noncurrent Assets:	Other long-term assets	1,515	1,525
	<b>Total assets</b>	<b>10,568</b>	<b>10,016</b>
<b>Deferred Outflows</b>			
	Asset retirement obligation	17	17
	Accumulated decrease in fair value of hedging derivatives	153	87
	Pensions	188	188
	Postemployment benefits other than pensions	94	94
	<b>Total assets and deferred outflows</b>	<b>\$ 11,020</b>	<b>\$ 10,402</b>
<b>Liabilities</b>			
Current Liabilities:	Accounts payable and accrued liabilities	\$ 769	\$ 688
	Short-term debt	399	605
	Long-term debt due within one year	1	1
	Capital lease obligation due within one year	62	58
		1,231	1,352
Long-term debt:	Senior:		
	Revenue bonds	1,625	1,626
	SFP Bonds 2022	660	-
	Subordinated:		
	Subordinated Notes	38	38
		2,323	1,664
Other Noncurrent Liabilities:	Capital lease obligation	894	926
	Disposal of spent nuclear fuel	230	229
	Relicensing	251	250
	Other long-term liabilities	225	223
		1,600	1,628
	<b>Total liabilities</b>	<b>5,154</b>	<b>4,644</b>
<b>Deferred Inflows</b>			
	Cost of removal obligation	411	402
	Accumulated increase in fair value of hedging derivatives	18	-
	Pensions	225	225
	Postemployment benefits other than pensions	316	316
<b>Net Position</b>			
	Net investment in capital assets	3,083	3,181
	Restricted	71	63
	Unrestricted	1,742	1,571
	Total Net Position	4,896	4,815
	<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 11,020</b>	<b>\$ 10,402</b>

See accompanying notes to the consolidated financial statements.

**New York Power Authority**  
**Consolidated Statements of Revenues, Expenses and Changes in Net Position**  
(in millions)  
(Unaudited)

		<b>Six Months Ended June</b>	
		<b>30,</b>	
		<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>			
	Power Sales	\$ 1,286	\$ 786
	Transmission charges	165	162
	Wheeling charges	325	300
	Other revenues	13	13
	<b>Total Operating Revenues</b>	<b>1,789</b>	<b>1,261</b>
<b>Operating Expenses</b>			
	Purchased power	490	308
	Fuel oil and gas	217	81
	Wheeling	414	300
	Operations and Maintenance	357	343
	Depreciation	152	131
	<b>Total Operating Expenses</b>	<b>1,630</b>	<b>1,163</b>
	<b>Operating Income</b>	<b>159</b>	<b>98</b>
<b>Nonoperating Revenues</b>			
	Investment income	9	6
	Other	-	2
	<b>Total Nonoperating Revenues</b>	<b>9</b>	<b>8</b>
<b>Nonoperating Expenses</b>			
	Interest on long-term debt	34	25
	Interest & other	54	40
	Amortization of debt premium	(1)	(1)
	<b>Total Nonoperating Expenses</b>	<b>87</b>	<b>64</b>
	<b>Nonoperating Loss</b>	<b>(78)</b>	<b>(56)</b>
	<b>Net Income (Loss) and change in net position</b>	<b>81</b>	<b>42</b>
	<b>Net Position, January 1</b>	<b>4,815</b>	<b>4,743</b>
	<b>Net Position, June 30</b>	<b>\$ 4,896</b>	<b>\$ 4,785</b>

See accompanying notes to the consolidated financial statements.

**New York Power Authority**  
**Consolidated Statements of Cash Flows**  
(in millions)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Received from customers for the sale of power, transmission and wheeling	\$ 1,711	\$ 1,196
Disbursements for:		
Purchased power	(490)	(306)
Fuel, oil and gas	(187)	(79)
Wheeling of power by other utilities	(398)	(291)
Operations and maintenance	(422)	(397)
Net cash provided by operating activities	214	123
Cash flows from capital and related financing activities:		
Gross additions to capital assets	(344)	(273)
Issuance of commercial paper	-	-
Proceeds from issuance of Series 2022 Green Bonds	661	-
Issuance costs paid on debt	(9)	-
Repayment of bonds	-	-
Repayment of Notes	(100)	-
Repayment of commercial paper	-	-
Earnings on investments	-	1
Interest paid, net	(34)	(34)
Net cash (used in) provided by capital and related financing activities	174	(306)
Cash flow from noncapital-related financing activities:		
Energy conservation program payments received from participants	207	113
Energy conservation program costs	(117)	(121)
Issuance of commercial paper	194	114
Repayment of commercial paper	(300)	(50)
Interest paid on commercial paper	(4)	(2)
Payments received from New York State	-	43
Margin deposits with brokers	(66)	(54)
Net cash provided by noncapital-related financing activities	(86)	43
Cash flow from investing activities:		
Earnings received on investments	7	7
Purchase of investment securities	(1,379)	(1,185)
Sale of investment securities	1,145	732
Net cash provided by investing activities	(227)	(446)
Net increase in cash	75	(586)
<b>Cash and cash equivalents, January 1</b>	<b>592</b>	<b>947</b>
<b>Cash and cash equivalents, June 30</b>	<b>\$ 667</b>	<b>\$ 361</b>
Reconciliation to net cash provided by operating activities:		
Operating Income	\$ 160	\$ 98
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Provision for depreciation	152	131
Net (increase) decrease in miscellaneous receivables and other	19	(65)
Net increase in receivables and inventory	(68)	(89)
Net increase (decrease) in accounts payable/accrued liabilities and other	(49)	48
Net cash provided by operating activities	\$ 214	\$ 123

See accompanying notes to the consolidated financial statements.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**A. General**

The Power Authority of the State of New York (the “Power Authority” or the “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, Chapter 43-A of the Consolidated Laws of the State, as amended (the “Power Authority Act” or the “Act”).

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, high load factor industries and other businesses located throughout New York State, various public corporations located in Southeastern New York within the metropolitan area of New York City (SENY Governmental Customers), and certain out-of-state customers. In addition to contractual sales to customers, the Power Authority also sells power into an electricity market operated by the New York Independent Operator (“NYISO”).

The Power Authority acts through a Board of Trustees (“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 whose operations are not supported by State tax revenues. It 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 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 Power Authority and where no bonds to pay any costs of such project were issued prior to January 1, 1972.

On 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 Canal Corporation is responsible for a 524-mile canal system consisting of the Erie, Champlain, Oswego, and Cayuga-Seneca canals (the “Canal System”).

The Power Authority and its subsidiary, the Canal Corporation, are referred to collectively as the “the Authority” in the consolidated financial statements, except where noted. The consolidated financial statements are the responsibility of the Authority’s management and reflect all appropriate estimates and all known liabilities of the Power Authority and the Canal Corporation. Certain information and note disclosures that are normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The results for the six months ended June 30, 2022 are not necessarily

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

indicative of the results of the entire fiscal year ending December 31, 2022. The Authority's consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes to the consolidated financial statements included in the Authority's Financial Report for the year ended December 31, 2021.

**Accounting Policies**

Reference is made to "Summary of Significant Accounting Policies" in Note (2) of notes to the consolidated financial statements in the Authority's December 31, 2021, Financial Report. Effective January 1, 2017, the Canal Corporation, a subsidiary of the Authority, is reported as a blended component unit of the Authority under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. The Board members of the Canal Corporation are the same persons holding the offices of trustees of the Power Authority. The Power Authority provides financial support to the Canal Corporation.

The Power Authority accounts for its regulated operations under the provisions of GAS 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 Power 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 Power Authority believes the future collection of the costs held over through regulatory assets is probable.

GASB issued GAS Statement No. 87 (GAS No. 87), *Leases*, which was effective for reporting periods beginning after December 15, 2019, however, the effective date was postponed 18 months to June 15, 2021, due to the issuance of GASB Statement 95 (GAS No. 95). GAS 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 GAS 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 is currently evaluating the impact of GAS No. 87 on its consolidated financial statements and will reflect accounting changes, due to GASB 87, on its 2022 full year financial report.

GASB issued GAS statement No. 91 (GAS No. 91), *Conduit Debt Obligations*, which was effective for reporting periods beginning after December 15, 2020, however, the effective date was postponed to June 15, 2022 for the Authority due to the issuance of GAS No. 95. GAS 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 is currently evaluating the impact of GAS No. 91 on its

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

consolidated financial statements and will reflect accounting changes, due to GASB 91, on its 2022 full year financial report.

GASB issued GAS Statement No.92 (GAS 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 GAS No.95. GAS No.92 establishes accounting and financial reporting requirements for specific issues related to 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 is evaluating the impact of GAS No.92 on its consolidated financial statements. The Authority is currently evaluating the impact of GAS No. 92 on its consolidated financial statements and will reflect accounting changes, due to GASB 92, on its 2022 full year financial report.

GASB issued GAS Statement No. 93 (GAS 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 GAS 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 ceased to exist in its current form at the end of 2021, 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 believes that the impact of GAS No.93 on its consolidated financial statements will not be material.

GASB issued GAS Statement No. 96 (GAS No. 96), Subscription-Based Information Technology Arrangements, which is effective for reporting periods beginning after June 15, 2022. GAS 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 GAS No.96 on its consolidated financial statements.

GASB Issued GAS Statement No. 97 (GAS No. 97), Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No.14 and No.84 and superseded of GASB Statement No.32, which is effective for reporting periods beginning after June 15, 2021. The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board, mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. The Authority is evaluating the impact of GAS No.97 on its consolidated financial statements.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

GASB Issued GAS Statement No.99 (GAS 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 GAS No. 99 on its consolidated financial statements.

GASB Issued GAS Statement No. 100 (GAS 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 GAS No. 100 on its consolidated financial statements.

GASB Issued GAS Statement No. 101 (GAS 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 GAS No. 101 on its consolidated financial statements.

**B. Investments**

The Authority's investments, which comply with its legislative statute Trustee approved policy and the New York State Comptroller's Investment Guidelines for Public authorities, have been restricted to (a) authorized collateralized certificates of deposit, time deposits and money market funds, (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, (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) Guaranteed Investment 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 is also authorized to enter into repurchase and reverse repurchase agreements for the purchase and sale of authorized investments. 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 or \$50 million with any one dealer or bank. Monies will not be invested for terms in excess of the projected use of funds. Designated custodians hold all investments in the name of the Authority. Investments are reported in the consolidated statements of net position at fair value, using quoted market prices. Realized and unrealized gains and losses on investments are recorded as investment income in accordance with GAS Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**C. Capital Assets**

Capital assets are stated 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. Depreciation of capital assets is generally provided on a straight-line basis over the estimated useful lives of the various classes of capital assets. Capital assets, net of accumulated depreciation at June 30, 2022 and December 31, 2021 were:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	(in millions)	
<b><u>Type of Plant</u></b>		
Production:		
Hydro	\$ 2,435	\$ 2,427
Gas Turbine/Combined Cycle	2,398	2,398
Transmission	3,022	2,915
General	1,531	1,514
Canal System	935	919
	10,321	10,173
 <b><u>Accumulated Depreciation:</u></b>		
Production:		
Hydro	(993)	(971)
Gas Turbine/Combined Cycle	(1,510)	(1,468)
Transmission	(1,432)	(1,407)
General	(575)	(545)
Canal System	(290)	(273)
	(4,800)	(4,664)
Net value of capital assets depreciated	5,521	5,509
Land	193	193
Construction work in progress	954	786
	\$ 6,668	\$ 6,488

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**D. Debt**

**Revenue Bonds**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	(in millions)	
<b><u>Senior Revenue Bonds Outstanding:</u></b>		
Principal amount outstanding	\$ 1,562	\$ 1,562
Add: Unamortized premium and discount	63	64
	1,625	1,626
Less: Due within one year	-	-
	\$ 1,625	\$ 1,626

The Revenue Bonds outstanding at June 30, 2022, have an average interest rate of 4.24% and mature through 2060.

**Special Financing Projects**

In January 2022, the Authority's Trustees authorized the issuance of bonds consisting of \$608 million in tax exempt Series 2022A Green Transmission Project Revenue Bonds. These Transmission Revenue Bonds were issued under a Transmission Bond Resolution separate and apart from the Authority's General Bond Resolution. The Transmission Revenue Bonds were issued during April of 2022. The proceeds from the issuance of the Transmission Revenue Bonds will be used to fund a portion of capital expenditures related to the on-going Smart Path and Central East Energy Connect transmission construction projects; reimburse expenses related to Transmission Revenue Bond project costs; and to pay financing and other costs relating to the issuance of the Transmission Revenue Bonds. The Transmission Revenue Bonds are neither payable from nor secured by revenues pledge directly or indirectly under the General Resolution. The Transmission Revenue Bonds are limited obligations of the Authority payable solely from and secured by the SFP Transmission Trust Estate pledge under the Transmission Bond Resolution.

The Bond holders have a lien only on revenue streams generated by the assets that are funded by the bond proceeds. The assets funded by the 2022A Transmission Revenue Bonds are free from any liens or encumbrances related to 2022A Green Transmission Project Revenue Bonds.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	(in millions)	
<b><u>Transmission Resolution Revenue Bonds</u></b>		
<b><u>Outstanding:</u></b>		
Principal amount outstanding	\$ 608	\$ -
Add: Unamortized premium and discount	52	-
	660	-
Less: Due within one year	-	-
	\$ 660	\$ -

The Transmission Revenue Bonds 2022A outstanding at June 30, 2022, have an average interest rate of 3.25% and mature through 2061.

**Capitalized Interest**

On issuance of the Series 2020A and 2022A Transmission Revenue Bonds the Authority raised \$114M and \$28M respectively for interest payments related to these bonds. These interest payments are capitalized against specific assets under construction funded utilizing the bond offerings. The authority will capitalize \$53 million in 2022 and \$32 million 2023. The 2020A and 2022A bond capitalized funds will both be exhausted in 2023.

**Subordinated Debt:**

**Subordinate Notes**

In November 2016, the Authority’s Trustees authorized the issuance of Subordinated Notes, Series 2017 (Subordinated Notes Series 2017) in a principal amount not to exceed \$30 million to accelerate additional funding for the State Parks Greenway Fund. The Authority issued the subordinate notes on February 24, 2017 in the amount of \$25.2 million. These Subordinated Notes are subordinate to the Series 2003A Revenue Bonds, the Series 2007B, and the Series 2020A and 2020B Revenue Bonds.

In November 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 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. The Authority issued the Subordinated Notes Series 2012 on December 18, 2012 in the amount of \$25 million. These Subordinated Notes are subordinate to the Series 2003 A Revenue Bonds, the Series 2007B, and the Series 2020A and 2020B Revenue Bonds.

**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,

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

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 were no EMCP Notes outstanding as of June 30, 2022.

Under the provisions of the Second Amended and Restated Resolution Authorizing Commercial Paper Notes, adopted by the Authority on June 27, 2022 (the “Second Amended and Restated Resolution”), and the Certificate of Determination dated June 27, 2022 (the “Certificate of Determination” and together with the Second Amended and Restated Resolution, the “Resolution”), the Authority may issue from time to time a separate series of 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), and \$450 million (Series 3 CP Notes). See Note 7 of the notes to the consolidated financial statements in the Authority’s December 31, 2021 Financial Report for Series 1, and certain Series 2 and Series 3A & 3B CP Notes designated as short-term debt. There were no Series 4 CP Notes outstanding as of June 30, 2022.

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 1-3 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 1–3A CP Notes. On December 2, 2021 the 2019 RCA was extended by amendment for a one year period. The 2019 RCA expires January 13, 2023. The 2019 RCA succeeded the amended 2015 RCA, which expired by its terms on January 18, 2019 with no outstanding borrowings. As of June 30, 2022, there were no outstanding borrowings under the 2019 RCA. The Authority is currently working on an extension of the 2019 RCA.

The Authority entered into a hybrid revolving line of credit with a single bank on April 22, 2020 under an agreement (the 2020 RCA) to provide liquidity support for the Series 3 and Series 4 CP Notes and/or to borrow directly. The Authority may borrow up to \$250 million in aggregate principal amount outstanding at any time for certain purposes, including the repayment of Commercial Paper or for general corporate purposes. On April 12, 2022, the 2020 RCA was extended on by amendment for a one year period. The 2020 RCA expires on April 12, 2023. There are no outstanding borrowings under the 2020 RCA.

CP Notes and EMCP Notes are subordinate to the Series 2003A Revenue Bonds, the Series 2007B, the Series 2020A and 2020B Revenue Bonds. As of June 30, 2022, the Authority had \$399M CP Notes outstanding.

Interest on the Series 3A & 3B CP Notes is taxable to holders for Federal income tax purposes.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
(in millions)		
<b>Long-Term Subordinated Notes &amp; CP Notes outstanding:</b>		
Subordinated Notes, Series 2012	\$ 18	\$ 18
Subordinated Notes, Series 2017	21	21
	39	39
Less: Due within one year	1	1
	\$ 38	\$ 38

	<b>2022</b>	<b>2021</b>
(in millions)		
<b>Short-Term CP Notes outstanding:</b>		
Series 1 CP Notes	\$ 114	\$ 114
Series 2 CP Notes	121	166
Series 3A CP Notes	164	135
Series 3B CP Notes	-	90
	\$ 399	\$ 505

**E. Other Long-Term Assets**

Other long-term assets at June 30, 2022 and December 31, 2021 consist of the following:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
(in millions)		
Other long-term assets:		
Regulatory assets (a):		
Recoverable electricity supply market costs	\$ 398	\$ 395
Other regulatory assets	100	68
Total regulatory assets	498	463
Energy efficiency program costs (b)	300	318
Other long-term receivables	296	343
Transmission line interconnection	194	203
Other postemployment employee benefits	171	171
Other	56	27
Total other long-term assets	\$ 1,515	\$ 1,525

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

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

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**F. Risk Management and Hedging**

**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 are made to accept, mitigate, transfer, or avoid risks consistent with the organization's risk appetite in 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, 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 related 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 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 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 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 GAS Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GAS No. 53).

The fair values of all Authority derivative instruments, as defined by GAS 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, capacity and non-energy commodity derivative instruments are determined by end-of-trading-month forward prices

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

over the lifetime of each outstanding energy derivative instrument using the prices published by Standard & Poor's Global Platt's ("Platts"), market sources and/or internal pricing models.

**Derivative Instruments**

The following table shows the fair value of outstanding derivative instruments as of December 31, 2021 and June 30, 2022 and changes in fair value during the six months ended June 30, 2022:

Derivative instrument description	Fair value balance December 31, 2021	Net change in fair value	Fair value balance June 30, 2022	Type of hedge or transaction	Financial statement classification for changes in fair value	Notional quantity June 30, 2022	Units
	(\$ in millions)						
Energy Swaps/Futures (sales)	\$ (78)	\$ (65)	\$ (143)	Cash Flow	Deferred outflow	(10,286,234)	MWh
Energy swaps (purchases)	—	1	1	Cash Flow	Deferred inflow	21,961	MWh
Energy Capacity Swaps/Futures	(9)	(1)	(10)	Cash Flow	Deferred outflow	(11,041,000)	KWm
Non-Energy Commodity Swaps	—	10	10	Cash Flow	Deferred inflow	(61,470)	MT
Non-Energy Options	—	22	22	Cash Flow	Deferred inflow	(34,530)	MT
Totals	<u>\$ (87)</u>	<u>\$ (33)</u>	<u>\$ (120)</u>				

**Energy swaps and futures** – The Authority sells energy swaps and futures to manage the revenue stream from forecasted merchant hydro generation through 2025. Net settlement payments were \$84 million and \$46 million in 2022 and 2021, respectively.

**Energy capacity futures** – The Authority sells forward installed capacity futures intended to mitigate the volatility of market prices for transactions in the NYISO markets through 2025. Net settlement payments were \$4 million and \$19.4 million in 2022 and 2021, respectively.

**Non-energy commodities swaps** – 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 payments were \$3.5 million and \$33.7 million in 2022 and 2021, respectively.

**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 through 2024. Premium payments were \$16.6M and \$0 Million in 2022 and 2021, respectively. Net settlement Receipts were \$1.3 million and \$0 million in 2022 and 2021, respectively.

**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

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

credits in the statements of revenues, expenses and changes in net position. In 2022 to date, all 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 June 30, 2022, the Authority's individual or aggregate exposure to derivative instrument counterparty credit risk is not material

***Other Considerations***

The Authority from time to time may be exposed to any of the following risks:

**Basis risk** – The Authority is exposed to other 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 weaken, the Authority may be exposed to risk as a result of the hedging inability of the electrical commodity swaps to offset the delivery price of the related energy.

**Rollover risk** – Certain electrical commodity swaps are based upon projected future customer loads or facility operations. Beyond the terms of these swaps, the Authority is subject to the corresponding market volatilities.

**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.

**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

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

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, as a public entity and electric, which 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 being reviewed for updates and the Authority will continue to monitor their potential impact on the Authority's liquidity and/or future risk mitigation activities.

***Captive Insurance***

Bill # S7087A/A7087 authorizes the Power Authority of the State of New York to form a pure captive insurance company. This bill was passed by the NY Senate & NY Assembly and was delivered to and signed into law by the NY State Governor on May 9th, 2022, as Chapter 193 of the Laws of 2022. NYPA's trustees approved the formation of a captive insurance company, and the Authority is awaiting of license approval from the NYS Department of Financial Services. This process is expected to be completed during Q4 of 2022. Subsequently, a separate legal entity will be established by the Authority to conduct all captive insurance business. 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 claims handling process.

**G. 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 2011 to 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

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

through June 30, 2022, totaling cumulatively \$40 million. Operations and maintenance expenses included \$15 million of residential consumer discounts in each six-month period ended June 30, 2022 and June 30, 2021.

**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.

The Authority’s Trustees have approved the release of up to \$70M million in net earnings, calculated for the period from August 30, 2010 through December 31, 2022 as provided in the legislation, for deposit into the WNYED Fund. As of June 30, 2022, \$61.5 million has been deposited into the WNYED Fund. As of June 30, 2022, the Authority has approved awards of WNYED Fund money totaling approximately \$40 million to businesses that have proposed eligible projects and has made payments totaling \$36 million to such businesses. Payment of these awards is contingent upon the execution of acceptable contracts between the Authority and individual awardees.

**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 Northern New York Fund benefits and to make recommendations to the Authority concerning benefits awards.

SLCEDP consists of up to 20 MW of hydropower from the Authority’s St. Lawrence-FDR Power Project which the Authority 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 (the “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.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

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 June 30, 2022, the Authority's Trustees approved the release of funds, of up to \$17 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 June 30, 2022, approximately \$6.6 million has been deposited into the Fund. As of June 30, 2022, the Authority has approved awards of NNYED Fund money totaling approximately \$2.3 million to businesses that have proposed eligible projects and has made payments totaling approximately \$1.1 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.

#### **H. Financial Assistance to the State**

The Authority is requested, from time to time, to make voluntary 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 Authority's General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998, as amended and supplemented (the "Bond Resolution"). The 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 May 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 2021-2022 enacted State budget, authorizes the Authority, as deemed feasible and advisable by its Trustees, 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, \$17.5M to the general fund in connection with the 2021-2022 budget year. The Authority cannot predict what additional contributions to the State may be authorized in the future.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

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 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 June 30, 2022, there were no contributions made in connection to the 2022-2023 budget year.

As a result of budget legislation enacted in February 2009, the Authority was authorized to provide, subject to Trustees approval, temporary asset transfers to the State of funds held in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 (the “2009 MOU”) between the State, acting by and through the State’s Director of Budget, and the Authority, the Authority transferred \$215 million associated with its Spent Nuclear Fuel Reserves (“Asset B”) in March 2009 and \$103 million of funds set aside for future construction projects (“Asset A”) in 2009. The Authority subsequently executed amendments to the 2009 MOU in 2014 and 2017 that extended the return date for Asset A and Asset B, respectively, and provided for their return in installments over several years, subject to annual appropriation by the State Legislature. In the Second Amendment to the 2009 MOU in 2017, the Authority and the State agreed on a framework for alternative cost recovery agreements for each of State Fiscal Year 2017-18 through State Fiscal Year 2022-2023 the asset transfers have not been fully returned to the Authority that would relieve the Authority of up to \$5 million in cost recovery assessment payments to the State in each year. Asset A was returned to the Authority in 2018. As of June 30, 2022, the Authority has received cumulative payments of \$172 million on Asset B with the remaining installment payments of the Asset B transfers are reported in miscellaneous receivables and other (\$43 million). The remaining installment payment on Asset B of \$43 million was received by the Authority during the 3rd quarter of 2022.

**I. Pension Plans and Postemployment Benefits Other Than Pensions**

**Pension Plans**

In 2015, the Authority adopted Government Accounting Standard Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 is contributory except for employees who joined the ERS on or prior to July 27, 1976.

Current law requires, among other things, a minimum annual contribution to be made by employers to the NYSLERS. Under current law, the State Comptroller shall certify annually the rates expressed as portions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The required contributions to the NYSLERS were \$36 million and \$31 million for the NYSLERS fiscal years ended March 31, 2022 and 2021. The Authority’s contributions to the NYSLERS were equal to 100% of the required contributions for each year. The Authority’s pension contribution to the NYSLERS for fiscal year ended March 31, 2023, based on salary projection as of the NYSLERS fiscal year ended March 31, 2022, is expected to be approximately \$33 million. The average contribution rates relative to payroll for the NYSLERS’s fiscal years ended March 31, 2022 and 2023 have been set at approximately 16% and 13%, respectively.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

At June 30, 2022 and December 31, 2021, the Authority has recorded in its consolidated statements of net position a long-term liability of \$20 million and \$1 million, respectively, for its proportionate share of the net pension liability. For the six months ended June 30, 2022, the Authority recognized pension expense of \$19 million.

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

In 2018, the Authority adopted Government Accounting Standard Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GAS No. 75). The Power Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer non-contributory (except for certain optional life insurance coverage) health care plan. Employees and/or their dependents become eligible for these benefits when the employee has at least 10 years of service and retires or upon death while employed by the 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 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”), an Agent Multiple-Employer plan. NYSHIP is administered through the Department of Civil Service. NYSHIP does not provide for legally segregated assets for the purpose of paying benefits under its plan.

In 2021, the Authority adopted amendment to the Authority’s OPEB Trust allowing the trust to be used to pay benefits for both the Authority’s OPEB Plan and the Canal Retiree Health Plan.

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 funding of the Power Authority’s annual OPEB contribution is at the discretion of management as approved by the Board of Trustees. The Power Authority made contributions on a pay-as-you go basis in the six months ended June 30, 2022 and did not contribute any amount beyond these contributions to the OPEB Trust.

The Authority’s consolidated OPEB expense was \$5 million for the six months ended June 30, 2022 and \$7 million expense for the six months ended June 30, 2021. The Authority’s most recent annual valuation was measured as of June 30, 2021 based on results as of December 31, 2019 for the Power Authority’s plan and May 1, 2020 for the Canal plan, projected to the measurement data on a no gain/loss basis and resulted in total OPEB liability of \$614 million and plan fiduciary net position of \$785 million, a 128% plan fiduciary net position as a percentage of the total OPEB liability.

**J. 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,

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

“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 (see Note H - “Financial Assistance to the State” of notes to the consolidated financial statements relating to a temporary transfer of such funds to the State). As of June 30, 2022, and December 31, 2021, the Power Authority’s liability for the pre-1983 spent fuel obligation totaled \$230 million and \$229 million, respectively.

**K. Other Commitments and Contingencies**

**Governmental Customers in the New York City Metropolitan Area and Southeastern New York**

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 passed through 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 into 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.

**Astoria Energy II**

In 2008, on behalf of the SENY customers, the Authority entered a long-term power purchase agreement with Astoria Energy II LLC for the purchase of the output of Astoria Energy II, a new 550-MW plant, which was constructed and entered into commercial operation on July 1, 2011 in Astoria, Queens. The delivery period under the contract is through 2031. The Authority’s contract with the SENY customers served by the output of Astoria Energy II is coterminous with the power purchase agreement with Astoria Energy II LLC, and all net costs of the Authority under the power

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

purchase agreement with Astoria Energy II LLC are direct pass through to such customers for the full term of the power purchase agreement.

The Authority is accounting for and reporting power purchase agreement as a capital lease in the amount of \$952 million and \$984 million as of June 30, 2022 and December 31, 2021, respectively, which reflects the present value of the monthly portion of lease payments allocated to real and personal property. The balance of the monthly lease payments represents the portion of the monthly lease payment allocated to operations and maintenance costs which are recorded monthly. As of June 30, 2022, the Authority has a recorded capital asset (net of depreciation) of \$558 million and a regulatory asset with respect to the recoverable cost associated with the lease obligation of \$398 million.

**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 leased 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. As of June 30, 2022, the Authority estimated that its under-recovery of costs for the Line could be in the range of approximately \$95 million to \$108 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 June 2022, the Authority has paid approximately \$147.3 million in RTEP charges for the Line. Effective 2018, HTP relinquished 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.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

While PJM had determined that the Authority had no RTEP payment responsibility starting in 2018 as a result of HTP's FTWR relinquishment, in March 2020, the Federal Energy Regulatory Commission ("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 \$1.1 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 ruling.

**Small, Clean Power Plants**

To meet capacity deficiencies and ongoing load requirements in the New York City metropolitan area in the early 2000s, the Authority placed into operation the Small, Clean Power Plants ("SCPP"), 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.

**Relicensing of Niagara - New York State Office of Parks, Recreation and Historic Preservation**

On July 18, 2005, 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) \$25.2 million in subordinated notes in 2012 and (b) \$25.2 million in subordinated notes in 2017. The proceeds of those subordinated note issuances were made available to OPRHP. See Note D – "Debt" of notes to the consolidated financial statements.

**St. Lawrence-FDR Project Relicensing – Local Task Force Agreement**

The St. Lawrence-FDR Power Project No. 2000 Relicensing Agreement ("LGTFSA") between the Authority and the Local Government Task Force ("LGTF") provides 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 up to \$45.1 million over 10 years for certain actions, including to: (1) fund an economic development strategic marketing study (the "Marketing Study");

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

(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 July 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 (“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 (“Advisory Board”) at the rate of \$2 million/year for five years (\$10 million total) commencing in 2017.

In July 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.

**Relicensing of Blenheim-Gilboa Pumped Storage Power Project**

On April 30, 2019, FERC issued a new 50-year operating license, effective May 1, 2019, to the Authority for the Blenheim-Gilboa Project. In May 2019, the Board of 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 \$37.1 million in capital expenditures for the period from 2019 through 2069 for all compliance, implementation and settlement activities. Through June 30, 2022, the Authority has disbursed approximately \$7.6 million. Through June 30, 2022, the Authority funded a Recreation Fund in the amount of \$4 million (total commitment under the settlement package is \$6 million) of which \$2.4 million has been disbursed and an Ecological Fund of \$2 million (total commitment under the settlement package is \$3.5 million). As of June 30, 2022, the Authority has a relicensing liability of approximately \$21 million.

**Litigation 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

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

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. 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 non-settling parties have agreed to enter into mediation and has agreed to extend the deadline to complete mediation to October 31, 2022. The Authority is in continuing to monitor those settlement discussions.

**Long Island Sound Cable Project**

In January 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 June 30, 2022 and December 31, 2021, the consolidated statements of net position includes approximately \$9 million, respectively, in other long-term assets, reflecting the cost of damages net of insurance and litigation recoveries. The Authority will recover the remainder through contractual obligations.

**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 into a contract with Catalyst Aviation, LLC ("Catalyst") for helicopter services. On October 30, 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.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

The Authority, represented in the Litigation by outside counsel, filed a Summary Judgment Motion on behalf of the defendants in both cases, including NYPA, which was granted in full by the lower court. Both plaintiffs have now appealed to the Appellate Division, Second Department. Those appeals are pending.

**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 of 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.

**Canal Corporation**

Legislation (the "Canal Corporation Transfer Legislation") was enacted on April 4, 2016 which provided for (1) the transfer of the Canal Corporation from the New York State Thruway Authority (the "Thruway Authority") to the Authority and (2) the Authority's assumption from the Thruway Authority of powers and duties relating to the Canal System, and jurisdiction over the Canal System and state assets, equipment and property in connection with the planning, development, construction, reconstruction, maintenance and operation of the Canal System, which the Authority is authorized to exercise through the Canal Corporation. The Canal Corporation is responsible for a 524-mile canal system consisting of the Erie, Champlain, Oswego, and Cayuga-Seneca canals (the "Canal System").

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 and all liabilities, including its postemployment benefits other than pensions ("OPEB"), 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 Commissioner of Taxation and Finance.

By resolution adopted December 7, 2021, the Canal Corporation's Board of Directors adopted a budget for 2022-2025 that consisted of expenditures for operations and maintenance expenses and, for capital expenses. The Authority's budget and financial plan for 2022-2025 includes Canal-related operating expenditures of approximately \$89.4 million per year and capital expenditures of approximately \$39.7 million per year and \$2.2 million for Canal Development Fund expenses.

For the six months ended June 30, 2022, the Canal Corporation recognized approximately \$1 million in revenues, \$37 million in operations and maintenance and \$19 million in depreciation expense.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

Through June 30, 2022, the Authority's Trustees have authorized the release of up to \$42.3 million in funding to support operations of the Canal Corporation in 2022.

**L. Other Developments**

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

The Authority executed a Memorandum of Understanding ("MOU") with North America Transmission ("NAT") to develop and submit proposals to the solicitation. 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.

The NYISO estimated the total cost of the Segment A project to be about \$750 million (in 2018 dollars, including 30 percent contingency). In August 2019, LS Power and the Authority submitted an Article VII application to the New York State Public Service Commission's ("PSC") and the Authority filed a petition for incentive rate treatment with the FERC pursuant to FERC's regulations Section 219 of the Federal Power Act. FERC granted the Authority's requested incentive rates effective November 21, 2019 inclusive of a 9.45% return on equity. The Commission approved the Article VII Certificate and first EM&CP on January 21, 2021. 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.

In January 2021, the Authority's Trustees approved a capital expenditure of approximately \$208.3 million for Segment A. Prior to this, the Trustees approved a total of \$31 million in capital expenditures for the Project. In December 2019, the Authority's Trustees approved a capital commitment of \$275 million for the Segment A project. As of June 30, 2022, the Authority has spent approximately \$133.5 million. The fourth and final Environmental Management and Construction Plan (EM&CP) was filed and approved by the DPS in May 2022.

In July 2020, the Trustees approved the Authority's request to exercise its 37.5% purchase option. LS Power 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 FERC on April 16, 2020. The Authority is recovering its costs of the Segment A project through FERC's cost-recovery mechanism outlined in the NYISO tariff.

The Central East Energy Connect project is now being funded with proceeds from the Transmission Resolution Revenue Bonds. See Section "D. Debt" for further information.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**Smart Path (Moses Adirondack Smart Path Reliability Project)**

The Authority is moving forward with its plans to update a major section of the Moses Adirondack Line, 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 NYISO tariff to include the costs of this project in its NYPA Transmission Adjustment Charge 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 updates of obsolete wood pole structures with higher, steel pole structures, as well as 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 is also expected to enhance grid reliability by supporting the NYISO's black start plan.

All Environmental Management and Construction Plans for the 78 miles of transmission line rebuild have been approved by the PSC and construction is currently underway. As of June 30, 2022, the Authority has spent approximately \$390 million of the project's estimated cost of \$484 million. Construction commenced in 2020 with completion expected in 2023. As of June 30<sup>th</sup>, 2022, 4 of the 6 segments for Smart Path have been energized.

The Smart Path project is now being funded with proceeds from the Transmission Resolution Revenue Bonds. See Section "D. Debt" for further information

**Smart Path Connect**

In meeting the advancement of the State's energy goals and supporting the Authority's VISION2030 goals, in 2020, the PS approved the Smart Path Connect Project ("Smart Path Connect") as a Priority Transmission Project with an in-service date of December 2025. Smart Path Connect will be developed in cooperation with a third-party co-participant. Together the Authority and co-participant will rebuild approximately 100 miles of 230kV and 345kV transmission lines, construct three new substations, and expand and/or upgrade eight existing substations. The goal of smart Path Connect is to allow for renewable generation from northern New York regions to be transmitted down-state, improving the State's 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 2021. The Article VII application for the remainder of Smart Path Connect was submitted to the PSC in June of 2021 and was approved in August 2022. Construction on the remaining portion of work is anticipated to begin in Q4 2022 consistent with permit requirements. As of June 30, 2022, the Authority has spent approximately \$84 million. In 2021, the Authority's Trustees authorized capital expenditures for the Authority's portion of the Project in the amount of \$605 million.

**Clean Energy Standard**

In 2016, the PSC 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

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

preservation of existing at-risk zero emissions nuclear generation. The Authority is not subject to PSC 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 PSC'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 June 30, 2022, the Authority estimates that it will incur ZEC purchase costs associated with participation in the ZEC program of approximately \$350 million in aggregate over the 2021-2025 period, of which approximately \$3.5 million is not expected to be recovered under customer contracts that predate the adoption of the CES Order. As of June 30, 2022, the Authority has paid \$311.0 million in ZEC purchase costs.

The current Clean Energy Standard set by the PSC 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.

**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, 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 5.92 tBTUs towards the 11 tBTU goal as of June 30, 2022.

**Electric Vehicle Acceleration Initiative**

In 2018, the Authority's Trustees approved an overall allocation of up to \$250 million to be used through 2025 for an electric vehicle charging acceleration initiative of which \$43 million was authorized for the first phase of the initiative. The Authority will operate a charging network of up to 800 DC fast chargers across the State by 2025. As of June 30, 2022, 98 fast chargers were in operation. As of June 30, 2022, approximately \$31 million has been spent.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**Clean Path**

In September of 2021 Governor Hochul announced the award of the Clean Path NY 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 Clean Path NY project. The proposed project plans to deliver power from new and existing solar and wind generation projects in Upstate and Western New York through a newly constructed High Voltage Direct Current transmission line into New York City. The NYSERDA contract for the project was approved by the PSC on April 14th 2022. Preparation of permitting applications, engineering and procurement are ongoing. The project is expected to be in-service in 2027.

**Erie Canal Harbor Development Corporation (“ECHDC”)**

On March 15, 2007, the FERC approved the Power Authority’s application for a new license for the continued operation and maintenance of the Niagara Project, the Agreement originally provided for the Power 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, for the Power Authority to make annual payments through 2028 of \$4.7 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, ESDC and ECHDC requested that the Power Authority convert the modified payment schedule referenced above by replacing the final seven (7) outstanding annual payments of \$4.7 million, total payments of \$32.9 million with a lump sum payment (net present value) of \$27.1 million. The Power Authority's Trustees, at the March 29, 2022 meeting, authorized a conversion of the payment schedule, to an equivalent lump sum payment of \$27.1M to ECHDC. This payment will be made during 2022.

**Power Purchase Agreements (“PPA’s”)**

The Authority purchased, \$519 million in 2022 and \$611 million 2021, in open market on behalf of its customers costs of which is reimbursed by the customers on a monthly basis. 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 financial statements.

**COVID Related Matters**

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.

**New York Power Authority**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

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. These agreements are currently expected to remain in effect through September 2022.

Because of the evolving nature of the COVID-19 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 June 30, 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.